



Internal Controls and Audits for Local School Activity



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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.alabamaachieves.org
- ❖ Locate **Teachers & Administrators** (red rectangle)
- ❖ Select **LEA Fiscal Accountability**
- ❖ Show **Page Navigation**
- ❖ Select **Local School - Procedures**
- ❖ Select **Local School Financial Procedures**

LEA Fiscal Accountability

LOCAL SCHOOLS – AUDITS

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Title	Description
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[Audit Findings](#) 

This document contains findings and recommendations for corrective actions from the audit reports of Alabama school boards.

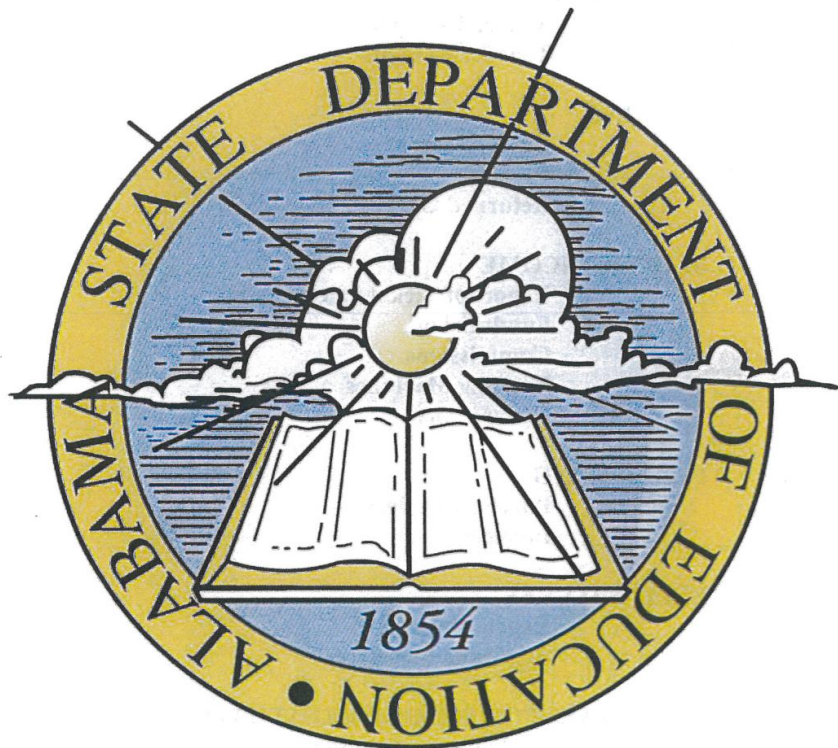
LOCAL SCHOOLS – PROCEDURES

Title	Description
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[Local School Financial Procedures](#) 

The Financial Procedures for Local Schools was approved by the State Board of Education on June 10, 2010.

**FINANCIAL PROCEDURES
FOR
LOCAL SCHOOLS**



ALABAMA DEPARTMENT OF EDUCATION



APPROVED JUNE 10, 2010



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School Fiscal Accountability Act

Act No.2006-196

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- [Section 16-13A-1](#) Fiscal management policies.
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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.
- ▶ Audit procedures include:
 - ▶ Financial audit of the books and accounts
 - ▶ Legal compliance audit
 - ▶ Program compliance audit



Audit Requirements

- ▶ 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
- Reminders are sent to Superintendents 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 2024

- ▶ 149 LEAs
- ▶ 31 audit reports contained state and/or local findings
- ▶ State and Local findings
 - ▶ 41 findings
 - ▶ 13 related to local schools


Audit Findings – FY 2024

13 Local School findings

- Receipts & Deposits
 - 5 – Teacher Receipts
 - 2 – Master Receipt
 - 2 – Receipt Books
 - 5 – Deposits
 - 1 – Bank Reconciliation
- 3 – Ticket Sales
- 1 – Fundraising
- 1 – Purchase Orders
- 1 – Expenditure Documentation
- 1 – Credit Cards
- 1 – Deficits
- 1 – CIS Budgets
- **Note** – Findings often include multiple topics

Audit Findings – Teacher Receipts

- ▶ Teacher Receipts failed to document the type of funds received (cash/check).
- ▶ Teachers did not submit receipted money to the school's bookkeeper in a timely manner
 - ▶ Not deposited daily
 - ▶ Money was held for over one month
 - ▶ Money was held up to fifty-eight (58) days
- ▶ Money collected by teachers was not entered into the accounting records or deposited into the school's bank account.
- ▶ Teachers were not issued receipt books resulting in receipts not being issued when money was collected.



Audit Findings – Master Receipts

- Amounts collected and recorded on teacher receipts were deposited prior to being master receipted
- Master receipts tested - no corresponding teacher receipt book was located.
- Teacher receipts did not reconcile to the master receipts written.
- Bank deposits slips and master receipts were not always properly completed or legible.
- Master receipts failed to document the type of funds received (cash/check).
- Master receipts were held 2 to 7 days before being deposited



Audit Findings – Receipt Logbooks

- Not all teacher receipt books could be accounted for and provided for subsequent review. As a result, it was not possible to determine if all money collected by teachers was remitted to the bookkeeper in a timely manner.
- No log sheets were maintained for pre-numbered receipt books assigned to teachers.
- Testing of teacher receipts revealed principals did not maintain teacher receipt book logs.
- “No receipt book” could be because it is missing, or it was damaged and unreadable.

Audit Findings – Receipts Response

- ▶ Electronic Receipt Module was implemented.
- ▶ Electronic collection of funds was implemented
- ▶ Training in receipting
 - ▶ Provided at bookkeeper meetings. Individual bookkeepers will be brought in for a one-on-one training.
 - ▶ Providing to personnel on the proper financial procedures
- ▶ Receipt books were ordered by the CSFO and logged out to each school
- ▶ The amounts not recorded or deposited were paid back by the responsible individuals.
- ▶ The board adopted a local school finance manual that detailed the financial policies and procedures. A copy of the manual was provided to every employee.
- ▶ Periodic Local School Internal Audits by Central Office Staff
- ▶ Copy of Teacher Receipts attached to deposit documentation.



Audit Findings – Deposits

- ▶ Bank deposits were not made timely
 - ▶ Teacher receipts not turned in timely
 - ▶ Master receipt not deposited timely
- ▶ Deposit was not intact.
- ▶ Bank deposits did not reconcile to the master receipts written.
- ▶ Bank deposits slips and master receipts were not always properly completed or legible.



Audit Findings – Bank

- The bank reconciliation for September 30, 2024, was not completed timely.
- Bank reconciliations were completed from two to four months late
- Contained reconciling items which were several years old.
 - Reconciling items should be investigated and documented so they can be cleared.




Audit Findings – Ticket Sales

- ▶ Tickets were not issued for events where admission was charged.
- ▶ Online ticket sales reports were not provided for subsequent review.
- ▶ A Report of Ticket Sales for various athletic events were not prepared accurately or completely.
- ▶ Response
 - ▶ Training at bookkeeper meetings on the proper processes for handling ticket sales and completing forms properly.
 - ▶ Most ticket sales have been replaced with GoFan, an electronic ticketing system.



Audit Findings - Fundraising

- ▶ Fundraiser request/authorization forms were not prepared.
- ▶ Fundraiser activity reports were not maintained to document sales and profit.
- ▶ The Board requires a "Fundraiser Request Form" and a "Fundraiser Accountability Form". Neither Forms were provided to document the results of the fundraiser activities. As a result, fundraisers are being held without the approval of the School's Principal and there is no monitoring of whether fundraisers are profitable.



Audit Findings – Purchase Orders & Expenditures

- ▶ Insufficient documentation was attached to expenditures.
- ▶ Purchase orders issued after the invoice date, not issued at all, or not properly completed.
- ▶ Responses
 - ▶ Bookkeeper meetings will be held and include training on the use of purchase orders and proper supporting documentation.
 - ▶ Additional reviews will be conducted

Audit Findings – Credit Cards

- ▶ The Board did not have a policy in place related specifically to credit card purchases.
- ▶ Credit card payments were not approved by the Superintendent.
- ▶ Credit card payments were not paid in full each month, which resulted in penalties and interest accruing.
- ▶ Response
 - ▶ Procedures will be put in place by the Board for credit card purchases.
 - ▶ Cards will be checked out by the individual needing to purchase an item that is within the approved budget.
 - ▶ A detailed receipt will be turned in and sign off on for approval.
 - ▶ Any unallowable items purchased or no receipt is turned in will be reimbursed to the district by the individual making the purchase.
 - ▶ All purchases will be matched up to the monthly statement and recorded in the district finance system



Audit Findings - Deficits

- ▶ Local school financial records indicate deficit activity balances at fiscal year-end in some individual nonpublic activities.
- ▶ Expenses for a conference paid for students, parents, siblings, & chaperones in advance
 - ▶ Expenses for individuals not participating in the conference do not qualify as serving a public education purpose
 - ▶ Using public funds to pay for parents & siblings is loaning (granting) public funds to an individual.
 - ▶ Allowing reimbursement doesn't change non-compliance




Audit Findings – CIS Procedures

- ▶ Section 16-1-8.1 – "each school shall have a budget committee...the committee shall be elected annually by secret ballot", "the budget committee shall propose a budget for classroom instructional support, excluding student materials", and "teachers at the school, through majority vote of those voting, shall approve the proposed budget utilizing a secret balloting process".
- ▶ Finding – Records to support the election of a budget committee, a budget committee proposed budget, or approval of a proposed budget through a majority teacher vote could not be provided.
- ▶ Auditors were unable to determine compliance with requirements governing CIS funds. The Board should implement policies and procedures to ensure it complies with the applicable code sections governing CIS funds.
- ▶ The CSFO will maintain records to support the election of a budget committee, a budget committee proposed budget, and approval of a proposed budget through a majority teacher vote for each school .



Audit Findings – Concessions

- Concession sales reports were not prepared, and no concessions revenue was recorded in the financial records
 - The bookkeeper failed to issue two receipts for money collected from concessions.
- 



Audit Findings – Change Cash

- ▶ The Board failed to ensure that change cash was properly recorded.
- ▶ The Report of Ticket Sales Form lists change cash issued for each event. Activity reports from the accounting software indicated that change cash had not been issued since April 2, 2020. The Forms indicate there was change cash associated with events.
- ▶ The Bookkeeper failed to properly obtain, record, receipt or redeposit change cash.
- ▶ Response - We have met with the local school bookkeeper responsible for the finding to reiterate expectations. We will continue to monitor the situation to ensure the local school bookkeeper is following District procedures.



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

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