

Local School Financial Management

ELEMENTS OF LOCAL SCHOOL
ACCOUNTING II

ACCOUNTING PROCEDURES AND COMPLIANCE

MARCH 4, 2024

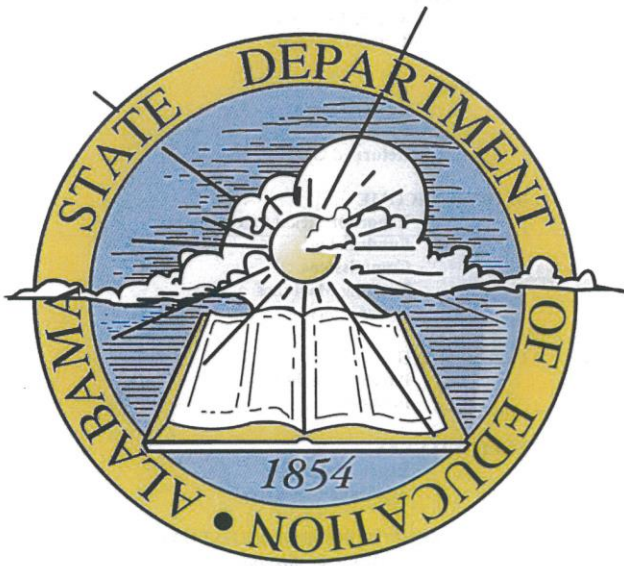
Disclaimer

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**FINANCIAL PROCEDURES
FOR
LOCAL SCHOOLS**

APPROVED JUNE 10, 2010



ALABAMA DEPARTMENT OF EDUCATION



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Your School System's Local School Financial Procedures Manual

School Fiscal Accountability Act

Act No.2006-196

Lines of Authority

Board of Education – should adopt policies to govern the establishment and operation of all activity funds. The district's auditors should review these policies for sound accounting and reporting principles.

Superintendent – should be directly responsible to the board of education for administering all board policies.

Chief School Financial Officer – should have overall responsibility for accounting for and reporting all funds, including district and student activity funds, to the board. The CSFO is also responsible for implementing and enforcing appropriate internal control procedures.

Principal – The principal at each school site should be designated the activity fund supervisor for that school building. The activity fund supervisor has overall responsibility for the operation of all activity funds, including collecting and depositing activity fund monies; approving disbursements of student activity fund monies; and adequately supervising all bookkeeping responsibilities. The activity fund supervisor should be a signatory to all disbursements, including checks drawn on the activity fund.

Sponsors – The sponsor of each student organization is responsible for supervising all activities of the organization, including approving student activity fund transactions. Sponsors should be employees of the district and under the direct control of the activity fund supervisor.

Parent Support Organization Officers – The officers of each support organization are responsible for the activities of the organization and assurances they follow, their bylaws and established laws, regulations and board policies for the operations of the organization

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.

Authority & Responsibility of Principal

The Principal is ultimately responsible for the school finances in a school.

The Principal is responsible for ensuring that these funds are administered in accordance with policies and procedures and spent to provide the maximum benefits possible to the students.

The principal is required to make everyone on staff accountable for their responsibility in achieving maximum results.

Responsibility of School Bookkeepers and Teachers

The bookkeeper is responsible for accurately recording the school's financial transactions (receipts and disbursements) and reporting on them.

Teachers and staff, are responsible for initiating the financial documentation process. They are also responsible for safeguarding the funds and remitting them, with proper documentation, to the bookkeeper.

Local School Financial Responsibility

▶ **Bookkeeper Responsibility**

- ▶ Receive money from teachers/sponsors and post according to source
- ▶ After approval by Principal, verify availability of funds and issues purchase orders
- ▶ Assist teachers/sponsors with financial procedures
- ▶ Process purchase orders
- ▶ Verify signatures for receipt of items ordered prior to making payment
- ▶ Reconcile Bank Statements
- ▶ Maintain accurate accounting records and reports



Financial Policies and Procedures

- ▶ General accepted accounting principles
- ▶ Compliance state and federal laws
- ▶ Internal controls

Public and Non-Public Funds

▶ Public Funds:

- Money generated school-wide
- Money that can be used for all students
- Money controlled by the Principal or any school employee

General Fund

Athletics

Concession/Student Vending

Locker Fees

Public Funds Regulations

- ▶ Public funds cannot be transferred to non-public accounts.
- ▶ Non-Public funds can be transferred to public funds.
- ▶ Food items , meals, coffee cups, and expenses are all unallowable expenditures from public accounts.
- ▶ Food can only be purchased from public money when it meets certain criteria
- ▶ Public funds may be expended for the recognition of significant contributions to education in Alabama and to promote educational excellence by students, faculty, staff, and the public.
- ▶ Membership dues of the local athletic association must be paid from an athletic account.

Public and Non Public Funds

▶ Non Public Funds:

- Money generated for a particular group
- Money controlled by a parent organization and/or student
- Principal does not control the money

Student Organizations Clubs
Parent and Parent/Teacher Organizations
PTO, PTA, Band Booster, Athletic Boosters

Local School Financial Procedures

Cash Receipts/Receipting Funds

- Receipts are always issued when money is received
- The receipt (book/sheet/computer generated receipt) is the original link in an audit trail of all funds handled by the school system.
- All funds collected must be receipted.
- Collection and management of incoming funds

Local School Financial Procedures

Cash Receipts/Receipting Funds

- When cash is received, a cash receipt must be prepared in duplicate with the original to be given to the person making payment and the duplicate to be retained as the official cash receipts record.
- The following should be notated on all cash receipts issued:
 - 1. Name of the individual from whom cash is received
 - 2. Name of the organization for which the cash is collected and/or purpose for which the cash is collected.

Local School Financial Procedures

Teacher Receipts

- The receipt (book/sheet/compute generated) is the original link in an audit trail of all funds handled by the school system.
- All funds collected must be receipted.
- Completely fill out each receipt, including name, date, amount, specific purpose of funds collected and signature.

Local School Financial Procedures

▶ Master Receipt

- A Master Receipt should contain the following information:
 - The sequential numbers of the teacher receipt book or record, alternative receipt form, or report of ticket sales form.
 - The name of the individual delivering the funds
 - The amount of the funds received
 - Identify the school activity account and revenue code i.e. 2010-4-7430 (Donations)

Local School Financial Procedures

- ▶ **Master Receipts (cont.)**
 - Date funds are received
 - Original signature

Local School Financial Procedures

▶ Master Receipts (cont.)

- Write receipt to a person
 - State the source of fund
 - Donation from whom
 - Allocation from Board
 - School Store/Concessions

Local School Financial Procedures

Master Receipts (cont.)

- Teacher receipt sheets are submitted at the same time as the money
- Master Receipt must show numbers (inclusive) of teacher receipts that cover the total amount collected and submitted by a teacher

Local School Financial Procedures

▶ Master Receipts (cont.)

- Never receipt yourself
- Receipts must be complete

Local School Financial Procedures

Receipting School Funds

- Count all funds turned into the office.
- Verify funds to teacher receipt sheets/books.
- Collected funds should be recorded in the financial records and deposited timely and intact
- Do not cash checks with funds received.

Local School Financial Procedures

Depositing Funds

- Must be maintained in a Qualified Public Depository (SAFE Program)
- The bank deposit should be made timely
- Checks received should be endorsed “For Deposit Only” and the name of the school account and the account number.

Local School Financial Procedures

Depositing Funds

- Always use pre-printed, bank supplied deposit slips or books with a duplicate.
- The bank deposit slip should show the numbers of the master receipts covered by the deposit.

Local School Financial Procedures

Depositing Change Cash

- Must be coded to the Change Cash account,
12-1-0115-000-CCTR-7101-0-0000-0000.
- Be careful not to include “post” change cash funds as revenue funds
- Entry is reversed when funds are deposited back into the account.

Local School Financial Procedures

Returned Checks

- Procedures for the collection of returned checks
- Check recovery service
- In system returned check collection and redepositing
- Collection of bank service charges

Local School Financial Procedures

- Concessions
- Do not cash checks with concession funds. Deposit funds intact.
- Do not make payments from cash collected.
- Payments must be made with a school check.
- Funds should be collected and deposited on a timely basis.
- A Master Receipt should be issued after counting or verifying the amount of the funds when the funds are actually received.
- The person presenting the funds for receipt should wait for a Master Receipt to be prepared and verify the information on the Master Receipt before leaving the office.
- Supporting documentation of items sold should accompany the funds collected.

Local School Financial Procedures

- **Concessions**
 - Concession Reconciliations
 - Purchases
 - Sales
 - Profit/Loss
 - Inventory
- Card Payments Processing
 - Procedures

Local School Financial Procedures

Ticket Sales

- Tickets must be sold at all athletic/school events where admission is charged.
- Pre-numbered tickets must be used for admission.
- The Report on Sale of Tickets form issued to each individual selling tickets. Must be completed and turned in to Principal.
- Cash collected for athletic/school events may not be used to cash checks for any reason.

Local School Financial Procedures

Ticket Sales

- Pre-numbered tickets should be sold at all events where admission is charged
- Tickets sold for different amounts for the same event should be in a different number series in order to account for funds with varying ticket prices.
- The ticket collector should not be the ticket seller
- A Report of Ticket Sales Form showing beginning and ending ticket numbers showing the tickets issued and the tickets not sold

Local School Financial Procedures

Ticket Sales

- A Report of Ticket Sales Form showing beginning and ending ticket numbers showing the tickets issued and the tickets not sold
- A report of ticket sales form should be issued to each individual ticket seller
- The Principal or responsible school official should enter the below information on the report of ticket sales
 - Name and date of event
 - Name of ticket seller
 - Beginning and ending number of each series of pre-numbered tickets issued to seller

Local School Financial Procedures

- Ticket Sales
- At the end of ticket sales, ticket seller should complete the following information on the report of ticket sales
- Reconcile tickets sold to cash collected
- The ticket seller, principal, or school official receiving the cash and unsold tickets sign the report

Local School Financial Procedures

- Ticket Sales
- A Master Receipt should be issued to the individual for the cash collected from the ticket sales after verify funds collected
- A separate Master Receipt should be issued to the change cash
- The principal cannot issue complimentary passes to events without the approval of the local school board.

Local School Financial Procedures

Report of Ticket Sales (cont.)

- The Bookkeeper shall verify the accuracy of the Report on Sale of Tickets form and reconcile any difference.
- A copy of the form shall be filed at the school and be available for review immediately following each event.

Local School Financial Procedures

Report of Ticket Sales (cont.)

- GoFan and other card payment processing
 - Procedures

Local School Financial Procedures

Fundraisers

- Must be pre-approved by the principal and/or superintendent
- May be public or non-public
- No fundraisers may sell foods of minimal nutritional value during the school day
- Must maintain retail accountability for all fundraisers

Local School Financial Procedures

Fundraisers

- Approved fundraising activities must comply with financial procedures for school funds, including:
- All funds collected must be delivered to the Principal's office for a Master Receipt.
- Do not cash checks from collections.
- Income from fundraisers must be deposited on a timely basis.
- Teachers and sponsors of fundraisers should be reminded not to hold fundraiser income until the fundraising project is complete.

Local School Financial Procedures

Fundraisers

All fundraising expenses, including sales awards to students, must be presented to the Principal for payment by check.

A school employee cannot receive a gift or gratuity from the fundraising vendor.

Within a reasonable time after completion of the fundraising activity, a form should be submitted to the Principal that documents the result of activity.

Local School Financial Procedures

Fundraisers

Online fundraisers

Local School Financial Procedures

Purchase Orders

- Allows the Principal to approve expenditures prior to purchase
- Provides protection to the vendor for not charging Alabama sales tax on the school's purchase
- A completed, purchase order with a purchase order number should be approved and issued by the Principal **prior** to the purchase of materials, supplies, or equipment.

Local School Financial Procedures

▶ Invoices

- All obligations of the school must be paid by a school check or approved card payment
- Vendor invoice should include:
 - pre-printed name and address of the vendor
 - description of the purchase and itemized listing of items purchased and item price
 - shipping and handling charges
 - total amount of the purchase.
 - person receiving items should sign and date the invoice/receiving slip

Local School Financial Procedures

Expenditures

- Do not write checks to “Cash”.
- Do not sign checks that do not contain the check recipient’s name and amount of check.
- Do not pay for items in advance of receipt of materials, supplies, or equipment.
- Invoices should be cancelled (marked PAID) after check payment is made.

Local School Financial Procedures

Expenditures (cont.)

- Vendors should be paid on a timely basis.
- Checks should be issued in numerical order.
- Checks must be secured at all times.

Local School Financial Procedures

Expenditures (cont.)

- Voided checks must be retained for audit purposes.
- Sales tax should not be paid on purchases
- School employees may not use the school's sales tax exemption for personal purchases.
- Checks outstanding more than 60 days should be investigated.

School-Related Organizations

- Student Organizations
- Parent Organizations
- Booster Organizations

School-Related Organizations

- Student Organizations
- Operated by student officers, members and faculty sponsor.
- Income is receipted, recorded and deposited in school bank account.
- Principal approves purchase orders, signs checks and is responsible for maintaining the financial records for the organization.

School-Related Organizations

- **Athletics**
- School athletics are under the control of the school principal.
- Athletic funds are maintained in the schools' books, bank account and include:
 - Gate receipts
 - Game Programs
 - Vendor advertising
 - Parking*
 - Athletic Concessions*

School-Related Organizations

- Parent Organizations
- PTOs and PTAs
- Included in school financial records and the school bank account unless:
 - It has an EIN number and separate mailing address, and
 - No employee of the school leads the organization fundraising, and
 - No employee of the school maintains the accounting records for the organization.

School-Related Organizations

- Parent Organizations

- PTA and PTO organizations will become school activities if:
 - Both parties mutually assent to the fiduciary control of the principal
 - A school employee leads fund-raising or maintains the accounting records for the organization.

School-Related Organizations

- Booster Organizations
- Athletic Boosters
- Band Boosters
- Cheerleader Boosters
- Choral Boosters
- Academic Boosters
- Alumni Associations

School-Related Organizations

- Booster Organizations
- Involvement of school employees in booster organization should be limited.

School-Related Organizations

- **Booster Organizations**
- Included in the school financial records and school bank account unless:
 - The organization has obtained an EIN number from the IRS.
 - The organization provides a report of the annual audit of the organization to the school.
 - Financial records are available to the school's auditor and authorized school employee upon request

School-Related Organizations

- **Booster Organizations**
- Included in the school financial records and school bank account unless:
 - The organization provides proof of a fidelity bond for the treasurer.
 - No employee of school, who is associated with the activity supported by the booster organization, serves/holds a leadership position in the organization.
 - No employee of the school leads the organization's fundraising, and
 - No employee of the school maintains the accounting records of the organization.
 - The organization will not provide any payments or benefit to a school employee (or family member of a school employee) in violation of the State Ethics Law.

Local School Financial Procedures

Journal Entries

- Journal Entries are made as corrections for entries that have been made in NextGen that are determined to be in error.
- To correct an expenditure code – Credit the incorrect Code and Debit correct code
- To correct a revenue code – Debit the incorrect code and Credit the correct code
- Contact the Chief School Financial Officer for other journal entry corrections

Local School Financial Procedures

Interfund Transfers

- Interfund Transfer is necessary when funds needs to be transferred between accounts.
- Complete Fund Transfer Form
- Completed Transfer Form approved by all parties

Local School Financial Procedures

Interfund Transfers

- An example of journal entries for a interfund transfer from a non public to public account:
- Entry would be as follows:
- Non-Public Fund:
- XXXX-32-5-9910-920-XCCX-7501-0-9700-0000 Debit \$250.00
- XXXX-32-1-0111-000-XCCX-7501-0-0000-0000 Credit \$250.00
- Public Funds:
- XXXX-12-4-9210-000-XCCX-7101-0-0000-0000 Credit \$250.00
- XXXX-12-1-0111-000-XCCX-7101-0-0000-0000 Debit \$250.00

Local School Financial Procedures

External Transfers

- External transfers are transfers from the school to the central office or another school.
- It is helpful to use a special use code when transferring to and from the central office.
- Example for an external transfer to the central office would be for extra pay.
- Example of expenditure code for a transfer out to central office
xxxx-12-5-9910-923-CCCC-7101-0-0000-3815
- Example of a revenue code for a transfer in from central office
xxxx-12-4-9230-000-CCCC-7101-0-0000-3803

Local School Financial Procedures

Monthly Procedures

- Check monthly to verify that 341-Reserve for Encumbrances and 358-Encumbrance Offset matches total for open P.O.S.
- Verify that 251-Accounts Payable matches Accounts Payable Register
- Run and verify trial balances for fund 12 and 32 separately.
 - Reimbursements may cause a credit balance in a debit account
 - Refund on prior year expenses
 - Verify that all revenues have a credit balance and all expenditures have a debit balance.

Local School Financial Procedures

Monthly Procedures

Keep transfers between activities in balance (5-9910-920 transfer-out & 4-9210 transfer-in)

Check all activities for deficit balances

- Principal's Report

Local School Financial Procedures

Monthly Procedures

- Reconcile bank statements monthly
- Close Fiscal Period: Do not make any additional entries in closed periods.

Local School Financial Procedures

Monthly Procedures

Submit electronic file to central office by 10th of the month and submit:

- Copy of Local School Bank Statement and NextGen Bank Reconciliation
- Principal's Report – Signed by Principal
- Other reports as required by CSFO

All activities on the Principal's report should reflect a positive balance.

Local School Budgeting

- Budgeting is the process of planning resources and prioritizing needs of an organization.
- The budget also provides an important tool for the control and evaluation of resources and the uses of those resources.
- The purpose of the budget is to help decision makers make informed choices about the needs and services of a particular activity or local school function as well as overall planning for general operations.
- The budget is linked to financial accountability.

Local School Budgeting

Each school must prepare an annual operating budget to be submitted to the superintendent by a designated date.

The principal and his faculty will prepare the budget. Due to the time frame for the submission of the budget to the Board of Education the input from the faculty must be in by the end of the calendar year (end of May).

It is imperative that teachers be given copies of their activity report and given adequate time to compile their budget for the new fiscal year.

Teachers should be given their activity report monthly so they can monitor their activity.

Local School Budgeting

The budget process involves a team of people

- Administrators
- Teachers
- Counselors
- Support Staff
- Parents

Local School Payroll Procedures

School Bookkeeper's Payroll Responsibilities

Record employees' attendance information accurately on the computer payroll system

- Monthly Principal Service Report

- Remote Payroll

- Time Keeping System

Other Payroll Procedures

- Extra Pay

- Substitutes

Local School Payroll Procedures

- ▶ Schools do not pay employees directly from the school account
- ▶ All payroll payment should be made from the central office payroll department
- ▶ Local school reimburses the Board for salaries paid including gross pay and matching benefits.
- ▶ Employee additional salaries should be approved by the Superintendent/Board.

Legal Compliance

Bid Law

- ▶ Local schools are exempt from the bid law when they are not using appropriated funds or funds raised from taxation.
- ▶ The Bid Law applies to expenditures made from funds that were raised by taxation, and grant funds.
- ▶ Bid Law applies to school board expenditures for labor, services, or work and the lease of material, supplies, equipment, or other personal property costing \$40,000 or more during the fiscal year.
- ▶ Consult with CSFO on Bid Law requirements.

Legal Compliance IRS Requirements

Classification of Workers

Employee or Independent Contractor

Types of Workers

Lawn Care, Security Services, Tutors, etc.

IRS requires the Board to make the correct classification prior to the services being performed and before the worker is paid.

Legal Compliance IRS Requirements

Determining Worker Classification

- Only individuals who meet the legal requirement to be considered *independent contractors* can be paid through requisition/purchase order and accounts payable.
- *Independent Contractors* will received a 1099 for all payments in excess of \$600 per calendar year
- *Employees*, including part-time and temporary, should not be paid via accounts payable but should be hired by the board and paid thorough payroll.
- *Employees* receive a W-2 form for all payroll payment for the calendar year.

Legal Compliance

IRS Regulations

Independent Contractors

- A worker who individually contracts with an employer to provide specialized or requested services on an as-needed or project basis.
- This individual is free from the control and direction of the performance of their work, and the individual is customarily engaged in an independent trade, occupation, profession, or business.
- Independent Contractors are generally not covered by laws that apply to the employer-employee relationship.

Legal Compliance IRS Regulations

Issues with Misclassifications

- School districts increased use of independent contractors is being scrutinized by the federal government and state government agencies.
- Misclassifications cost the federal government lost revenue.
- Misclassifications may cost employees substantial sums in lost benefits, overtime and extra payroll tax liability
- State and federal agencies are increasingly auditing employers for compliance with the classification laws, and impose penalties on employers and employees in cases where misclassification is found.

Legal Compliance

IRS Regulations

Misclassification: What's at Stake

- If you classify an employee as an independent contractor and you have no reasonable basis for doing so, IRS may hold the school districts liable for employment taxes for that worker.
- The Board may be charged for the employee and employer share of the following taxes on the contracted individuals:
 - Federal Income Tax
 - Social Security Tax
 - Medicare Tax

Legal Compliance

Other Compliance Issues

Loans/Leases

- Non-Public Funds (ex. Booster Clubs) should not borrow from public school funds.
- The local schools are not considered legal entities and do not have authority to enter into any legal agreement such as a loan or a lease. Boards of education are legal entities and should assume this responsibility.

Remember

- **Don't** use a rubber signature stamp.
- **Don't** disburse funds without supporting documents.
- **Don't** disburse cash from funds for deposit.
- **Don't** pay wages directly to employees.
- **Don't** use restricted funds for items other than the intended purpose of the donor.
- **Don't** use a vendor unless approved by the BOE.

Remember

- **Do** make sure that all vendors for supplies or services are approved.
- **Do** monitor your financial activities by reviewing and signing monthly reports with principal prior to submitting to central office.
- **Do** monthly bank reconciliation (Principal opens bank statement & reviews prior to the bookkeeper completing the reconciliation).
- **Do** have funds remitted to bookkeeper daily and keep in a secure safe place until deposit.
- **Do** have 2 signatures on checking account (Principal and Bookkeeper).
- **Do** read and refer to the Local School Accounting Procedures Manual.

Documentation Needed for Local School Audit (not all inclusive)

- Receipts documentation (Receipts, validated deposit)
- Purchasing and Disbursements documentation (purchase order, invoice, contract).
- Cancelled Checks
- Bank Reconciliations
- Monthly Reports
- Fundraiser Request Approval and Completion Reports
- Fieldtrip Request and Approval Forms
- Contracts – Yearbook, Vending, Fundraisers, Pictures, Prom, etc.

Questions?

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