AUDIT RISK ALERT # 67

DATE: August 25, 2026

SUBJECT: School Activity Funds

As we prepare for the upcoming audit cycle, we would like to highlight several key statutory and compliance risk areas related to School Activity Funds (SAFs) that warrant particular attention during your audit procedures.

The summary below is intended to serve as a practical reference and is not a substitute for the governing statutes, Attorney General opinions, or other applicable legal authorities. We encourage you to review these risk areas carefully when planning and performing your audit procedures.

School Activity Funds: Key Risk Areas for CPA Auditors
School Activity Funds (SAFs), pursuant to La. R.S. 17:414.3, are subject to strict statutory oversight. The following are some risk areas:

1. School Board Oversight

- While school boards maintain oversight and hold the right to audit SAFs at any time, the funds legally belong to the individual school and not the school board. School boards are expressly prohibited from implementing policies that conflict with or override the principal's statutory management duties under La. R.S. 17:414.3.

2. Public vs. Non-Public Funds Isolation

- **Inclusions:** SAFs must encompass all self-generated funds from student clubs, athletic teams, school-wide fundraisers, and restricted outside donations.

- **Exclusions:** State, city, or parish school board funds provided for regular instructional programs or facilities cannot be co-mingled with SAFs. These must be maintained in entirely separate accounts.
- **Exemptions:** These statutory rules do not apply to private schools or charter schools (unless explicitly written in the charter school's agreement).

3. Dual-Signature Control Failures

Auditors must strictly separate the request for withdrawal from the issuance of the check:

- **Withdrawal Requests:** Every single request to pull money from an SAF requires two signatures: the principal of the school (or acting administrator) AND a designated second person (such as a club sponsor, a donor-approved employee, or a faculty member depending on the fund type).
- **Check Issuance:** The actual check drawn on the bank account must carry the mandatory signature of the principal.

4. Monthly Bank Reconciliations & Annual Reviews

- Bank statements must be reconciled monthly against individual ledgers.
- Reconciled statements must be signed by the principal and retained.
- Auditors should verify that the principal and at least one other administrative staff member performed and signed off on the mandated annual internal review.

5. Collateralization & Investment Compliance

- SAF accounts with balances exceeding FDIC/governmental insurance limits must be fully collateralized by the financial institution under La. R.S. 39:1225.
- While principals may invest surplus funds, any investment of club or restricted donor money requires prior written approval from the depositing entity.

6. Constitutional Limits on Expenditures (La. Const. Art. VII, §14)

- **The General Rule:** Under the Louisiana Constitution, public entities are strictly prohibited from making gratuitous donations of public funds. For SAFs, a constitutional violation only occurs if a principal makes a gratuitous expenditure for a non-educational purpose that lacks legal authorization or a mandated donor condition.

- **The Restricted Exception:** Multiple Attorney General's opinions explicitly exempt SAF expenditures from this constitutional "donation of public funds" prohibition *if* the money was provided by an outside donor who restricted its use for a specific purpose.

- **The Legal Mechanism:** Because La. R.S. 17:414.3 legally obligates a school principal to spend restricted donations exactly as the donor specified, fulfilling that request is a statutory duty, not a gratuitous donation. For example, using general school funds to buy individual students' academic letter jackets would look like an impermissible donation; however, doing the exact same thing using funds explicitly donated by a booster club *for* those jackets is entirely constitutional and legally compliant.

7. Booster Clubs and PTOs: Inside vs. Outside School Control

- **Inside Groups:** If a booster club or parent-teacher organization operates *within* the school or explicitly *donates* its proceeds to the school, the funds **must** be deposited into the SAF and fall under the principal's ultimate signature control.
- **Outside Groups:** Truly independent booster clubs that maintain separate custody of their funds are *not* subject to school board or SAF control. However, they may only use the school's name or symbols if a formal written agreement is executed with the principal.

For detailed legal text, complete Attorney General opinions, or specific index links regarding SAFs, please reference the full **School Activity Funds FAQ** available on the LLA's website.