

Internal Audit Report

Management of Student Activity Funds

Bayou Woods Elementary School

October 26, 2020

St. Tammany Parish School System

Office of Internal Audit

Audit Objectives

The objectives of the audit were to:

- Determine the adequacy of the internal control environment over the school's accounting function at Bayou Woods Elementary School.
- Review the school's compliance with St. Tammany Parish School Board (STPSB) Financial Handbook Guidelines/Best Practices for School Activity Funds Accounting.

Audit Scope

Performed a limited review of the financial records of Bayou Woods Elementary School for the last fiscal year ending June 30, 2020. The purpose of the review was to determine if the school's financial records, policies, and procedures were maintained in accordance with the St. Tammany Parish School Board Administrative Guidelines/Best Business Practices for School Activity Funds Accounting Manual and State statutes. This review included tests of the accounting records and other auditing procedures deemed necessary. These test were to ensure that financial transactions contained the following characteristics:

- All transactions and activities were properly authorized
- Segregations of duties
- Supporting documentation
- Adequate level of controls over assets and records

Testing Method

Key members of the STPSB Business Affairs School Accounting Department and Bayou Woods Elementary School were interviewed to gain an understanding of the management of Student Activity Funds. In addition, financial policies and procedures contained in the STPSB Financial Handbook Guidelines related to the management of Student Activity Funds 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 50 transactions. This documentation included but was not limited to invoices, receipts, bank records, purchase authorization forms, bank reconciliations and bank statements.

Audit Observations/Results:

1. Comply With Fund Expenditure/Purchasing Policy and Obtain Proper Approval Prior To Purchasing School-Related Items

Observation:

As part of the disbursements testing, several Purchase Request Forms were reviewed to ensure the approval process was appropriate. A review of the school's Purchase Request forms indicated that in one situation, the Principal initiated a disbursement request and had the Assistant Principal sign the "Principal Approval" to authorize an expense. In order to maintain an environment with appropriate internal controls, the Purchase Request form should be approved by someone at a higher level of authority above the requestor; in this case the Principal. However in this instance, the final expense approval was obtained from an employee reporting to the Principal.

Related to a different expense, school funds were used to purchase a \$650 unique item without completing any purchase request form to document the Business Purpose or the approval process for this expense.

Recommendation:

The school should follow the STPSB Financial Handbook that requires that the School Purchase Request Form be completed prior to any purchase and that all documentation supporting the purchase retained and provided as support for the purchase. Also, except in rare situations, the Principal should not originate a purchase request and have someone else at the school sign the "Principal Approval" section. All expenditures require the prior written approval of the Principal on the Purchase Request form. The Principal's approval confirms that the 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 14:414.3 (B)(3).

Management Action Plan:

As of October 13, 2020, the requirement that all purchases contain prior written approval has been reemphasized. The Principal and bookkeeper will cross check to assure this is done. Except upon rare occasions, the Principal will not originate any purchase requests. If the Principal must originate a purchase request, that purchase will be approved by the Principal's supervisor or someone at a higher level.

2. Only the Principal Should Complete the Annual Acknowledgement Regarding Ethics Certification For All Employees

Observation:

Per LA R.S. 42:1170A, all public employees shall complete one hour of education and training on the Code of Government Ethics during each year of their public employment. Human Resources manages the process to ensure that all school employees receive their annual Ethics training and requires the Principal of each school to collect & maintain the individual certifications of their employees and acknowledge to Human Resources that this was completed. In 2019, the Assistant

Principal completed and signed the Principal acknowledgement. This Human Resource annual certification is intended to only be signed by the Principal.

Recommendation:

The Principal should complete the annual Human Resource request for Ethics training certification.

Management Action Plan:

In the future, the Principal will complete the annual Human Resource acknowledgement request for Ethics training certification.

Audit Opinion:

The internal audit opinion is based on several components: (a) the results of testing and observations obtained and their impact on the schools financial records and (b) the level of existing internal controls over the school's financial records.

For FY 2020, internal controls over the school accounting records appear to be satisfactory. This opinion is supported by the level of compliance with the STPSB Finance Handbook in general and the level of supporting documentation maintained relating to the school's daily operations. The specific findings and recommendations are included in this report.