

Current Issues – Internal Controls / Audits Audit Issues for Local Schools

Sonja Peaspanen

State of Alabama Department of Education

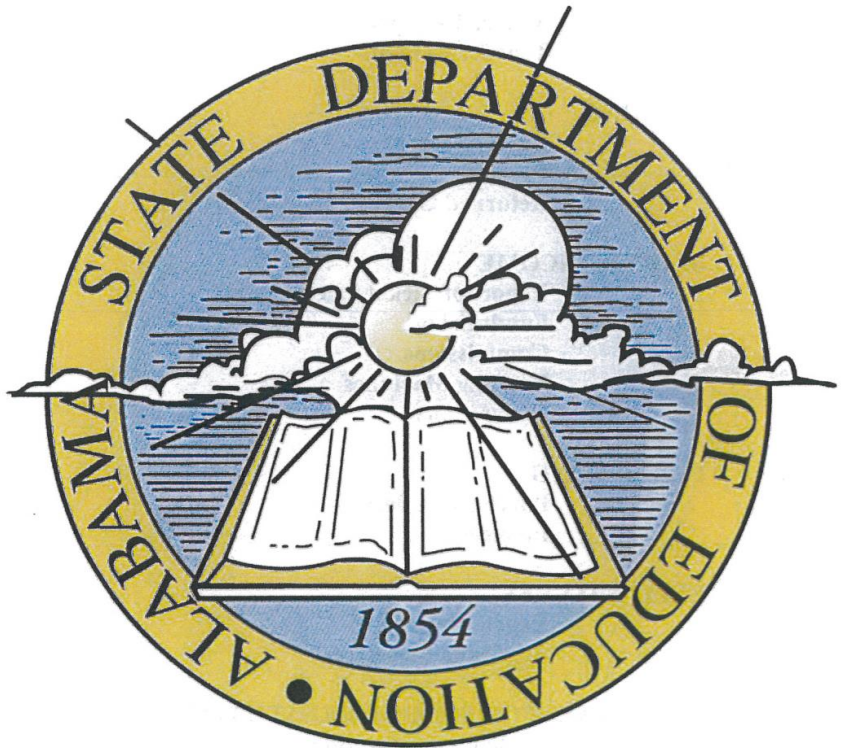
March 4, 2024

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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**

**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

The Code of Alabama 1975

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[Title 13A](#) CRIMINAL
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[Title 14](#) CRIMINAL
CORRECTIONAL AND
DETENTION FACILITIES.

[Title 15](#) CRIMINAL
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[Title 16](#) EDUCATION.

[Title 17](#) ELECTIONS.

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- [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.
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- [Section 16-13A-11](#) Liability.
- [Section 16-13A-12](#) Bonding.
- [Section 16-13A-13](#) Publication of budget and financial information.

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 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.

Audit Requirements

- Audit procedures include:
 - Financial audit of the books and accounts
 - Legal compliance audit
 - Program compliance 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 ALSDE before June 30.
 - This is a Federal Regulation
- Reminder letters 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 ALSDE.

Audit Findings – FY 2021

- 149 LEAs
- 28 audit reports contained state and/or local findings
- State and Local findings
 - 42 findings
 - 20 related to local schools

Audit Findings – FY 2021

20 Local School findings

- Receipts & Deposits
 - 7 – Teacher Receipts
 - 3 – Master Receipt
 - 2 – Logbooks
 - 4 – Deposits
 - 2 – Bank
- 2 – Ticket Sales
- 1 – Change Cash
- 1 – Concessions
- 4 – Fundraising
- 2 – Purchase Orders
- 2 – Expenditure Documentation
- 2 – Deficits
- 1 – Segregation of Duties
- Note – Findings often include multiple topics

Audit Findings – Teacher Receipts

- Teacher Receipts failed to document the type of funds received (cash/check).
- Teachers wrote the incorrect date on the receipts
- 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.
- No teachers' receipt books were provided for review.; some receipt books were not retained by the local schools and therefore were not available for audit testing.

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).

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.

Audit Findings – Receipts Response

- Electronic Receipt Module was implemented.
- Training in receipting was provided at bookkeeper meetings. Individual bookkeepers will be brought in for a one-on-one training.
- Training will be providing training 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

Audit Findings – Deposits

- Bank deposits were not made 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, 2021, was not completed timely. Upon further review of all bank reconciliations, it was noted they were completed from two to four months late and contained reconciling items which were several years old.

Audit Findings – Ticket Sales

- Athletic event ticket sale sheets were not located and provided for testing.
- 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, and electronic ticketing system.

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.

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 – Fundraising Response

- Proper handling of fundraisers has been discussed at several bookkeeper meetings.
- Proper training on the handling of fundraisers will be addressed in the next bookkeepers meeting & individually during one-on-one training.
- The BOE will provide training regarding the completion & submission of the fundraiser request form for approval.

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.
 - This issue will be covered in the next bookkeepers meeting & individually during the one-on-one training session.

Audit Findings - Deficits

- Local school financial records indicate deficit activity balances at fiscal year-end in some individual nonpublic activities.

Audit Findings – Segregation of Duties

- An improper separation of duties exists in the accounting functions at the local schools. This condition is caused by inadequate staffing available to permit proper separation of all accounting functions at the school level.
 - We recommend duties be separated wherever possible.
 - Management plans to hire or include additional personnel in the financial management and accounting functions where possible when funds are available to do so.

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

speaspanen@alsde.edu

