

Internal Audit Report

Management of Student Activity Funds

Magnolia Trace Elementary School

December 11, 2024

St. Tammany Parish School System

Office of Internal Audit

Background

Magnolia Trace Elementary (MTE) School is located in Mandeville, Louisiana and provides services to approximately 350 second and third grade students. The St. Tammany Parish School Board (STPSB) employs individuals to work at MTE. The management structure of MTE includes a Principal and one Assistant Principal with the bookkeeper reporting to the Principal.

Public schools in Louisiana are supported primarily by state funding and local taxes. In addition to this funding, individual schools generate additional revenues from other sources such as fundraisers and other school activities. These revenues, known as Student Activity Funds, supplement the instructional program and contribute to the educational experiences of the students and benefit the general welfare of the school.

The management of the Student Activity Funds is decentralized with oversight at the level of the Principal. Financial policies and procedures governing the management of the Student Activity Funds have been developed by STPSB and are updated annually and promulgated to all key school personnel.

Audit Objectives

The objectives of the audit were to:

- Determine the adequacy of the internal control environment over the school's accounting function at MTE.
- Review the school's compliance with STPSB School Finance Handbook (Administrative Guidelines/Best Practices for School Activity Funds Accounting).

Audit Scope

For the period 11/1/2023 to 10/31/2024, a limited review was performed of the financial records of MTE. The purpose of the review was to determine if the school's financial records, policies, and procedures were maintained in accordance with the STPSB School Finance Handbook and Louisiana Revised Statutes. This review included tests of the accounting records and other auditing procedures deemed necessary.

Testing Method

Key members of management, accounting and bookkeeping staff at MTE were interviewed to gain an understanding of the financial management of the school. In addition, financial policies and procedures contained in the STPSB School Finance Handbook were reviewed.

Procedures included the assessment of controls for each in-scope audit area. Documents that were reviewed during testing included supporting documentation for a combined thirty-seven receipt and disbursement transactions. This documentation included but was not limited to invoices, receipts, bank records, purchase authorization forms, bank reconciliations, and bank statements.

Transaction total amounts tested for the period 11/1/2023 to 10/31/2024 were as follows:

- \$ 15,213 in receipts (34% of total \$'s receipted)
- \$ 20,915 in disbursements (35% of total \$'s disbursed)

Audit Observations/Results:

1. Compliance With Fund Collection Policy – Recording All Receipted Funds

Observation:

Funds received by school employees were not consistently documented on a Money Collection Form. More than half of the samples selected for receipt's testing were not recorded on the required Money Collection Form.

Recommendation:

As indicated in the Finance Department's Administrative Guidelines/Best Practices for School Activity Funds Accounting, "all persons receiving funds are required to issue receipts to the individual giving them the funds. The receiver will then list all names and amounts on the School Money Collection Form.

Management Action Plan:

We will document all receipts on the collection form moving forward.

2. Compliance with Fund Expenditure/Obtaining Proper Approval Prior to Purchasing School-Related Items

Observation:

As part of the disbursement testing process, a sample of thirteen disbursements were reviewed. Several of the disbursements sampled were either invoiced prior to the Principal's approval via the Purchase Request Form or a Purchase Request form was not used to document the Principal's approval to purchase item(s).

Recommendation:

All expenditures require the prior written approval of the Principal with "an amount not to exceed" provided on the Purchase Request Form. The Principal's approval confirms that related account funds are available to cover the expenditure, that the person requesting the expenditure is authorized to do so, and that the disbursement is in accordance with LSA-RS 17:414.3 (B)(3). In order to maintain an environment with appropriate internal controls regarding disbursements, all required prior written approvals or supporting documentation must be obtained and recorded.

Management Action Plan:

Written documentation of approvals for all purchases will be implemented for every purchase even if it was approved in previous years.

3. Compliance With Fund Collection Policy - Processing Checks Received From Mail

Observation:

At times, the bookkeeper is the first person involved in processing the daily mail. In cases where checks are received by mail, the bookkeeper is retaining the checks, preparing the Money Collection Form, preparing the checks for deposit to the bank, making the bank deposit and reconciling the bank statement.

Recommendation:

There should be some segregation of duties involved in the mail processing function. In this situation, the bookkeeper should not be the initial person processing the mail. A different employee should open the mail, create a Money Collection Form listing any checks received and forward the funds to the bookkeeper.

Management Action Plan:

Mail will be opened by someone other than the bookkeeper.