Internal Controls and Audits for Local School Activity Funds

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State of Alabama Department of Education
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Financial Procedures for Local Schools

- Available from Alabama Department of Education web site – **www.alsde.edu**
- Locate **Department Offices** upper left
- Under **Office of LEA Support** select **LEA Fiscal Accountability**
- Select **Local Schools** (yellow tab)
- Select **Procedures** (tab)
- Select **Local School Financial Procedures**

FINANCIAL PROCEDURES FOR LOCAL SCHOOLS

ALABAMA DEPARTMENT OF EDUCATION

APPROVED JUNE 10, 2010

STATE BOARD OF EDUCATION
S·E·A·L
ALABAMA

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LEA Fiscal Accountability > Local Schools: Audits

Audits | Procedures

Title	Description
Audit Findings	This document contains findings and recommendations for corrective actions from the audit reports of Alabama school boards.
State Examiners 2010 Update on Local School Finance	This document displays the State Examiners of Public Accounts' presentation on local school finance at the AASOP workshop in June 2010.

LEA Fiscal Accountability > Local Schools: Procedures

Audits | Procedures

Title	Description
Guidelines for School Related-Organizations Final	These guidelines provide financial accountability requirements for booster clubs, parent-teacher groups, and other school-related organizations.
Local School Financial Procedures	The Financial Procedures for Local Schools was approved by the State Board of Education on June 10, 2010.
School Parking and Locker Fees	This document contains new guidance for the expanded use of student parking fees and locker rental funds.
SDE Presentation Financial Procedures for Local Finances	This document displays the SDE's presentation on the Financial Procedures for Local Schools.

School Fiscal Accountability Act

Act No.2006-196

Regular Session 2013 | History | Sponsors | Fiscal Notes | Amds/Subs | View | Help

Session | Code of Ala | Constitution

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View

The Code of Alabama 1975

Title 13A CRIMINAL CODE.

Title 14 CRIMINAL CORRECTIONAL AND DETENTION FACILITIES.

Title 15 CRIMINAL PROCEDURE.

Title 16 EDUCATION.

Title 17 ELECTIONS.

Title 18 EMINENT DOMAIN.

- Section 16-13A-1 Fiscal management policies.
- Section 16-13A-2 Financial oversight by State Superintendent of Education; appointment and duties of Chief Education Financial Officer; internal audits of schools and school systems.
- Section 16-13A-3 Financial training of local superintendents of education.
- Section 16-13A-4 Appointment; removal of chief school financial officer; qualifications.
- Section 16-13A-5 Supervision, fiduciary responsibility of chief school financial officer; duties.
- Section 16-13A-6 Required reports.
- Section 16-13A-7 Audits.
- Section 16-13A-8 Authority to expend funds.
- Section 16-13A-9 Reserve funds.
- Section 16-13A-10 Penalties for failing to comply with chapter.
- Section 16-13A-11 Liability.
- Section 16-13A-12 Bonding.
- Section 16-13A-13 Publication of budget and financial information.

Section 16-13A-5 Supervision, Fiduciary Responsibility of CSFO; Duties

- (a) The chief school financial officer shall work under the direct supervision of the local superintendent of education but shall have a fiduciary responsibility to the local board of education.
- (b) The chief school financial officer shall perform each of the following duties:
- (1) Verify the receipt of all funds to which the local board of education may be entitled by law or which may come into its possession for public school purposes.
- (2) Verify the payment of such funds, such payments to occur only on written order of the local superintendent of education.
- (3) Keep an accurate record of all receipts and expenditures and provide such information to the local superintendent and the local board.
- (4) Make reports as may be required by law, by the local board of education, or by rules and regulations of the State Board of Education.
- **(5) Personally notify, in writing, each board member and the local superintendent of education of any financial transaction of the local board of education which the chief school financial officer deems to be non-routine, unusual, without legal authorization, or not in compliance with the fiscal management policies of the board. The notification shall be recorded in the minutes of the board by the president of the local board of education.**
- (6) Be bonded in an amount determined by the State Board of Education.

Section 16-13-A-6 Required Reporting

a) The State Board of Education shall by regulation provide for various financial and other information which local superintendents of education shall have prepared for the local boards of education, including, but not limited to, the following:

1) A monthly financial statement showing the financial status of the local board of education accounts with itemized categories specified by the State Board of Education.

2) A monthly report showing all receipts and the sources thereof.

3) A monthly report showing all expenditures with itemized categories specified by the State Board of Education.

4) An annual projected budget.

5) Monthly and/or quarterly reports showing expenditures relative to such projected budget.

6) A yearly report of the fixed assets inventory of the local board of education with itemized categories specified by the State Board of Education.

7) Financial and other information necessary to participate in national statistical studies on education.

b) The financial information required in subsection (a), as well as any other financial information which the State Board of Education shall require, shall be submitted in writing and/or electronically to the Chief Education Financial Officer by the 15th day of the month following its presentation to the local board of education.

c) All local boards of education shall be required to implement a standardized financial accounting program as determined by the State Department of Education to collect the information required by this chapter and to provide for ease of input by local boards of education and ease of monitoring by a local board of education, its chief school financial officer, and the State Department of Education. If a local school system's financial report is found to be in conflict with generally accepted accounting principles, the State Department of Education shall issue a notice to that school system informing it of such and request that proof of correction of conflict be forwarded to the State Department of Education and approved by the State Superintendent of Education within a reasonable time thereafter.

d) All financial documents, in whatever source maintained, are public documents, and shall be open to inspection and accessible to the public. An annual budget and monthly financial statements with supporting spread sheets as submitted to the State Department of Education shall be made available to the general public at the local school system Internet site.

File Submission

- Data file must be submitted to the ALSDE through the AIM portal
- These files contain the financial information of the school system, including the local school information.

Monthly File Submission

- When a financial statement with a fiscal period other than 12 is uploaded, the file is reviewed for coding combinations only.
- Files should be submitted through the AIM portal and the required reports posted to your school systems website within 45 days of month end.

- Helpful tips
  - An edit report is generated with the monthly submission. Correction of these edits during the year means fewer coding edits at year-end.
  - When critical edits are corrected, the component or combination creating the edit should be made inactive.

File Submission Edits

- Critical and Warning Errors
  - Critical
    - Must be corrected before the original budget, budget amendment or year-end financial statement file can be approved.
    - Should be corrected prior to the review of file by SDE.
  - Warning
    - Possible error; Do not ignore
    - Explain
- Invalid Components and Invalid Coding Combinations
  - Invalid Components – The component (Account Code, Object Code, etc.) is not a valid state code listed in the Accounting Manual.
  - Invalid Combinations
    - Object Code is Not Valid with Function Code
    - Program Code is Not Valid with Function Code

Section 16-13A-7 Audit Requirements

(a) (1) The yearly business and financial transactions of a local board of education shall be audited as early as possible after the end of the fiscal year.

(2) The audits of the books and accounts of local boards of education shall be conducted by the Department of Examiners of Public Accounts. The Department of Examiners of Public Accounts shall audit, review, and otherwise investigate the receipts and disbursements of funds of each local board in the same manner as audits are performed on other agencies and departments of the State of Alabama.

(3) Any local board of education governing a city school system, other than those city systems required by law to be audited by the Department of Examiners of Public Accounts on June 1, 2006, may employ a certified public accounting firm or firms or use the Department of Examiners of Public Accounts to perform its yearly financial audit of its books and accounts including a legal compliance audit and program compliance audit. The foregoing to the contrary notwithstanding, a city system which has had any financial form of intervention by the State Superintendent of Education shall be audited by the Department of Examiners of Public Accounts, or if any such intervention should become necessary at any future date, such city system shall be audited for three future years by the Department of Examiners of Public Accounts. The Department of Examiners of Public Accounts or the certified public accounting firm or firms shall perform a yearly legal compliance audit in accordance with Chapter 5 of Title 41, and if the compliance audit results in adverse findings by the Department of Examiners of Public Accounts or the certified public accounting firm or firms, the adverse findings shall be reported to the State Superintendent of Education. If the adverse findings involve misappropriation or theft, such findings shall also be reported to the appropriate district attorney and the Attorney General.

Section 16-13A-7 Audit Requirements

(b) Legal compliance audits and program compliance audits performed by a private certified public accounting firm shall adhere to the standards of the Department of Examiners of Public Accounts for each respective type of audit. The Department of Examiners of Public Accounts shall provide these standards to the private certified public accounting firms. Any adverse findings shall be noted in the audit report and reported to the State Superintendent of Education. Such adverse findings shall, upon request, be provided to any member of the public.

(c) A local board of education may request an audit of system funds under control of the same local board by the Department of Examiners of Public Accounts whenever there is a permanent change in the position of local superintendent of education or chief school financial officer.

(d) A local board of education by majority vote may unilaterally request an audit of any school or school system account under control of the same local board by the Department of Examiners of Public Accounts, if the board deems such action is in the best interest of the school system.

(e) The findings of audits conducted pursuant to this section shall be presented to the local board of education in a board meeting. The State Superintendent of Education shall be sent a copy of the audit to review and shall be notified of the time, place, and location of the meeting at which the findings will be presented to the local board of education. Audits are public records.

Audit Requirements

- Local board of education shall be audited as early as possible after the end of the fiscal year.
- Audits shall be conducted by the Department of Examiners of Public Accounts.
  - A city school system, other than those city systems required by law to be audited by the Department of Examiners of Public Accounts, may employ a certified public accounting firm or firms or use the Department of Examiners of Public Accounts to perform its audit.
- The findings of audits shall be presented to the local board of education in a board meeting. The State Superintendent of Education shall be sent a copy of the audit. Audits are public records.

Audit Reports

- The ***Audit Report*** from the Examiners or CPA firm is due to the SDE before June 30.
  - This is a Federal Regulation
- Reminder letters are sent to Superintendent's at the end of May for systems that have not yet submitted finalized audit reports.
- Continued delays in the submission of a system's audit report could result in the withholding of funds at the discretion of the SDE.

Audit Findings – FY 2018

- 138 LEAs
- 37 audit reports contained state and/or local findings
  - 20 Counties
  - 17 Cities
- State and Local findings
  - 67 findings
  - 32 related to local schools

Audit Findings – FY 2018

32 Local School findings

- Receipts & Deposits
  - 5 – Teacher Receipts
  - 1 – Master Receipt
  - 4 – Deposits
- 4 – Ticket Sales
- 6 – Concessions
- 2 – Fundraising
- 3 – Purchase Orders
- 4 – Expenditure Documentation
- 2 – Deficits
- 1 – Form 1099
- 1 – Athletics
- 1 - Inventory
- Note – Findings often include multiple topics

FRAUD

Ex-principal pleads guilty in theft of school, concession stand funds

High School teacher facing felony charge for allegedly stealing from school

Audit: School Administrators Allegedly Spent $700,000 On Strip Clubs, Booze, Online Gaming

QUESTIONS