

# Local School Finance Manual

---

Lois Stephenson

November 2023

[lostephenson@Homewood.k12.al.us](mailto:lostephenson@Homewood.k12.al.us)

# Overview

---

- The Accounting Manual prepared by the State Department covers the minimum requirements for various processes as required by State law and the Examiners of Public Accounts.
- Each school system has their own detailed processes that may go above and beyond what is required in the State Accounting Manual.
- Note: My presentation is prepared based on my experience and what I have learned over the years. You should always follow the guidelines set by your school system.



# Receipting

---

# Receipt Types Used by Teachers

---

- Duplicate Handwritten Receipt Books
  - Master list of receipt books issued, including beginning and ending receipt numbers in the book, date issued, who it was issued to and date returned at the end of the school year.
  - Lost receipt books must be documented for audit purposes.
- Alternative Receipt – Specific \$ threshold
  - List maintained per location guidelines
- Computer Generated Receipts (Receipt Module)
  - Reports generated by the Receipt Module and the journal entry posting report must be maintained by the teacher for audit purposes.



Regardless of which receipt method is chosen, the following two items are “non-negotiable”.

---

1. Individual receipting money should NEVER write a receipt to his/her self.
2. Individual handling money should NEVER cash a check out of funds received or give change/cash back from a check received.

# Checks

(applies to all receipt types)

---

- Payable to the school (no 2 party checks)
- DO NOT accept post dated checks
- Name and address of issuer imprinted on the check (no counter checks)
- Contact phone number imprinted or written on the check
- Check signed
- Verify the handwritten amount – not the numeric amount
- Company checks should have a person's name for contact purposes

# Training

---

It is the responsibility of the School Bookkeeper to train individuals on all aspects of the receipting process.



Establish clear guidelines and expectations of the receipting process

---

- **Consistency** in how receipts are written or input
- **Timeliness** in issuing receipts and conveying funds for deposit and documents for posting
- **Documentation** retention and it's importance



# Duplicate Hand Written Receipt Book

---

- Establish information that must be entered on each receipt.
- Procedure for voiding a receipt, if necessary.
- Process for turning in receipts to the bookkeeper.
- Clear understanding of process when an error is found in funds receipted.
- Handling of master receipt issued by bookkeeper.

# Receipt Module and Computer Generated Receipts

---

- Establish clear understanding of how information is to be input in the program.
- Which reports are to be printed and how far to go in the program process.
- Clear understanding of process when an error is found in funds receipted.
- Clear understanding of maintenance of reports for audit purposes.
- Instructions for handling of master receipt (Journal Entry Posting) issued by bookkeeper.



# Additional and/or Follow-up Training

---

- If you notice that an individual receipting funds is not following the correct procedures, address it immediately. It's very easy for individuals to get complacent, especially if they do not get feedback.
- Items could be as simple as not putting the full date on the manual receipt, not signing the manual receipt or not maintaining receipt module documents. These may seem like petty details to that individual, but could be an audit recommendation or finding for your school.
- Document follow-up training discussions with individuals for audit purposes.

# Not all individuals are “programmed” like we are

---

- How to handle an individual who has been unable to grasp the process of receipting
  - Discuss immediately with the Principal and CSFO (and/or your Central Office contact)
  - Document plan of action (extremely important for audit purposes)



# Bookkeeper Receipting

---

- Master Receipt for items receipted by other individuals.
- Checks/funds received directly in the office.
  - Mail
  - Payments received directly in the school office (i.e. fees, donations)
  - Gate, concessions, school store, etc.
  - Other On-Campus events (i.e. Field Day, Plays, Band Concerts, etc.)

# Posting Receipts Entered In The Receipt Module

---

Receipts entered by multiple individuals can be selected and posted in one Journal Entry.

- **Pros**

Quicker to post when there are multiple deposits.

- **Cons**

Loss of clear audit trail between receipt module and Journal Detail.

Harder to tie deposits to Journal Detail on Bank Statement Reconciliation when balancing bank statement.



# Bank Deposits/Remote Deposit

---

- Utilize the “Deposit Listing” report that can be printed from the receipt module for the list of checks, if allowed by the bank.  
Eliminates human error in listing numerous checks on the deposit slip.
- If utilizing Remote Deposit, and the deposit contains cash and checks, you may want to consider sending that particular deposit to the bank “in tact” for ease in reconciliation. This will depend upon the volume of deposits in your particular situation.

# Returned Checks

---

- Know your system's returned check procedures.
- Document all attempts to collect the funds from the individual if you are responsible for collections.
- Funds collected for the original amount of the NSF should be deposited separately for audit trail purposes. Do not receipt these funds unless a journal entry was previously entered to reduce the fund account.
- If a service charge is collected those funds should be receipted and deposited following normal procedures. Service charges collected are additional revenue.



# Journal Entries

---

- Used to correct posting entries.
- Used to post cash receipts not usually entered in Receipt Module. (i.e. Bank Interest)
- Used to post expenditures when a check is not needed for that expenditure. (i.e. Bank Service Charges)
- Make sure someone (Principal/ Asst Principal) is approving your journal entries for audit purposes.

# School Income

---

- Student Fees (including parking and locker fees)
- Donations/Voluntary Contributions
- Fundraisers
- Commissions and Vending
- Concessions/School Store
- Admissions/Ticket Sales



# Donations/Voluntary Contributions

---

Alabama Code 16-10-6

“...any county or city board of education shall be authorized to permit any school subject to its supervision to solicit and receive from such children, or their parents or guardians, **voluntary** contributions to be used for school purposes...”

# What does this mean?

- 
- **Voluntary** contributions may be requested for various items purchased by the school that are used by students in academic courses and classes.
  - The voluntary nature of the contribution must be clearly stated in the request for the contributions.
  - **Donations** may also be requested for specific school purchases, including janitorial products, cleaning supplies, paper products, copier expenses, software maintenance, and other school purposes.
  - Non-payment of requested contributions cannot be used against a student and the student must be provided the same instructional items as if payment was made on behalf of that student.



# Student Fees

---

## Alabama Code 16-13-13

“...no fees shall be collected in courses required for graduation. In courses **not** required for graduation, local school boards may set reasonable fees for courses, however, such fees shall be waived for students who cannot afford to pay the fee”.

- Fee waiver/reduction form
- Confidentiality
- Driver Education fees exception

# Actions against a non-paying student are prohibited, such as:

---

- Withholding grades
- Withholding report cards
- Withholding transcripts
- Denying academic recognitions
- Denying participation in graduation activities
- Denying field trip participation



# Fundraisers

---

- Potential profitability of new fundraisers.
- Review past history of repeat fundraisers.
- Approved fundraisers must comply with school financial procedures.
- The sale of raffle tickets as a fund raiser is considered gambling, and therefore not allowed.

# Fundraisers & CNP

---

- Fundraisers may not involve the sale of foods of minimal nutritional value during the school day.
- Food items sold during the school day must comply with Child Nutrition Program Smart Snacks Guidelines and **may not be sold or provided free of charge for one hour before or after meal periods.**



# Fundraiser Documentation

---

- Accountability for total number of items purchased and sold.
- Detailed documentation for amounts not collected (actions taken to attempt collection), spoiled or stolen merchandise must be maintained.

# Commissions/Vending

---

- Vending Machines
- School Pictures
- Yearbook Sales
- Class Rings
- Book Fair
- Magazine Sales



- Contracts with vendors for commissions can be in the best interest of the school, and may be required by your school district.
- 
- Commissions received should contain detail regarding how the commission amount was determined.
  - Schools should perform “due-diligence” to ensure the expected/accurate income is being received, especially in regards to vending machines.

# Concessions/School Store

---

Because concession stands and school stores involve cash, and typically neither cash receipts (i.e. cash register) nor tickets are used to control the exchange of money, proper accounting for the products being sold and the income generated is essential.



# Inventory and Accountability

---

- An inventory process, based on the items being sold, should be established and reviewed. The frequency of inventories performed may be dictated by the volume of sales.
- Profitability should be reviewed periodically to monitor cost versus sale price due to fluctuating costs of inventory.
- Damaged/spoiled items from each sale date should be documented and verified.

# Admissions/Ticket Sales

---

- Pre-printed, pre-numbered, tickets should be used for all events where admission is charged.
- Exception –
  - Proms and events where advance admission payments are receipted in the school's books and no admission is collected at the entrance to the event.

Complete accountability must be maintained for audit purposes.  
Including, but not limited to -

---

- Beginning and ending ticket #'s used.
- Complimentary ticket numbers and who received them.
- Name(s) of individuals selling/taking up tickets.
- Detailed accounting of number of tickets sold by price, expected profit and over/short of funds collected.
- Copies of athletic event schedules should be included with ticket sales documentation.





---

If ticket sale reconciliations always balance to the penny, there may be something happening that warrants investigation. Especially if it's always the same person, or persons, selling the tickets.

---

End of this section

# Purchases

---

- Requisitions
  - Manual/Hand Written
  - Computer Generated
  - Individuals completing requisitions need to understand that the submission of a requisition is not an approval to purchase.



## Purchase Orders

Purchase orders are entered in the accounting system to establish an encumbrance of available funds.

Purchase orders entered with “see attached” as the detail are easier and quicker to input, but do not provide for future research.

Purchase orders must be signed by the School Principal (or his/her designee) or, if the Principal's signature is embedded in the computer program the purchase order listing report (or specific report designated by your system) should be signed and maintained.

# Contracts

---

- Contracts, including service contracts for items such as copier leases, may require approval by someone at your Central Office. Make sure you become familiar with your system procedure.
- Purchase orders are not required for contracts (accounting standards – may not be your system's procedure). However, a purchase order can be issued (be consistent for audit purposes) if an encumbrance is needed to ensure sufficient funds throughout the fiscal year.

# 1099 Vendors

---

- Payments made for services to individuals, who are not employees of the school system, and are not corporations, must be reported as a 1099 vendor. Medical and legal services are the exception, and must be reported as a 1099 vendor, even if they are a corporation.
- Payments made to an employee for services should be submitted to the Payroll Department for payment.



# A Few Examples of Services

---

- Game Officials
- Dry Cleaning
- Law Enforcement Officers (Security)
- Printing
- Locker Servicing
- Cheerleading Clinics
- Landscaping Services
- Disc Jockey
- Rent

# Most Important

---

- Threshold is \$600.00 or more for a 1099 to be issued.
- Dollar amount paid to an individual is for your **entire** school system.
- ALWAYS flag an individual as a 1099 vendor if they qualify regardless of how little you may be paying them.
- You have no way of knowing how much other schools in your district may be paying that individual.

# Invoices

---

- An original invoice, or **acceptable substitute**, must be secured to serve as the basis for issuing any check. Statements are insufficient documentation for payment, mainly because they do not contain the detail of exactly what was purchased.
- Invoices must be authorized for payment by the individual who made the purchase.
- Great care should be taken regarding entry of invoice numbers. The software will alert you if the invoice number you are entering has already been paid for that particular vendor.
- Invoices should always be stamped “PAID” after a check has been issued.



# Travel Reimbursement and Expenses

- **Become VERY familiar with your system's policies and procedures relating to travel.**
- 
- Make sure individuals have a clear understanding of what is expected of them when traveling and what expenses will be covered. Documentation required in advance, and upon return, are critical components of what is expected.
  - Communication, before travel, regarding who is responsible for payment.  
Board or Local School?

# Check Procedures

---

- Checks should be properly safeguarded when not in use (stored and locked in a secure place).
- A check should never be destroyed when an error is made. The check should be marked “VOID” and maintained as directed by your school system.
- Checks should never be written to “CASH”.
- Do not write checks for items in advance of receipt of materials, supplies or equipment (exceptions for Field Trips).
- A check should never be signed without supporting documentation attached to it for review.
- Checks should be issued, and vendors paid, in a timely manner. Late charges, penalties and interest on invoices are not acceptable and may indicate an issue within the financial office.

---

End of this section



# Field Trips – Athletic Travel

---

- Open lines of communication to “get you in the loop”. Become “best buds” with the lead teacher that plans the trips.
- It’s easy for a teacher to “forget” to tell you about a purchase order they need relating to the field trip (i.e. school bus being used – have to pay mileage). Or they may forget to inform you that they will need to take a check with them for admission and they come in to your office at 8:00 am and they are leaving at 8:15am.  
**Unfortunately, you have to remember to ask all the right questions up front.**
- This is another area where getting copies of those Athletic Schedules is very beneficial. You know in advance which are home and which are away games.

# Tip

## Monthly Tickler File or Notebook with Monthly Tabs

---

- ☐ Copies of PO's issued for upcoming trips/events
- ☐ Copies of athletic schedules
- ☐ Copies of registration forms that may contain information regarding specific field trips or events
- ☐ Copies of emails regarding trips/events

Write notes on these items – i.e. note on Ms. Smith's PO for field trip to the zoo that she will need a check for admission on the morning of departure.

---

End of this section



# Loans

---

- Amendment No. 558 of Section 94 of the Constitution of Alabama prohibits county, city, or other subdivision of the state to lend credit or grant public money to any individual, association, or corporation. Therefore, loans for Booster clubs and other school affiliated organizations cannot be authorized by the Principal and submitted to the Board for approval.

# Month End Close

---

- Bank Accounts reconciled monthly.
- Other Reconcilable Items cleared in a timely basis.
- Activity Reports distributed to teachers/sponsors/fund managers.

# Disposition of Records

---

- All school systems have the responsibility of adhering to the retention period, as established by the Records Destruction Authority, for all records created and/or maintained.
- Most financial records must be maintained for three years following the audit period. Most important exception is records involved in litigation.
- Local Government Records Destruction Notice must be completed, signed by the Superintendent, and submitted for destruction approval.



# Fixed Assets

---

- Threshold set by your school system for items that will be inventoried.
- Who is the responsible individual at your location.
- Qualifying purchases made by the school, PTO/PTA, Boosters, etc. all become part of the system fixed assets.
- Disposal procedures and approval process.

# Most Overlooked Portion of Ethics Law

---

“No public official or public employee shall use or cause to be used equipment, facilities, time, materials, human labor, or other public property under his or her discretion or control for the private benefit or business benefit of the public official, public employee, any other member of their family or personal business.”

# One Last Suggestion

---

## **Start an audit folder for each school year**

Football schedule change – put note or copy of new schedule in the folder.

Had to meet with a teacher(s) numerous times to review procedures – put a note or copy of documentation discussed earlier in the receipting section of this presentation in the folder.

Hopefully this folder will be empty – but if not, you probably have everything at your fingertips to answer questions the auditors may have without having to dig, or try to remember, what happened.