

COVINGTON COUNTY BOARD OF EDUCATION

ACCOUNTING PROCEDURES FOR LOCAL SCHOOLS

1/1/2014

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The financial accounting records and reports for all Covington County Schools will be prepared using the MCALEER LOCAL SCHOOL ACCOUNTING (LSA) system. No other accounting system may be used in the Covington County Schools without the approval of the Board.

The following are some general rules regarding the financial affairs of the schools. These rules, as well as the accompanying approved forms, procedures and policies, are to be followed completely and will be subject to continual audit by the Superintendent of Education, CSFO and State Department of Examiners.

All money collected at the school for any purpose must be receipted and deposited in the school bank account. (Exceptions may be made for some fund raising activities conducted by external organizations such as parent-teacher organizations and booster clubs).

All expenditures must be paid by check and supported by a valid invoice based on a purchase order approved, issued and signed by the Principal before a purchase is made.

All purchases must conform to the policies of the Board of Education and to the State Bid Law.

Authority to enter into a contract or a lease for a subsequent year for debts beyond the current cash assets for a school requires written approval of the Superintendent of Education and the Board of Education. Copies of any contracts entered into must be on file at the Board of Education.

The Principal must be familiar with all policies of the Board of Education so that he will not permit practices which are contrary to policy or which would cause embarrassment to his/her school or to the school system.

The Covington County Board of Education, along with Alabama State Examiners of Public Accounts, **holds the principal responsible for all financial matters relating to the school.** This includes the collection, expending, documenting, recording and overall supervision of the financial affairs of the school. The principal must ensure that the collecting and disbursing of monies follows approved local board of education, state, and generally accepted accounting principles and procedures.

It is essential that the principal make sure the bookkeeper has uninterrupted time to count, receipt and prepare for deposit funds turned into the office (following approved procedures) on a daily basis. The principal will also ensure the bookkeeper uninterrupted time to enter all financial data (receipts, purchase orders, invoices, expenditures, etc.) into the MacAleer

software in a timely manner, produce required monthly reports, generate checks for accounts payable, reconcile the monthly bank statement, and process calendar and fiscal year ends and budgets.

This Local School Accounting Manual contains the accepted accounting principles and procedures for Covington County Schools. All principals and school bookkeepers are expected to follow and use these approved procedures and forms. The accounting procedures contained herein may vary only with the written consent of the Superintendent. Suggestions for the accounting system may be submitted to the Superintendent or CSFO.

The Principal should work with those members of the Central Administrative staff who have general supervision of particular functions. The CSFO or the Superintendent of Education should be consulted if accounting problems are encountered.

The attached instructions relate to the keeping of school financial accounting records. They should be read carefully and followed closely.

Adoption of the accounting procedures and any revisions to procedures will only be done after review and input from the appropriate administrative and accounting staff.

Procedures and Guidelines in the manual are equal to or greater than those requirements established by the State Department of Education.

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ACCOUNTING PROCEDURES AND POLICIES FOR HANDLING SCHOOL FUNDS

TO: Principals
Bookkeepers

The attached regulations pertain to the handling of financial records for schools under the supervision of the Covington County Board of Education. All monies received from any source in or about the School funds (the only exceptions to this rule may be funds raised by external organizations such as booster clubs and parent-teacher organizations when approved by the principal and where such clubs and organizations maintain separate bank accounts).

Funds are received, receipted, and deposited daily into the school's bank account. Deposits are entered and posted daily or regularly into the school's computerized local school accounting (LSA) cash receipts journal (cash receipts program). Cash receipts are summarized at the end of each month and the month-end cash receipts report is generated and reviewed.

Expenditures are incurred only under the authorization of the Principal. All expenditures are processed through the "batch" process of the computerized local school accounting (LSA) program. The expenditures are posted and summarized at the end of each month and the month-end cash disbursement report is generated and reviewed during the end of month procedures.

A monthly financial report submitted to the Board of Education by the 10th of each month (for the previous month) contains an analysis of transactions for all accounts handled in the school. (Example: January end of the month reports and export will be due into the central office by February 10th; February's will be due March 10th, etc.) In the event that a school cannot make this deadline, the Bookkeeper will notify the CSFO.

After exporting files successfully, the following Reports will be due in the Central Office on the 10th of each Month:

- 1) Monthly Principal's Report with original signature or initials of Principal
- 2) Copy of Reconciliation Report with signature or initial of Principal
- 3) Copy of Fund Report with signature or initial of Principal
- 4) Copy of Bank Statements with original signature or initial of Principal

Cash basis accounting does not take into consideration income or expenditures until the money is actually received or disbursed.

The **Teachers Guidelines** section contains instructions for teachers, sponsors or other employees involved in the handling of receipts and purchases. It is the responsibility of the Principal to provide these guidelines and any needed training to these employees. If local LSA

bookkeeper is unable to provide extensive training and/or additional specialized instruction is needed, contact CSFO for assistance.

The SDE Accounting Manual that contains the components for G/L numbers is found at <http://www.alsde.edu> Offices; LEA Accounting; Accounting Manual.

Books and materials common to all schools are as follows:

Receipt Books – To record all monies received.

Checkbook – to record all monies expended. The McAleer Local School Accounting “check register” shall be designated the OFFICIAL CHECKBOOK of the school

Ledger – To summarize financial transactions of all accounts monthly.

Monthly Financial Report – To report financial conditions of the school as of the last day of each month.

Accounts Payable – To report all unpaid bills at the end of each month (Submit with the financial report - most schools do not do this; however the critical time to address accounts payable is September as this is checked by auditors). All September A/P must be recorded.

Purchase Order Register – To record all purchase orders issued. ALL schools must follow a purchase order system for purchases with the exception of utilities, telephone bills and school paid travel. Purchases made without an approved purchase order are considered unauthorized and may not be paid by the school.

The accounting procedures, forms and instructions contained herein may vary only with the written consent of the Superintendent or CSFO. Additional suggestions for the accounting system may be submitted to the Superintendent or CSFO.

MONTHLY FINANCIAL PROCEDURES

Local School Accounting

Each month the following financial functions should be performed on a timely schedule:

1. **Enter Purchase Orders:** Enter (encumber) all issued purchase orders on a timely basis, at least one day a week. Following this procedure will keep the encumbrance system current and there will not be a necessity for "catch-up" before processing the accounts payable.

(REMINDER: All purchase orders must be approved by the principal prior to issuance and signed by the principal prior to a purchase of goods or services.)

2. **Enter Completed Invoices:**
 - a. Enter invoices (batch) on a timely basis. At least one day a week input all current invoices in a batch and balance the totals.
 - b. At month's end, balance all invoices from vendors to statements and process the accounts payable checks. By processing invoices as they are received, all accounts payable processing will be up-to-date and paid by the tenth (10th) of each month. It is extremely important to stay current with payables and not become delinquent on any accounts. Late fees and/or services charges are not allowable expense payments.

(REMINDER: A completed **original** invoice or packing slip must be signed (by person in receipt of goods or services) and attached to the completed purchase order (dated prior to the invoice) before an invoice is "batched". **NO PAYMENTS ARE TO BE MADE FROM STATEMENTS.** The signed invoice or packing slip is a directive from the person placing the order that everything has been received and the invoice can be paid.

3. **Print checks:**
 - a. All school personnel should meet the deadlines for accounts payables.
 - b. All staff must plan in advance for cash disbursements for applicable school activities that require checks to be issued.
 - c. **The use of offline checks is strongly discouraged.**

4. **Enter Cash Receipts:**
 - a. Enter receipts from the Master Receipt Book for all funds received in the office in a timely manner.
 - b. At least one day a week input all receipts into the accounting system software. BEFORE inputting receipts, be sure to check verified deposits from the bank. By staying current in posting of receipts, bank statements can be balanced timely upon receipt from the bank.
- (REMINDER:** A master receipt should not be issued for funds from teachers/sponsors unless the Teacher Receipt book/page(s) and money is turned in. Monies turned in should be balanced with teacher receipts before a master receipt is written. Teachers should bring all monies receipted in the Teacher Receipt book/page(s) to the office personally and remain until receipts are

totaled, money counted and a master receipt written and attached to the current page in their receipt book.

5. **Enter Bank Interest:** Interest should be posted on the last day of the month that it is earned for checking accounts and/or certificates of deposit.
 - a. The Journal Code is C/R.
 - b. Credit the appropriate general ledger # 2010-12-4-6810-000-00XX-7101-0-0000-0000
6. **Enter Bank Charges:** Purchase of deposit slips and/or bank checks (if purchased from bank) should be entered on the last day of the month.
 - a. The Journal Code is J/E.
 - b. Debit-2010/2020-12-5-2310-471-0020-7101-0-8230-0000
 - c. Credit-0000-12-1-0111-000-0020-7101-0-0000-0000
 - d. Print entry and have principal sign and date. File with bank statement and JE folder (monthly)
7. **Enter Journal Entries for returned Non-sufficient Funds (NSF) checks:**
 - a. Journal entry should be made the last day of the month for all returned checks not cleared by the end of the month.
 - b. Credit cash and debit the appropriate activity for the revenue posted
 - c. Print entry and have principal sign and date. File with NSF folder and JE folder (monthly)
8. **Balance the Bank Statement(s):**
 - a. All entries should be posted before attempting to balance the bank statement.
 - b. Reconcile the bank statement in the accounting software by:
 - i. enter the statement ending balance,
 - ii. enter any outstanding deposits, and
 - iii. clear multiple checks.
 - iv. other reconcilable items IF approved by CSFO
 - v. Print two (2) copies of the Reconciliation Report, one for the file and one to place with the bank statement and send one to CSFO
 - c. All bank statements should be reconciled upon receipt. Principal should sign reports and bank statement and designated reports should be sent to CSFO. Original Principal's signature is required.
9. **From End of Month Procedures do all tasks on menu for review and/or printing Required:**
 - a. Print Verification Report
 - b. Run a Trial Balance Report: Ensure that report is in balance.
10. **Review all of the End of Month reports and print applicable ones:**
 - a. All Month-End reports should be reviewed in summary and detail

- b. Print and send a signed Principal's Report, Reconciliation Report, Fund Report and a copy of the bank statements to the CSFO. Original Principal's signature is required.
- 11. **Print an "Activity-Detail" Report for each activity.** Give one copy of the Activity-Detail report to the applicable teacher/sponsor.
- 12. **Reset Reconciliation File** before reconciling the next bank statement.
- 13. **Export balanced files for current month for Central Office import.**
 - a. When file is exported, fiscal period will automatically be closed.
 - b. **Once a fiscal period is closed, it should NOT be reopened without permission from the CSFO.**

All financial accounting should be completed and the school books "closed" by the 10th of the month following the accounting fiscal period. When all entries are made, the bank statement reconciled, the applicable reports run, the LSA books closed, and file exported, email the CSFO that your records are now complete, correct and ready to be imported into the Board's financial statement. These records are needed by the deadline above to be included in the financial statement presented to the Board of Education each month and to meet upload requirements to the State Department of Education. It is imperative to meet these deadlines; however, if you can't meet this deadline, please call the CSFO.

ACCOUNTING REGULATIONS FOR SCHOOLS

MASTER RECEIPT BOOK

All monies must be receipted in receipt pages that are pre-numbered. Each school principal is responsible for obtaining and furnishing the approved pre-numbered receipts for use in the school office and for individual teachers. Teachers must sign out receipt pages and sign them back into the bookkeeper at the end of each fiscal year.

Receipts written in the Master Receipt Book must be recorded in the accounting software and all funds deposited on the day received, if possible. Schools may establish a daily cut off time after which funds will not be received and receipted and may also establish a time during which receipts will be received. All receipts must be handled with the utmost accuracy.

Receipts are never to be destroyed or changed. If a mistake is made, write VOID on both copies and staple the original to the duplicate.

Receipts are to be issued only when money is received. Under no circumstances are receipts to be issued in advance. If time does not permit proper receipting, money should not be accepted.

Interest earned on bank accounts does not constitute “money received” in the school office therefore a receipt is not necessary. The amount of interest earned must be entered into the school’s LSA Cash Receipts Journal at the end of each month.

Receipts written MUST state source of funds. Receipts must always be written to a person. Receipts must never be written to such things as “Picture Sales”, “Coke Machine”, “Candy Sales”, “School Supply Store”, “Junior Class”, “First Grade Field Trip”, etc.

Only checks with full name, current residence address and current home telephone number can be accepted. Counter checks cannot be accepted.

No funds should be left in the classroom or office overnight. The teacher and/or sponsor are financially responsible for funds collected until turned in and receipted in the office. If funds are missing, sponsor or teacher will repay.

Receipting Money

Receipts must be completely filled out including the date, to whom receipted, source of the funds, amount received, and then signed by the person receipting the funds. The original copy of the receipt must be given to the person turning in the monies by attaching the receipt to teacher receipt page.

The Principal is directly responsible in the handling of the receipt books and/or monies received. These responsibilities can be delegated to the bookkeeper at the local school. However, ultimately, the principal is responsible. No one else should be given these duties without written permission of CSFO

THE PRINCIPAL IS ULTIMATELY RESPONSIBLE FOR ANY SHORTAGES IN THE HANDLING OF SCHOOL MONIES.

The Principal is responsible in the handling of this master receipt book.

TEACHER RECEIPT BOOKS

Each teacher will be issued by the Principal or designee an individual receipt books to record all funds collected in his/her class to be deposited into the school's bank account. (This includes funds derived from the selling of pictures (if deposited into school account), fund-raising items, tickets, etc.) All receipts must be pre-numbered. The receipts must be written in the same manner as described in the instructions above under Master Receipt Book and following the Guidelines for Turning in Money in the Teachers Guidelines section of this manual.

Each principal has the option of waiving the requirement to write a receipt to each student in a class when the amount being collected from each person does not exceed ten dollars \$10.00. The teacher must submit a list of the students and the amount paid by each to attach to the master receipt book.

A permanent record (approved form is included in this manual) must be kept by the principal or designee of each numbered receipt book issued, this record must be retained with the school's accounting records. The principal is responsible for checking these books. Any major errors or mistakes must be reported to the Superintendent or CSFO immediately.

The principal or designee must issue a Master Receipt to each teacher for all money brought into the office. **Teachers should take money, their receipt book and monies collected to the office personally and must remain until receipts are totaled, money counted and a master receipt written and attached to the receipt page.** All receipt books must be checked by the principal periodically.

Receipting Money

A. RECEIPTING AND DEPOSITING MONIES

1. A school Master Receipt must be issued in the office for all funds "received in the name of the school".
A Master Receipt must not be issued in the office for funds collected by the teacher or others unless the Teacher Receipt Book is submitted to the office at the same time the money is turned in to the office. Person turning in the money must remain until receipts are totaled, money counted and a master receipt written and attached to the receipt page.
2. The Master Receipt must be attached to the last teacher receipt comprising the total remittance.

3. Once the Master Receipt is written, the bookkeeper will fill out a deposit slip and place the monies and deposit slip in a bank bag and secure it in a locked cabinet or send to the bank for deposit. The Master Receipt numbers will be written on the deposit slip. This will provide internal controls, an audit trail for state examiners and an easy reference for the bookkeeper to ensure that all deposits have been processed by the bank.
4. The Principal must check the procedures as often as necessary to assure compliance and correctness.
5. Monies receipted should be deposited intact in so far as possible. (Example, checks written by individuals and cashed as a matter of convenience from money receipted could result in a problem if an individual's check is returned not paid by the bank; thus cashing checks for school employees is prohibited).

VENDORS

Vendors must be entered into the accounting software before a purchase order can be issued. To enter a vendor, follow the **Add Vendor** instructions in the McAleer manual.

A vendor who provides a service and is NOT incorporated must also have a completed W-9 on file at the local school and identified in the accounting software as a 1099 vendor.

CHANGE CASH

Change needed for athletic gates and school stores will be coded to the activity with a 12/32-1-0115-000-cc-7101/7501-0-0000-0000 (change cash) general ledger number using the purchase order procedure.

Each school may maintain a change cash fund. Change cash is to be used as a change fund for the school stores, etc. Use the change cash account, not an expenditure account when a check is written for change. When re-depositing the start-up money, enter the cash change account as the revenue.

The change cash number (Public) is 12-1-0115-000-XXXX)-7101-0-0000-0000.

The change cash number (Non-Public) is 12-1-0115-000-XXXX)-7501-0-0000-0000.

The check will be posted to this number and re-deposited to the same number. The bookkeeper must receipt the change money and enter the deposit through a J/E using the code C/R.

Make a separate deposit for the gate change – it leaves a clear audit trail. (This money must be re-deposited at the end of fiscal year and/or any other school closing.)

Remember: State examiners randomly check change cash. Change cash, when not in use, should always be kept in a secured location.

PURCHASE ORDER PROCEDURES

A Purchase Order must be approved and signed by the Principal **before** a purchase is made or a service procured. The CCBOE approved purchase order must be used. To obtain a purchase order, a Requisition Form (copy of approved form included) is to be filled out, signed by the person requesting the purchase order and submitted to the Principal for approval. The Principal will forward the approved Requisition Form to the bookkeeper. The bookkeeper will enter the required information on the Purchase Order Register (a copy of the approved form is included). The bookkeeper will then issue a purchase order to the requesting person. The bookkeeper will use the Requisition Form to enter the required data to encumber the purchase order in the LSA software. The approved forms provide internal controls and an audit trail for state examiners.

The Purchase Order should adequately describe the items to be purchased. Do not order by item number alone—identify items. Avoid use “per attached list”. The invoice/s and Purchase Order Description/s, quantity, and prices must match.

The purchase order must be completed and signed by the person making the purchase and approved by the principal **prior to** a purchase being made or a service procured.

The invoice received for a given purchase order must be compared to the items listed on the purchase order. Items received must be checked off with notes made for items cancelled, no longer available or not received as well as notations regarding items received that were damaged.

Schools that make numerous purchases at one or more given vendors during a month will be permitted to issue that vendor a purchase order number at the beginning of the month for use during that month. These “Blanket Purchase Orders” must be approved by the CSFO on a **very** limited basis.

The “blanket” purchase order must be completed each month and a new one issued at the beginning of the next month. If no purchases were made, void the purchase order and issue a new one anyway.

If a Purchase Order is voided for any reason, write VOID in the body of the purchase order and retain with the financial records.

Students should never be allowed to purchase items on any purchase orders.

INVOICES

An original invoice (per state examiners, no photo copied or faxed invoices are acceptable) must be obtained for each purchase order before payment is made. Payments should never be made from a statement unless the statement also itemizes the items purchased with a price for each and NO invoice is available. The invoices must include the name and address of the vendor, quantity and description of the items purchased, unit price, extensions and the total. Every effort should be taken to obtain an invoice if the original is misplaced or lost. Most vendors will re-issue a copy of the invoice.

If a vendor provides work or materials but does not have an invoice, the school may furnish a numbered Invoice to the vendor to be completed and signed. (Social security or Employer I.D. number of vendor should be obtained and entered in the vendor maintenance section of the MCAI software prior to issuance of a purchase order.)

Attach the duplicate stub of the computerized check to the appropriate purchase order, invoice/s and any other documentation. The invoice/s must be stapled to the purchase order with the check stub on top. Each month's paid invoices must be put in numerical order by check number and filed in "batch" order in an envelope or file folder plainly marked as "Invoices Paid for _____(Month/Year)". Each "Batch" of paid invoices must include the batch listing, merge listing and cash disbursement listing that is generated by the LSA system at the time of posting. A copy of the Month-to-Date Check Register must be in the folder with checks for each month.

EXPENDITURES

All obligations of the school are to be paid using the official checkbook. Only authorized school expenses are to be paid with school checks. A check is never to be destroyed. When an error is made, mark the check VOID and file in numerical order with regular paid checks.

The Principal's signature is required on checks for payment. **DO NOT USE SIGNATURE STAMPS.**

When a check is voided, the system will allow reinstating the invoice to an open status if the check is to be reissued. If the check will not be reissued the invoice must be deleted. This is current year only. Please refer to McAleer Manual for details. Spoiled checks shall be mutilated by cutting off the signature section, mark void in red and file for audit purposes in regular numerical order. Prior year checks must be voided through the journal entry. The entry is as follows:

Journal code will be PYA (Prior Year Adjustment) through the journal entry process – Fund 12 is only an example, if it is non-public use Fund 32 and Funding Source 7501.

	Debit	Credit
12-3-0360-0000-(cc)-7101-0-0000-0000		\$125.00
12-1-0111-000-(cc)-7101-0-0000-0000	\$125.00	

Mark the check void in the o/s check file using the Post Check Information option on the Enter A/P Check Reconciliation Data Program found on the A/P Bank Statement Reconciliation Menu. Enter the check number. To change the check status to void, press <M> to modify and enter a V. Press <F4> to update. (Note: Before making a Prior Year Adjustment call the custodian of funds)

Prior approval must be obtained from the Superintendent before a bank account is changed.

A valid invoice must be secured to serve as a basis for issuing any check; statements are insufficient. The invoices must be itemized with prices listed for each item. Invoices must be signed by the person for whom the purchase is intended as well as the person who receives the goods at the school. The invoice must be an original copy. State Examiners will not accept photocopies and/or faxed copies.

All invoices must be approved by the principal before payment is made. The duplicate copy of check stub must be attached to the paid invoice and purchase order.

If for any reason a check is outstanding for six months, efforts must be made to ascertain that the check reached the proper party.

POSTING

Each school must post all receipts and expenditures into the approved automated accounting system. Entries into the accounting system are to be made in accordance with prescribed procedures.

The security of the computerized accounting system must be protected by the use of an access password. This password must be protected, and is the responsibility of the school's principal and bookkeeper.

Changes, updates, or alterations of any type to the accounting system will be made by software vendor and must be authorized by the Superintendent of Education or the CSFO.

It is recommended that each school use an uninterrupted power supply (UPS) surge protector to prevent loss of information during processing.

TRANSFERS BETWEEN SCHOOL ACCOUNTS (ACTIVITIES) AND CLEARING OF DEFICITS IN ACCOUNTS (ACTIVITIES)

Revenues may be transferred from one account (activity) to another by following the procedures for the transfer of funds included in the LSA manual. (This will be a transfer- out from one activity and transfer-in to another activity) This prevents overstatement of total revenues. Generally, these transfers would be made at or near the end of the school's fiscal year. All such transfers must first be approved by the Principal on a TRANSFER VOUCHER. Copies of the Transfer Voucher must be retained in the financial records of the school.

The utmost caution should be taken to prevent any account from ending in a deficit on September 30th each year. **IT IS THE RESPONSIBILITY OF THE ACTIVITY SPONSOR TO WORK WITH THE BOOKKEEPER AND PRINCIPAL.** In the event an activity ends the year with a deficit; a TRANSFER VOUCHER must be prepared, signed by the Principal authorizing transfer and the Bookkeeper will follow the steps in the Transfer Program of the accounting system.

NOTE: PUBLIC FUNDS MAY NOT BE TRANSFERRED TO NON-PUBLIC FUND ACTIVITIES

BOOKKEEPERS: WHEN POSTING A TRANSFER BETWEEN SCHOOL ACTIVITIES USE FUNCTION/OBJECT 9910 – 920 AND THE TRANSFER IN WILL BE REVENUE 4-9210

TRANSFERS BETWEEN SCHOOL ACCOUNTS AND CENTRAL OFFICE

From time to time it will be necessary for schools to transfer monies to the central office to cover payroll that is being paid with school funds but will be processed at the central office. When the Central Office is making the expenditure the School will send a check made payable to Covington County Board of Education. The Bookkeeper will process the check as she does all other checks through the invoice processing system BUT will code the expense as an Operating Transfer Out – School Sources....**USE EXPENDITURE 5-9910-923 FOR THIS EXPENSE.** The Central Office will record the check as a TRANSFER IN using Revenue 4-9230.

Occasionally the Central Office will transfer monies to local schools (on behalf of legislators for example). In this case the Central Office will cut a check to the school and record the expense as Operating Transfer Out – School Source (5-9910-923)

THE SCHOOL WILL RECORD THE TRANSFER IN FROM THE CENTRAL OFFICE WITH REVENUE 4-9230.

Please utilize caution when posting transfers so that the System's Books Balance. All transfers in and out between activities at the school should equal. All transfers Between Schools and Central Office should also equal. Using the appropriate codes will eliminate unnecessary hours of reconciling at the end of the fiscal year.

TRANSFERS FROM NON-PUBLIC TO PUBLIC ACTIVITIES

To transfer from non-public (Fund 32) to public (Fund 12) involves the cash account for each fund. Suggested journal entry:

Act #-32-5-9910-920-00cc-7501-0-9700-0000	debit
0000-32-1-0111-000-00cc-7501-0-0000-0000	credit
Act #-12-4-9210-000-00cc-7101-0-0000-0000	credit
0000-12-1-0111-000-00cc-7101-0-0000-0000	debit

BANKING

All checks payable to the school or department must be endorsed immediately **"FOR DEPOSIT ONLY"** with school name and account number listed on the back of the check. All funds collected in a school, for whatever purpose, shall be regularly deposited in a bank not less often than once each day. The deposit will be made at the end of the day to minimize the amount of cash maintained at the school overnight. All deposits must be counted and a deposit slip prepared before being taken to the bank for deposit. The deposit slip shall be prepared in duplicate listing each check separately if feasible. If the number of checks being deposited is too numerous to be feasibly listed separately, an adding machine tape **MUST** be run of the checks and attached to the duplicate deposit slip. **The sequence of office receipt numbers for which the deposit is being made must also be recorded on the deposit slip.**

Cash in school buildings shall be kept to an absolute minimum. Funds received after the daily deposit is made and remaining in the school overnight shall be secured in a locked safe or vault. Local school principals shall take necessary precautions to insure the safekeeping of all school monies under their control. **THE PRINCIPAL IS RESPONSIBLE FOR ANY SHORTAGES RESULTING FROM ERRORS OR OTHERWISE IN THE HANDLING OF SCHOOL MONIES.**

Cash receipts shall be posted daily. It is recommended that posting be done from the cash receipt ledger sheet, which includes the cash receipt as part of the daily receipting.

If a receipt is entered incorrectly, the receipt can be corrected while in the program or you can make corrections by going back into the program and reversing out the wrong entries and entering the correct entries.

Principals are prohibited from establishing a bank account for school funds in a name other than that of the school. All school funds must be kept in school bank accounts and accounted for in the official accounting records of the school.

No outside organization, not run through the LSA books, may use the Covington County Board of Education EIN.

EXTREME CAUTION SHOULD BE TAKEN TO PREVENT THE THEFT OF BLANK CHECKS!

The use of school funds for the personal use of any member of the school is prohibited. School funds must be deposited only in banks and financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) or under the SAFE program. A School that has more than \$100,000 in a bank, regardless of the number of different accounts involved, must require a bank to pledge to the school securities in the amount sufficient to cover the funds on deposit in excess of \$100,000.

Effective January 1, 2001 the Security for Alabama Funds Enhancement Program or SAFE Program became law. The SAFE Program eliminated the need for school boards to individually collateralize deposits. Under this program, banks designated by the State Treasurer as a qualified public depository (QPD) will pledge securities to the SAFE collateral pool. School funds must be maintained in a QPD. A QPD is an Alabama banking institution that provides protection for school funds under the Security for Alabama Funds Enhancement Program (SAFE). At the end of each fiscal year, the bank should be required to provide a letter confirming that all school funds are listed on the bank's records as SAFE Program Accounts and be kept on file at the local school. A copy of the SAFE Certificate will be requested by the auditors.

Where permissible and feasible, school funds should be placed in interest earning checking accounts. School principals should discuss with bank officials on a regular basis the various accounts available in order that the greatest amount of interest may be earned on funds on deposit. When schools have sufficient funds available for a period of time, the principal may purchase certificates of deposit provided that so doing will result in increased interest earnings.

RETURNED CHECKS

When a check is returned, the school must notify the person who issued the check to bring cash to the school to cover the check. Do not charge the returned non-paid check off in the ledger. The returned check may be returned to the person who wrote the check after cash has been received to cover the amount. Returned checks not promptly redeemed by cash must be collected by legal means. Assistance should be obtained from the District Attorney's office in the Covington County Courthouse.

The school will recover all bank fees charged to the school account in the event of an overdrawn check.

If a returned check is collected prior to the end of the month in which it is returned, NO ENTRY is needed in the LSA system. Note on deposit slip: Redeposit with applicable info of NSF check.

If the returned check is not collected by the MONTH END, it must be deducted from the books by reducing the revenue and cash. A journal entry must be made to reduce (Debit) receipts (revenue) for the appropriate activity account and reduce (Credit) cash. Documentation (report generated) must be signed by the principal and filed with other Journal Entries. **A returned check should not be entered as an Other Reconcilable Item.** A new Master Receipt will be written when cash for the check is received after MONTH END

In the event a returned check is not collected by the school or the District Attorney, a school must request permission from the Superintendent of Education before writing off the check. A returned check should be written off by reducing the revenue and cash. A journal entry must be made to reduce (Debit) receipts (revenue) for the appropriate activity account and reduce (Credit) cash. All documentation, including District Attorney's statement and the written permission from the Superintendent of Education to write off the item must be retained with the school's accounting records for the period in which the item is written off the school's books.

PAYMENTS FOR NON-EMPLOYEE SERVICES
CONTRACT LABOR

Local schools must comply with the Internal Revenue Service requirements for the reporting of payments to non-employees (such as athletic officials, plumbers, electricians, prom DJ's, etc) for services rendered. Records must be maintained to account for any payments or any service rendered by any individual or organization that is not an employee of the Board, and is not incorporated. The school shall obtain the social security number or employer I.D. number and address of the vendor on a completed W-9 before payment is made for services rendered and shall mark the vendor with a "Yes" to receive a 1099 in the Vendor Maintenance File in the McAleer Accounting System. The school will provide a vendor file to the central office at the end of the calendar year in order for 1099-Miscellaneous forms to be issued.

The provision for "Contract Labor" does not apply to employees of the Board. Compensation for employee services is covered in SECTION 9, paid on the regular monthly payroll for employees, and reported on the employee's Form W-2 (Wage and Tax Statement) at the end of the year.

NOTE: NO employee of the CCBOE may receive a 1099 AND a W-2 in the same calendar year.

DISPOSAL OF EQUIPMENT

The requirements for the recording of the fixed assets of the Covington County Board of Education shall be the same as that of the State of Alabama. That requirement is that items that are not consumable with an acquisition cost of \$5,000.00 or more must be recorded as CAPITALIZED FIXED ASSETS. (Any item purchased meeting this definition will be coded with a “541 – 589” object code when paying the invoice – refer to latest update of the Alabama State Department of Education Accounting Manual for the appropriate code Manual is located on the web at www.alsde.edu under Sections; Financial Assistance; Publications).

In addition, the Covington County Board of Education requires that a supplementary inventory be kept by each school for items that are not consumable with an acquisition cost of \$50.00 or more for electrical items and \$300.00 or more for non-electrical items and will be recorded at NON-CAPITALIZED FIXED ASSETS. (Any item purchased meeting this definition will be coded with a “491 – 499” object code when paying the invoice – refer to the latest update of the Alabama State Department of Education Accounting Manual for the appropriate code. Manual is located on the web at www.alsde.edu under Sections; Financial Assistance; Publications).

The removal of worn out, obsolete or lost general fixed assets from the fixed asset accounting system must be reviewed and authorized either by the Superintendent and/or CSFO.

One of the individuals listed above must sign and date the school’s copy of the asset inventory (Inventory Additions / Deletions Form) before it is sent to the central office bookkeeping department for processing. The school should retain a copy.

A copy of the police report for stolen or destroyed fixed assets must be attached to the school’s copy of the fixed asset inventory card and sent to the central office bookkeeping department. The school should retain a copy of this information.

All equipment and furniture purchased with Federal Funds must be marked as being purchased with Federal Funds and indicate which Fund (ex: Title I, Title VI, IDEA-Part B, Federal Vocation, etc.)

Local schools will have in place inventory forms for adding, changing locations and disposing of non-capitalized and fixed asset items. Disposal of non-capitalized items at the local school level requires the signature of the school principal.

FUNDS COLLECTED FOR LOST OR DAMAGED SCHOOL PROPERTIES

TEXTBOOKS – Funds collected from students for lost or damaged textbooks that are property of the Board of Education must be receipted and accounted for in the local school and remitted by the school to the Board of Education at the end of each school year. Teachers will use this form to report collected textbook monies with the Transfer of Cash form to turn in to the school bookkeeper. The funds will be used by the Board to purchase textbooks. These transactions will be monitored by Central Office staff.

LIBRARY BOOKS, EQUIPMENT, AND MATERIALS - Funds collected from students for lost or damaged library books, equipment and/or materials must be receipted and accounted for in the local school and expended for library items. These funds are retained at the local school. *These funds may not be expended for any other purpose.*

OTHER BOOKS, EQUIPMENT AND MATERIALS – Funds collected from students for lost or damaged books, equipment, and/or materials purchased with funds collected by a specific class, club or other “Activity” must be expended to purchase books, equipment and/or materials for that specific “Activity”.

TRAVEL EXPENSE REIMBURSEMENT

School principals are permitted to reimburse school employees for travel expenses while such employees are conducting school business. Such payment must be on a reimbursement basis according to approved board policies. The rate of reimbursement for travel shall be Board of Education approved and supported by paid receipts (copies of credit card charges will be acceptable when accompanied by an invoice for lodging and when “meal” is stated on the ticket). Receipts for registration charges for attending conferences, etc. must be submitted. All such requests for travel reimbursement must be made in accordance with the Board Policy for travel.

All travel reimbursement must be based on a Travel Reimbursement Form by the employee that includes the date of the travel, points of travel, beginning and ending odometer readings, miles traveled and the purpose of the travel. Time of departure and time of arrival back to home base if claiming per diem. Fleet vehicles and school vehicles will be utilized for all travel. In the event that a fleet vehicle is not available, mileage will be reimbursed with the approval of the Superintendent.

SALARY SUPPLEMENTS-GIFTS

No school is authorized to make supplemental payments to personnel for any services rendered in connection with the normal and customary duties associated with the employee's job description. ANY supplemental payment for extra work "above and beyond" the normal duties of a specific job must be submitted to the Payroll Department for compensation with the "Monthly Payroll to the Superintendent" (Principal's Service Report). Such payments will be made on the regular monthly personnel payroll to ensure that all deductions are properly handled. The local school is responsible for covering such payments and should submit a transfer check to the central office with the payroll requesting additional pay for employee. Contact Payroll Clerk or CSFO for instructions on calculation of fringe benefits.

Schools are expressly prohibited from making loans to employees.

Gifts of money or school property to any individual or organization are prohibited. This includes floral arrangements. A flower fund may not be operated by the school. The school will not be permitted to contribute to this fund. An exception to this regulation will be made when a class, organization, or the school purchases floral arrangements for such events as proms, beauty contests, graduation exercises, etc.

OBLIGATIONS

All obligations of the school must be paid in full by the tenth of the month following a completed purchase unless a written contract is made setting forth definite time payments. Written contracts for time payments must be approved by the Superintendent of Education before a purchase is made. Any contract entered into by the Principal may be cancelled by the Superintendent and the Principal held personally responsible unless written permission is secured beforehand.

Obligations made for delayed billings must be included in the listing of "Accounts Payable" submitted at the end of each month to the Superintendent / CSFO. The amounts MUST be included in the YEAR-END financial report as an obligation of the school (Accounts Payable Item).

REQUIRMENTS OF REGULATING BORROWING
OF FUNDS AND ENTERING INTO
LEASE-PURCHASE AGREEMENTS BY SCHOOLS

The Covington County Board of Education expressly prohibits the Principal and/or any employee at a school from borrowing any funds from any source in the name of the school or the Board of Education without first obtaining the written approval of the Superintendent of Education and the Board of Education.

The principal and/or any employee at a school are prohibited from entering into any contract or lease-purchase agreement without first obtaining the written permission of the Superintendent of Education and the Board of Education.

The Alabama Code, Section 41-16-57(e) states that “contracts for the purchase of personal property or contractual services shall be let for periods of not greater than three years.”

BID LAW

Competitive Bid Law – local schools are specifically exempted from the bid law when they are not using appropriated funds or funds raised by taxation.

However, expenditures of appropriated funds, funds raised by taxation, and grant funds by local school are subject to the bid law.

State Law requires that certain expenditures of city and county school boards are subject to competitive bidding. Expenditures for labor, services, or work, and the purchase or lease of materials, supplies, equipment, or other personal property involving \$15,000 or more are subject to competitive bidding.

Individual purchases less than \$15,000 may be subject to competitive bidding if a school board can reasonably expect to purchase more than \$15,000 for like items during the year. School systems may purchase items without bidding by purchasing from the state bid list; however, a school system may not purchase items without bidding on the grounds that a vendor's price is less than the state bid list.

Pursuant to Act No. 97-934, classroom instructional supply funds distributed to the schools may purchase materials, supplies, and equipment without competitive bids if the item cost is less than \$15,000.

The state bid law includes a provision for emergency purchases without bidding.

Some expenditure exemptions from the competitive bid law include:

- Purchase of insurance
- Professional service contracts (lawyers, CPA's, architects, etc.)
- Contracts to furnish financial advice or services
- Purchases of books, maps, pamphlets, or periodicals
- Purchases made by individual schools from funds other than those raised by taxation or received through state or local government sources
- Contractual services and purchases of commodities for which there is only one vendor or supplier
- Contractual services and purchases of personal property which, by their very nature, are impossible of award by competitive bidding
- Contractual services and purchases related to security

Call CSFO or refer to the Alabama Bid Laws for further explanations if needed.

SALES TAX

Principals are required to follow the Alabama Department of Revenue's Sales and Use Tax Rules (Code of Alabama 1975, Sections 40-23-31 and 40-23-83).

Schools are not required to pay sales taxes on purchases, or generally, collect sales taxes on sales at the school with the exception of the following:

- 1) sales of class rings to students, either directly to the students or through a teacher or school organization,
- 2) sales of school photographs either directly to students or to students through a teacher or school organization, and
- 3) sales of sweaters and jackets to students either directly to students or to students through a teacher or school organization.

Such property listed in the three items above is not school property and is not used for school purposes, but becomes solely the property of the student who ultimately pays for the item.

FINANCIAL RECORD RETENTION SCHEDULE

All records of the school must be filed and retained in compliance with the requirements of the **STATE OF ALABAMA, BOARD OF EDUCATION RECORDS DISPOSITION SCHEDULE, Sections LG-6-2-14 and LG-6-2-15, LOCAL BOARDS OF EDUCATION GENERAL RECORDS SCHEDULES** as revised. Additionally, records being audited or that are the subject of unresolved audit questions must be kept until such time as all audit questions are satisfied.

The following records must be maintained permanently:

- 1) General Ledger / Trial Balance
- 2) Inventory Record

Records that have met the destruction criteria must be submitted to Archives and History on **Records Destruction Notice**. Archives will send approval for destruction. **DO NOT DESTROY UNTIL APPROVAL IS RECEIVED.**

For most current records retention requirements visit <http://www.archives.alabama.gov>

THEFT OF SCHOOL FUNDS

If a theft or loss of school funds occurs, notify the police and the Superintendent immediately. A police report should be completed and filed for any significant loss of property.

No funds should be left in the classroom or office overnight. The teacher and/or sponsor are financially responsible for funds collected until turned in and receipted in the office. If funds are missing, sponsor or teacher will repay.

ATHLETIC TICKET SALES

Pre-numbered tickets are required anytime that you have a sign up advertising the event and the fee – usually tickets come in a variety of colors so that different rolls can be assigned for different purposes or prices. When tickets to athletic/special events are issued to the gatekeepers, the “Gate Sales Form” shall be prepared by the bookkeeper for each seller to whom tickets are issued. The bookkeeper must provide the Name of the Event, Date of Event, Beginning Ticket #, Price of Individual Ticket and Amount of Gate Change. Gatekeepers should not receive a “Gate Sales Form” without a beginning ticket #.

The gatekeeper must turn in either cash or tickets to account for all tickets issued to him/her. The gatekeeper is responsible for reporting the number of tickets sold multiplied by the price per ticket must equal the amount of cash less the gate change turned in by the gatekeeper. The number of tickets is determined by calculating the difference between the beginning ticket # and the last remaining ticket on the ticket roll. Unsold tickets will be accounted for on the form. The gatekeeper must both count the cash and sign the report. The original report on sale of tickets must be turned in to the principal’s office along with proceeds from the gate immediately following the event. If the event is held after school hours, the original report and proceeds must be turned in to the designated school employee (preferably the Principal) and the designated employee must secure the proceeds (Locked safe, vault, bank night deposit, etc.) The school bookkeeper will receipt and deposit the proceeds and sign the “Gate Sales Form” verifying amount received. The “Gate Sales Form” must also be signed by the Principal.

All “Gate Sales Forms” and verification of deposit must be kept on file with the bookkeeper for auditors to view.

NOTE: There must only be one “Gate Sales Form” per event per gatekeeper.

GATE CHANGE FOR EVENTS

Gate change may be obtained prior to a football game; however, the change must be deposited in the bank the night of the game (or put in the night deposit with the game receipts). Basketball change may be kept out from the beginning of the basketball season to the end of the season due to the number of games played in the week. Amount may vary according to each individual school. Use the change cash number listed below.

FIELD TRIPS

Monies collected from pupils for Field Trips must be receipted, deposited and expended through the school's Financial Records. FIELD TRIPS ARE NOT TO BE CONDUCTED FOR A PROFIT. Local schools should have procedures for field trips in place.

Field trips must comply with the Covington County Board of Education policies.

FUNDRAISING ACTIVITIES

An accounting MUST BE MADE of the total revenues and expenditures for each fundraising event. The Master Receipt issued must identify the source of funds for items sold or activities conducted (the notation “class project”, “senior class”, etc. is not acceptable).

Fund raising activities held during class time, activity periods, before or after school must be reported. This includes school organizations, classes or clubs.

A fundraiser must be approved by the Principal and Superintendent before fundraiser begins. The “Request for Fundraiser Approval” form should include: Purpose of fund raiser, beginning date, ending date, organization conducting fund raiser, sponsor supervising fundraiser. This form must be completed by the sponsor two weeks before any fund raiser begins. After the fundraiser is complete the sponsor must fill out the revenue, expenditure and profit of each fundraiser and submit the report to the bookkeeper and be kept on file for auditors and for future reference as to how much profit was made on each fundraiser.

Note: Class/Clubs fundraisers must be reflected in the minutes of the class/club. A copy of the signed minutes must be submitted to the school bookkeeper before purchases can be made.

PROCEDURES FOR VOID AND OFF-LINE CHECKS

Off-line checks are strongly discouraged. In the event that it becomes necessary to void a check and issue a replacement check, the following procedures will be observed:

1. Determine a legitimate need for voiding the check. **The approval of either the CSFO, the Superintendent of Education or Principal at school is required before a check can be voided and a replacement issued.**

EXAMPLES:

- A check that is written to the wrong vendor
 - A check that is written for an incorrect amount
 - A check that has been lost
2. The LSA bookkeeper and/or principal will verify with the Board approved bank that the check has not cleared the bank checking account. If the check HAS NOT cleared the bank account, a STOP PAYMENT must be placed on the check. This statement is filed and retained for future audits.
 3. The bookkeeper will VOID the check through the BUDGETARY ACCOUNTING ACCOUNTS PAYABLE VOID CHECK transaction by following the appropriate instructions in the training manual. Void checks in current month, NOT the month the check was issued. Going back to a prior month to void will create accounting problems at local school and Central Office.

When a check is voided, all invoices and/or purchase orders associated with the check are reopened!! If a replacement check will not be issued, select the invoice and delete it before exiting the void check program.

IN SOME EXTREME CASES, it may be necessary to issue a check without going through the normal batch processing procedures. In this case, the CSFO, the Superintendent of Education or the local school principal will give the bookkeeper instructions to issue an off-line check. A copy of the check will be retained by the bookkeeper.

The OFF-LINE check will be entered into the accounting system through the procedures for entering off-line checks. Follow the steps in the Accounts Payable Void Check instructions. Three scenarios are described in these instructions: be sure to follow instructions for the applicable scenario.

PROCEDURES FOR THE RECONCILIATION OF BANK STATEMENTS

ALL BANK ACCOUNTS will be reconciled between the BANK STATEMENT, CHECK REGISTER/BOOK and the GENERAL LEDGER CASH ACCOUNT on a **monthly basis**. This reconciliation will be prepared as soon as is practicable after the end of each month. This reconciliation shall be performed using the accounting software in the following manner:

1. Bank statements received from the Board approved bank shall be delivered **UNOPENED** to the principal, who will open and inspect the statement, cancelled checks and deposit tickets/slips. Exception: Electronic receipt of statements may be downloaded with approval by CSFO-if possible, principal should be present when downloaded.
2. After inspecting the statement, the School Bookkeeper will reconcile the bank statement.
3. All outstanding checks that have not cleared within 1 year of issue date should be cancelled and a stop payment made at the bank. Prior approval from the CSFO must be received before these checks can be cleared from the accounting records.
4. The school bookkeeper will reconcile all bank statements to the check register/book and to the General Ledger Cash Accounts. Follow the Accounts Payable Bank/Check Reconciliation instructions.
5. Bookkeeper and school principal will sign the Bank Reconciliation report.
6. Attach Bank Reconciliation report, voided and/or spoiled checks to bank statement before filing.

LSA BUDGETS

Local school budgets will be submitted to the CSFO each year. Teachers are responsible for submitting budgets to the local school bookkeeper for their activity, class or club.

To aid teachers in their budgeting, bookkeepers will print from the accounting system the following reports:

Next Year Budget Worksheet

Activity Report-Detail-and additional detail report should be printed at the end of each fiscal year for budgeting purposes

AND

Activity Detail Report for current fiscal year through April

These reports will be given to teachers along with a memo with instructions, deadlines, etc. Teachers will turn in the Next Year Budget Worksheet to the local school bookkeeper who will then enter the budget information into the accounting software. Check all budget edits for errors and export the file to Central Office.

CALENDAR YEAR END

A Calendar Year begins January 1 and ends December 31. The Calendar Year End procedure affects the vendor file only. Before running the Calendar Year End, make sure all 1099 vendors have been identified in the accounting software and all required data listed; SSN, EIN, etc correct name and address. Calendar Year End can only be performed AFTER all invoices for the calendar year have been paid and BEFORE any invoices for the new calendar year have been paid. DO NOT ENTER off-line checks or print computer-generated checks for January until Calendar Year End Procedures are complete.

FISCAL YEAR END

The Fiscal Year is from October 1 thru September 30. Local schools are encouraged to adopt a policy that allows for all items purchased during a fiscal year to be paid for in that same fiscal year. **All routine monthly accounting transactions for the 12 month period must be processed.** This includes posting of receipts, purchase orders, invoices, cash disbursements and journal entries. Unpaid invoices for which services have been rendered or goods received on or before September 30, should be entered and merged to set up the Accounts Payable liability. Review all open purchase orders and open invoices. Make sure all purchase orders that were cancelled during the fiscal year have been marked void.

Financial Guidelines for Sports Camps

All sports camps held on school property must be self-sufficient, paying for all expenses incurred. This includes any compensation to the coach plus benefits and any other expenses (t-shirts, certificates, trophies, etc.).

For example:

If you wish your gross pay to be \$1000.00

You would add in:

TRS	* 10.0%	100.00
SS	* 6.20%	62.00
MC	*1.45%	14.50
UC	*.15%	1.50
		\$1178.00
Trophies		200.00
Certificates		50.00

Total needed to cover expenses \$1428.00

The amount total of \$1428.00 would need to be receipted individually (following Guidelines for Turning in Money) to the participants in the athletic receipt book and turned into the local school for payment to CCBOE and any other vendors used. In the above example, after turning in the money to the local school, the sponsoring coach would request three purchase orders:

CCBOE for the amount of \$1178.00

Trophy vendor 200.00

Certificate vendor 50.00

The coach would also need to supply an itemized (follow the breakdown of pay and benefits in the example above) invoice for the CCBOE purchase order. Payment for the coach will then be sent to the Central Office. There is no prepayment of camp wages to the sponsoring coach.

*These rates will change from one fiscal year to the next fiscal year. Always check with bookkeeper for current rates.

LEGAL COMPLIANCE FOR LOCAL SCHOOL FUNDS

The funds maintained at the local school can generally be divided into two major categories:

1. Public Funds-funds received from public (tax) sources; funds received from non-tax sources but used for public purposes; any funds subject to the direct control of the school principal
2. Non-public Funds-funds not received from public (tax) sources; not used for public purposes; subject to the intent and authorization of the organization's members, officers, and sponsors and not used for general operations of the school; principal does not direct the use of these funds

We have listed the most common funds used by local school, have identified whether they are considered public or non-public, and have described situations which may occur that could change them from non-public.

PUBLIC AND NON-PUBLIC FUNDS

1. **PUBLIC FUNDS** are those funds that may be spent at the sole discretion of the principal.

Examples are:

- General Office Fund: this fund generally consists of appropriations from the Board of Education, ADECA grants, local contributions, vending machine proceeds, commissions from pay telephones and other miscellaneous revenues. These funds are considered public funds and are restricted to the same legal compliance requirements as the Board of Education.
- Library Fund: This fund accounts for late charges on returned library books, funds collected for lost books and expenditures incurred for purchasing books.
- Athletic Fund: The use of this fund varies by school. However, if this fund accounts only for gate receipts from athletic events, it is considered a public fund. Note that if fundraiser monies are combined into this fund with gate receipts, then the fundraiser monies become commingled and become public funds.
- Concession Fund: This fund accounts for proceeds from concessions operated at athletic events. If the school purchases the supplies and retains the proceeds, it is considered a public fund. If the Band Boosters or any other type support organization buy the concession supplies and retain the proceeds, the fund is considered non-public and most likely is not reflected on the local school's books.
- School imposed dues for certain classes (ex. Lab fees) should be maintained in a separate fund. These funds should not be recorded in the general office fund.

Public Funds are restricted in the manner in which they may be expended: Some **unallowable costs** for Public Funds are:

- ❖ Food items for teachers' lounge
- ❖ Meals for spouses of employees
- ❖ Expenditures for a faculty/staff Christmas party
- ❖ Expenditures for hams, turkeys, etc. and Christmas gifts to employees
- ❖ Expenditures for Christmas cards
- ❖ Expenditures for coffee and cups for employees
- ❖ Lunches for teachers for school closing activity
- ❖ Planned lunches for faculty and staff (Exception is where a meeting may run long and food is bought in)
- ❖ Expenditures for flowers for: Sickness, death, secretary's week, etc.
- ❖ Expenditures for food items for teachers
- ❖ Expenditures for beginning of year breakfast with faculty and staff
- ❖ Expenditures for **post**-game meals for athletes
- ❖ Expenditures for alcoholic beverages
- ❖ Expenditures for dues to private clubs, etc.
- ❖ Expenditures for donations to YMCA, Red Cross, etc.

The following is a list of expenditures that are normally **allowable** for Public Funds. Note that if Public Funds were being spent on instruction or to aid the instruction program the cost would be allowed.

- ❖ Expenditures for pictures for school office
- ❖ Expenditures for flower arrangement for school office
- ❖ Expenditures incurred for meals for faculty and staff for a meeting that extended into lunch hour and food had to be provided for the meeting to continue. Cannot be a planned faculty and staff meeting with a planned meal
- ❖ Refreshments expended for an open house at a school where the public would attend
- ❖ Athletic receipts can be expended for **pre**-game meals for the athletic participants and coaches (Principal and parents not included)
- ❖ Banquets honoring persons making significant contributions to the school system
- ❖ Favorite teacher banquet
- ❖ Transportation to events related to a student's school sport, if related to a school sponsored activity

1. **NON-PUBLIC FUNDS** are those funds that originate from a club type activity or from the imposition of self-imposed fees, or fees in which participants set their own amounts to participate in these clubs and classes. These funds cannot be expended at the sole discretion of the principal and cannot be school-required fees. If the school requires dues, such as lab fees for a science class, then they are considered public. When non-

public funds are expended or transferred to a public account it should be noted in the minutes of the club that the members of the club gave their consent for the funds to be expended in such a manner. There are no restrictions on how non-public money may be expended.

2. **Public Funds may not be transferred to a non-public account.** Any donation given to a school at large is considered public and should be recorded in a public account. If the donor specifies that the donation is for a specific club or other non-public group then the donation may be recorded in a non-public account.
3. **If all funds are maintained in one bank account and separate accurate bookkeeping is not maintained for each fund, then the non-public funds would be commingled with public funds and would be considered as PUBLIC FUNDS.**

PUBLIC AND NON-PUBLIC EXAMPLES

<u>Public Revenues</u>	7100-7499
Admissions	7110
Money received from ticket sales or charges for admission to athletic events, school plays, band concerts, etc.	
Appropriations	7140
Money received from school board or other governmental agencies from tax sources, usually for a particular project	
Concessions	7180
Money received from sales at school canteens, concession at school-sponsored events and proceeds from vending machines	
Commissions	7220
Money received direct from the vendor as a portion of the gross receipts from a school-sponsored event such as athletic contracts, school pictures, or vending machines	
Dues & Fees (Required)	7260
Money received for dues and fees such as locker, parking and associations deemed Public. Reminder: You may not require fees for elementary classes or required courses	
Fines & Penalties	7300
Money received for overdue library books, lost textbooks, parking fines, etc.	
Fund Raiser	7340
Money received from candy sales, car washes, T-shirt sales, carnivals for the use of a public activity	
Grants	7380
Money received after an application has been filed with an outside agency or company such as U.S. Department of Education, Bell South, or Alabama Power. (Application is the key word for Grants)	
Sales	7420
Money received from sales of items from school store, T-Shirts, school car tags	

Donations	7430
Money received from outside donors such as parents, banks, local businesses, civic organizations, etc. Reminder: Money received from parents in elementary schools to help purchase supplies and materials should be classified as donations	
Accommodations	7440
Money received and passed through the school's books to an outside party for items such as student insurance, school pictures and other activities. Sometimes a commission will be returned to the school for collecting this money.	
Other Public	7490
Only use this category when the receipt cannot be classified in one of the above Public Revenues.	
Non-Public Revenue	7500-7999
Concessions	7510
Money received from sales at school-sponsored events and proceeds from vending machines sponsored by a non-public activity	
Non-Public Revenue	
Dues & Fees (Self Imposed)	7610
Money received for membership dues and fees collected by non-public activities	
Fund Raiser	7710
Money received from candy sales, car washes, T-Shirt sales, carnivals, etc. for the use of a non-public activity.	
Donations	7810
Money received from outside donors such as parents, banks, local businesses, civic organizations, etc. for a non-public activity.	
Accommodations	7850
Money received and passed through the school's books to an outside party for items sold by a non-public activity. Sometimes a fundraiser receipt will be returned to the school for collecting this money.	
Other Non-Public	7910
Only use this category when the receipt cannot be classified in one of the above Non-public revenues.	

Note: Pages 47 through 49 are summaries of guidelines provided by the State of Alabama Department of Examiners of Public Accounts. These guidelines are an additional resource for identifying whether funds should be classified as public or non-public.

Student Fees and Donations

Several state laws and rules of the State Board of Education restrict the collection of fees from students:

- **Alabama Code § 16-13-13** Fees for courses. It is the intent of the Legislature that no fees shall be collected in the future in courses required for graduation. In courses not required for graduation, local school boards may set reasonable fees for courses requiring laboratory and shop materials and equipment, provided, however, that such fees shall be waived for students who cannot afford to pay the fee. Any funds collected in fees shall be spent on the course for which the fee was levied. This section shall not be construed to prohibit community groups or clubs from fundraising activities, provided, however, that students shall not be required to participate in such fundraising activities.
- **Alabama Code § 16-10-6** Incidental fees in elementary schools. No fees of any kind shall be collected from children attending any of the first six grades during the school term supported by public taxation; provided, that 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 by the school where such children are attending; provided further, that the provisions of this section shall in no way affect or restrict the right or power of a school board to fix and collect tuition fees or charges from pupils attending schools under the jurisdiction of such board but who live outside the territory over which such board has jurisdiction.
- **Alabama Code § 16-11-26** Incidental fees in elementary schools. No fees of any kind shall be collected from children attending any of the first six grades of the city schools during the school term supported by public taxation.
- **AAR 290-3-1-.02** Regulations Governing Public Schools. (17) Driver Education. (a) No fee shall be charged any child whose family is unable to pay the fee. (b) Thirty dollars (\$30) per student, per semester, is the maximum driver education fee to be charged by local boards of education without approval from the State Superintendent of Education. (c) The State Superintendent of Education may approve a higher fee upon the request of a local superintendent approved by the local board of education with sufficient documentation of actual costs in excess of the maximum. (d) Each board of education shall establish criteria by which the ability of families to pay the fee may be determined and submit same to the State Superintendent of Education for approval. (e) Local boards of education shall take reasonable steps to insure that students for whom no fee is required shall not be identified.

State laws also include a definition of “required courses”:

- **Alabama Code § 16-6B-2** Core curriculum. (a) The following words and phrases used in this section shall, in the absence of a clear implication otherwise, be given the following respective interpretations: (1) REQUIRED COURSES. Courses which are required to be taken by every student enrolled in public schools in the State of Alabama.

In reading the guidance above, it can be noted that student fees (excluding drivers education) may only be charged for materials and equipment used in instructional courses, and that the fees collected may only be used in the course for which the fee was collected. Actions against the non-paying student, such as withholding grades, report cards, transcripts, academic recognitions, and graduation activities, are prohibited.

Student Fees and Donations

Donations and Voluntary Contributions

Voluntary contributions may be requested on a per student basis for various items used by students that are purchased by the school including workbooks, supplemental instructional materials, lockers, sheet music, etc. The voluntary nature of the contribution must be clearly stated in the request for the contributions. 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 the student.

Donations may be requested for specific school purchases, including janitorial products, cleaning supplies, paper products, copier expenses, software maintenance, etc. The voluntary nature of the donation must be clearly stated in the request for the donation. Non-payment of requested donations cannot be used against a student and the student must be provided the same instructional items as if payment was made on behalf of the student.

Donations may be requested for general school purposes, including communication services, additional personnel services approved by the school board, playground upkeep, equipment, maintenance, student lunches, etc. The voluntary nature of the donation must be clearly stated in the request for the donation.

Teachers have no authority to request or accept student fees, contributions, or donations without the approval of the principal, unless directed by the local superintendent. The principal or the local superintendent should approve requests to collect school fees, contributions, and donations.

Actions taken against a student for non-payment of student fees, contributions, or donations including the withholding of grades, report cards, transcripts, diplomas, honor rolls, participation in graduation events and student recognition events, membership in honors organizations, and other actions that would subject the student to embarrassment or ridicule, are prohibited.

This guidance is not intended to cover library fines, lost or damaged textbooks, student parking fees, extra-curricular activities, summer school, school uniforms, cap and gown rental, or charges for juice and snacks.

Source: SDE Website

Examples of Common Audit Findings

1. **At one of the local schools tested, proper controls were not exercised over the admission to basketball games, basketball concession receipts, and daily snack sales. Often, one individual was in charge of handling receipts. Snack rooms were unsupervised, with employees having access to snack receipts and store items.**

Controls should be implemented over admission to basketball games. Prenumbered tickets should be used for gate receipts. A reconciliation should be prepared between tickets issued, tickets used, tickets on hand, and gate receipts. Basketball concession receipts should be counted by at least two individuals in each other's presence and documentation should be maintained certifying the amount collected. Also, controls should be implemented over the school snack room to ensure assets are safeguarded.
2. **Some expenditures at local schools were not supported by proper documentation. Purchase orders were often prepared after the date of invoice. Also, there were instances where a signature denoting receipt of materials or payment rendered was not obtained.**

All expenditures at local schools should be supported by proper documentation.
Purchase orders should be issued prior to making purchases. Signatures denoting receipt of items delivered or payment rendered should be obtained.
3. **The _____ Elementary School entered into a contract with a communications provider for which Board approval was not obtained. During the audit period the school made payments for services rendered by the communications provider in the amount of \$2,613.04.**

The Board should approve all contracts entered into by the local schools.
4. **Instances were noted at _____ Elementary School and the Career and Technical Center of teachers not submitting money to the bookkeeper daily. In addition, at the Career and Technical Center, it was noted that deposits were not made timely.**

Teachers should remit all money received each day to the school bookkeeper and deposits should be made daily.
5. **Local schools must elect annually a Budget Committee (four teachers and principal or principal's designee) that proposes a budget for classroom instructional support. Proposed budgets should be submitted to teachers at an annual meeting. Through a majority vote, teachers should approve the proposed budget by secret ballot. _____ High School did not elect a budget committee or approve budgets by secret ballot.**

All local schools should elect a Budget Committee and approve budgets by secret ballot for classroom instructional support funds.
6. **The Board's funding from the State Foundation Program is based on the first forty scholastic days' average daily membership (ADM). The accuracy of the ADM calculations as shown on the ADM Report submitted to the State Department of Education could not be verified due to the fact the local schools did not maintain the required information.**

Documentation should be maintained to support the accuracy of the ADM calculations.
7. **At the _____ Career and Technical Center, the Networking Department and Auto Mechanic Department performs service work for individuals. Work order forms were not completed for all Networking work performed and forms that were used did not include all of the required information. Forms were not signed by clients and the receipt numbers and dates of payment were not included on the forms.**

Work order forms should contain sufficient information to ensure that all service work performed is invoiced and collected in a timely manner.

- 8. Monies collected by teachers were not always submitted to the school office in a timely manner. Some collections were turned in more than two months after the date of receipt. Also, several teachers did not record the receipt number on the copy retained by the school.**

All teacher receipts should be submitted to the school office timely and should include the receipt number.

- 9. Proper controls were not exercised over gate receipts. For gate receipts other than football, one person was in charge of collecting, counting, and turning the money into the office.**

At least two individuals should collect and count gate receipts in each other's presence and certify the amount collected. This documentation should be retained for audit.

- 10. At _____ High School, stadium rental and game officials were paid cash from gate receipts of athletic events. Also, judges and miscellaneous expenses for cheerleader tryouts were paid with cash from entry fee collections.**

All school expenses should be paid with a check from the local school account rather than with cash. Receipts collected for various events should be deposited intact.

- 11. Invoices were not retained to support purchases at _____ High School. Also, no documentation was retained to support travel expenses of the Principal at _____ High School. Prior to the conclusion of fieldwork, the Principal reimbursed the school for these payments. Additionally, numerous invoices at _____ High School, including travel expenses for coaches, were not properly documented. Finance charges were also incurred in numerous instances due to late payment of invoices/bills.**

Adequate documentation should be retained for all purchases and travel expenses.

Procedures should be in place to ensure that invoices/bills are paid timely.

- 12. The inventory of unused athletic tickets at _____ High School was not made available for auditing purposes.**

All athletic tickets should be accounted for and an inventory should be taken of all tickets not used.

- 13. Teacher receipts were not traceable to the Bookkeeper's master receipt book at _____ High.**

Teacher receipts should be traceable to the Bookkeeper's master receipt book.

- 14. The Senior Class Account, a public fund at _____ High School, maintained a deficit fund balance throughout the fiscal year 2002-2003. The fund balance for the fund at September 30, 2003, was a deficit (\$1,605.25). During the fiscal year, gift certificates were purchased from this fund and given to the Principal in the amount of \$350.00 and to four teachers who served as senior class sponsors in the amount of \$75.00 each. The principal approved the purchase order and signed the check for this purchase. The fund had a deficit balance of \$1,536.50 at the time of the purchase. The Principal and the teachers all repaid the amounts of the gift certificates at the conclusion of the audit.**

_____ High School should maintain a positive balance in the Senior Class Account. Also, gift items should not be purchased with public funds.

15. At _____ High School, procedures were not in place to ensure that the Board's policies and guidelines as approved in the Local School Accounting Manual were always followed. According to the Board's policies, any funds raised by a group associated in any way with a school should be under the control of the school principal and should be an integral part of the school's accounting system with the same constraints and requirements of other accounts of the school. Also, all money collected at the school for any purpose should be receipted and deposited in the school's account, and all expenditures should be paid by check and supported by a valid invoice and a purchase order signed by the principal authorizing the purchase. Two instances were noted where school affiliated funds (a fundraiser and athletic booster funds) were received and expenditures were made that were not reflected in the school's records nor were the expenditures authorized at the local school.

Procedures should be in place to ensure that the receipt and disbursement of all school affiliated funds are under the control of the local school principal and reflected in the school's records in accordance with the Board's Local School Accounting Manual policies and guidelines.

16. Also, at _____ High School, a portion of the proceeds from the fundraiser event mentioned above was either lost or stolen. Procedures were not in place to ensure that monies collected were receipted and deposited in the school's account in a timely manner. The appropriate amount missing of \$5,970.00 was collected, settled, and deposited by the school sponsor prior to the conclusion of the audit.

All local school funds should be accounted for by receipting and depositing the funds in the school's accounts in a timely manner.

17. Procedures were not in place to ensure that ticket sales at athletic events were properly accounted for.

Controls should be implemented to ensure that all athletic events are accounted for properly. Prenumbered tickets should be used for all athletic events and unissued tickets should be retained for audit. Athletic receipts should be counted in the presence of another person, and both individuals present should sign the cash count sheet. All receipts should be sent to a night deposit or kept in a safe.

18. Procedures were not in place to ensure that all teachers at the local school level were using pre-numbered receipts.

The Board should ensure that all teachers use prenumbered receipts.

19. One local school did not comply with *Code of Alabama 1975, Section 16-1-8.1(1)*. The school administration did not possess documentation adequate to demonstrate that teachers had been allowed to vote on the budget for classroom materials and supplies.

At a minimum, Local School Administrators should retain Budget Committee meeting records, Teacher Ballots, and a record showing that all teachers were presented the opportunity to vote on the Materials and Supplies Budget for the School.

20. At some local schools, deposits were not always made intact and in a timely manner.

The Board should ensure all deposits at the local schools are made timely and intact.

- 21. At the local school level, disbursements were not always made using checks. Teachers were purchasing items using daily cash collections and submitting any remaining cash to the bookkeeper to be receipted.**
Procedures should be implemented to ensure that the purchase and payment of all items are made by check.
- 22. At the local schools, money collected from students was not always documented using prenumbered receipts.**
Procedures should be implemented to assure that all local school monies are properly receipted using prenumbered receipts.
- 23. The *Code of Alabama 1975*, Section 16-1-8.1, requires the local schools to elect budget committees and approve budgets for Classroom Instructional Support funds using secret ballots. _____ High School and _____ High School did not appear to comply with this requirement.**
The Board should ensure that all local schools adhere to the requirements of the Code of Alabama 1975, Section 16-1-8.1.
- 24. The *Code of Alabama 1975*, Section 16-13-232, requires the Board to compile the average daily membership of its students for the first 40 days of school. _____ High School failed to maintain the necessary documentation for its average daily membership data.**
The Board should ensure that all documentation is maintained to ensure compliance with the Code of Alabama 1975, Section 16-13-232.
- 25. Section 93, Constitution of Alabama 1901, prohibits any county, city town, or other subdivision of the state to lend its credit, or to grant public money or thing of value in aid of, or to any individual, association, or corporation. The Board loaned public money to three different booster organizations for various club projects.**
The Board should discontinue the practice of loaning public funds to individuals, associations, and corporations.
- 26. Several local school expenditures did not have proper supporting purchase documentation.**
The local schools should ensure that all expenditures are properly supported.
- 27. The *Code of Alabama 1975*, Section 11-1-7(b), requires the County Board of Education upon application of the Custodian of Funds to appoint a bank or savings association that is a qualified public depository under the provisions of the *Code of Alabama 1975*, Section 41-14A-1 through 41-14A-14. One of the Board's schools (_____ Junior High School), had an account with a bank that did not appear to be a qualified public depository.**
The Board should ensure that its local schools' bank accounts are with banks that are qualified public depositories.
- 28. An adequate system of internal controls requires that all money collected be properly receipted and deposited daily. Receipts should be pre-numbered, and the sequence of receipt numbers should be accounted for and recorded on deposit records. During the audit period, it was noted that not all teachers were turning in money collected to the school bookkeeper on a daily basis.**
The Board should establish controls to ensure that teachers turn in money collected to the school bookkeeper on a daily basis. Bookkeepers should record teacher's receipt number(s) in the master receipt book and write a receipt to each individual turning in money. All monies collected should be deposited timely.

- 29. At one school, public funds in the amount of \$110.81 were used to purchase items for staff appreciation. That amount was repaid with nonpublic funds on March 19, 2004.**

The Board should ensure that public funds are only expended for allowable items.

- 30. Teachers were allowed to purchase Sam's Club memberships through the school's account.**

Employees should not be allowed to purchase personal Sam's Club memberships through the school's account

- 31. Numerous deposits were not made timely. On several occasions, it was noted that receipts were held up to a month before being deposited. Some amounts deposited were not receipted. Teacher receipts were not submitted to the office on a timely basis. Some receipts were turned in more than two months after the receipt date. Teachers at one school tested did not use receipt books to record money received from students.**

Procedures should be implemented to ensure that deposits are made timely, that all teachers use receipt books, and that all teacher receipts are submitted to the school office timely.

- 32. In some instances athletic event receipts and other receipts were not posted to the master receipt book at _____ High School.**

All funds received should be entered into a local school's master receipt book when received.

- 33. At _____ Elementary School, teacher receipts were not traceable to the master receipt book, nor were receipts from the master receipt book traceable to the bank statement. There were also instances where teachers did not issue receipts for money that they collected from students.**

Teacher's receipts should be traceable to the master receipt book, and ultimately to bank deposits. In addition, teachers should issue a receipt any time they receive money.

- 34. Procedures were not in place to ensure that adequate controls existed over receipting monies collected from students. In one instance it appeared that all money collected by a teacher was not deposited into the local school bank account. Reimbursements were made to the teacher from the cash collected from students for club items purchased with personal funds. Also deposits were not made in a timely manner.**

Procedures should be developed and implemented to ensure that adequate controls exist over receipting monies.

- 35. _____ Junior High School and _____ Junior High School had negative cash balances in their non-public funds. This resulted in non-public funds using public funds for disbursements.**

The Board should ensure that public funds are not used for non-public activities.

- 36. Procedures were not in place at _____ High School to ensure that all costs associated with the purchase of various items for the students were recouped.**

Procedures should be implemented to ensure that all costs associated with the purchase of various items for the students are recouped.

- 37. Fundraiser accountability forms were not always prepared and maintained at _____ High School.**

Fundraiser accountability forms should be prepared and maintained.

- 38. Monies collected by various clubs at _____ High School were used for purposes other than which they were collected. Various club funds were being used to loan monies to other clubs that had cash deficits.**
Monies collected by various school clubs should only be used for the purposes for which they were collected.
- 39. Receipts were not always written when monies were received at _____ School, _____ Middle School, or at _____ School. In addition, at _____ School and at _____ School, receipts were not always written to the person actually delivering the money.**
A receipt should be written and issued to the person delivering the monies at the time monies are received.
- 40. Ticket sales were not always reconciled to the amount of cash received at _____ Middle School, _____ School, and _____ School.**
Prenumbered tickets should be sold at the various events held at the schools, and cash should be reconciled to the amount of tickets sold.
- 41. Expenditures at _____ Middle School, _____ School, and _____ School were not always properly supported by an invoice or purchase order.**
Expenditures should have proper documentation before payment is made.
- 42. A check made payable to _____ High School in the amount of \$3,000 was cashed at a local bank in May 2001. School officials have indicated that these funds were used for the school's marquis and a memorial to a deceased student.**
All funds should be deposited into either the Board of Education or the applicable school's official bank account and checks made payable to the local schools should not be cashed.
- 43. The Sportsmen Club is selling cards permitting individuals to attend athletic events free at _____ High School. Individuals are showing these cards at athletic events and entering without paying a gate fee. Gate receipt revenues are to be collected and retained by the school for use in the athletic programs.**
The school should not permit individuals to attend athletic events without receiving a gate fee.
- 44. Original invoices were mailed to the vendors with payments at _____ Elementary School with photostat copies retained for audit. A material receipt was not attached to all invoices indicating merchandise had been received.**
Original invoices should be retained for school records with photostat copies being mailed to the vendor. A material receipt should be attached to all invoices indicating merchandise has been received.
- 45. Concessions and merchandise are being sold at local schools without a controlling mechanism to compare items sold with funds collected. Tickets are being issued at fall festivals but are recycled during the events negating the control of reconciling tickets sold to funds received.**
The Board should establish procedures to compare items sold with funds collected.
Tickets issued at fall festivals should no be recycled.
- 46. Receipts are not always being issued to students.**
Receipts should be issued to students for monies received.

47. Activities related to one student club at _____ Middle School were not included in the school's accounting records. The club sponsor used a separate set of receipts and a separate bank account for this club. She had complete control of the club's funds and records and there was no review of the records by another individual. Money collected was not deposited in a timely manner. Documentation of expenditures was not provided, therefore, it could not be determined whether the expenditures were for allowable purposes. Receipts of at least \$154.00 were not deposited. The club sponsor paid this shortage while the audit was in progress.

All transactions of clubs should be included in the school's accounting records.

Approved receipting procedures should be followed and all monies should be turned in to the school bookkeeper. Expenditures should be properly documented.

48. Local schools did not have adequate controls over receipts from the daily sales of concession items to students. The profit margin for the sale of drinks at _____ High School appeared to be unusually low.

Local schools should have adequate controls over receipts from the sales of concessions.

49. There was a lack of control over the receipts from athletic events at the local school level.

Adequate controls should be established for the receipts from athletic events.

50. Internal control procedures were not in place to allow a traceable audit trail from the point of sale to deposit in the bank for concessions at the local schools. Individuals handled vending receipts with no documentation of the amount that should be on hand or the amount actually on hand with that individual.

Principals should monitor internal control procedures over vending receipts. An inventory of items purchased for resale should be maintained along with the number of items sold daily to determine the amount of cash that should be deposited daily.

51. Purchase orders were not consistently used to maintain control over expenditures at the local school level. Employees frequently avoided purchase orders by purchasing supplies or equipment and later requesting reimbursement from the school.

Internal controls should be implemented to ensure that all expenditures are issued through the purchase order system rather than reimbursements.

52. Gate receipts were not properly accounted for at the local schools. Attendants ran out of tickets at games and had no way to determine the amount of cash that should have been on hand. Beginning and ending ticket numbers for the games were not always documented to determine the amount of cash that should have been collected.

Internal control procedures should be implemented to ensure that all tickets are accounted for and that sufficient tickets are on hand at the games.

53. Gate receipts were not always deposited into the school's bank account and recorded in the general ledger. Disbursements to officials were sometimes paid in cash from the gate proceeds rather than by check, which would be necessary to ensure compliance with IRS regulations.

Internal controls should be implemented to ensure all gate receipts are deposited into the school's bank account and that officials are paid by check rather than in cash.

54. Internal control procedures established by the Board were not followed to ensure: that receipt books issued to teachers were accounted for at year-end; that teachers issued receipts for money collected from all students; that school bookkeepers receipt all monies from the

teachers on a daily basis; and that school bookkeepers make deposits timely. At _____, \$16,469.21 was receipted on September 18, 2003 but was not deposited until October 21, 2003.

Internal control procedures established by the Board for receipting and depositing collections should be followed by the local schools.

55. Internal control procedures were not established requiring teachers/sponsors to prepare accountability reports for all fundraising activities.

Internal control procedures should be established to require that teachers/sponsors prepare accountability reports for all fundraising activities.

56. Internal control procedures were not established to ensure that all monies collected from the sale of snacks and drinks were properly recorded into the accounting system.

Internal control procedures should be established to ensure that all monies collected from the sale of snacks and drinks are properly recorded into the accounting system.

57. Procedures were not in place to ensure that all teachers at the local school level were using pre-numbered receipts.

The Board should ensure that all teachers use pre-numbered receipts.

58. Procedures were not in place to ensure that ticket sales at athletic events were properly accounted for.

Controls should be implemented to ensure that all athletic events are accounted for properly. Prenumbered tickets should be used for all athletic events and unissued tickets should be retained for audit. Athletic receipts should be counted in the presence of another person, and both individuals present should sign the cash count sheet. All receipts should be sent to a night deposit or kept in a safe.

59. A bank reconciliation for _____ High School was not provided. The bank reconciliation prepared for audit purposes indicated a shortage in the bank account of \$3,815.91. A special examination of _____ High School's records will be performed by the Examiners of Public Accounts in the following months.

Bank reconciliations should be prepared for all bank accounts. Any differences in the bank balance should be identified and resolved.

60. At _____ Elementary School, monies collected for a summer program were not turned in to the school office and deposited in a timely manner.

All monies collected at the local schools should be turned in to the school office and deposited in a timely manner.

61. Numerous claims paid by local schools were not supported by original invoices and properly executed purchase orders.

All local school claims should be supported by original invoices and properly executed purchase orders.

62. The student attendance count from the classroom attendance rolls often did not equal the attendance register by homeroom. The attendance register is used to calculate a principal's register which is used to determine the system's first forty days of average daily membership. Also, all original sources of attendance were not maintained for audit review.

The board should maintain documentation of compliance with applicable laws governing average daily membership.

63. Payments were made without invoices or other supporting documentation.

All payments should be adequately documented.

64. The purchase order system was not used properly at the local school level.

The purchase order system should be properly used.

65. A report of ticket sales was not completed properly for all games at _____ County High School.

The Board should ensure that a report of ticket sales is accurately completed for all home games. The number of tickets issued, returned, and sold should be detailed on the report. The report should be rechecked for accuracy and reconciled to receipts collected for each game.

66. At one school public funds were used to purchase gifts for the staff. The principal repaid the total amount of \$81.90 prior to completion of the audit.

Public funds should not be used to purchase gifts for the staff.

67. Deposits were not always made timely and intact at some local schools.

Deposits should be made timely and intact at the local schools.

68. Pre-numbered tickets were not used at all athletic events at some local schools. Checkup sheets were not used for collections of gate receipts and reconciliation reports were not prepared for concession collections.

Pre-numbered tickets and checkup sheets should be used to account for gate receipts at all athletic functions. Concession receipts should be properly documented, reconciled and receipted.

69. Three local schools had deficit cash balances in their non-public accounts of \$5,111.85, \$14,179.29, and \$5353.79. One local school had a cash deficit in their public fund account of \$171, 666.79.

The Board should take measures to ensure that cash deficits are eliminated in the local schools' bank accounts.



STATE OF ALABAMA
DEPARTMENT OF EDUCATION



Joseph B. Morton
State Superintendent
of Education

Alabama
State Board
of Education

November 8, 2007

MEMORANDUM

Governor Bob Riley
President

TO: City and County Superintendents

Randy McKinney
District I
President Pro Tem

FROM: *Joseph B. Morton*
Joseph B. Morton
State Superintendent of Education

Betty Peters
District II

RE: *Guidelines for Financial Operations of School-Related Organizations*

Stephanie W. Bell
District III

For many years schools and school boards have received conflicting guidance about the accounting requirements for school-related organizations. Several agencies have provided partial and often conflicting rulings regarding the required procedures for the operation of school, student, parent, athletic, and other organizations that provide financial support for school activities and functions.

Dr. Ethel H. Hall
District IV
Vice President
Emerita

Two years ago we began the process of preparing guidance for financial operations at the local school level. We have circulated draft guidelines through workshops provided by the Council for Leaders in Alabama Schools (CLAS), the Alabama Association of School Office Personnel, and the Alabama Association of School Business Officials. Workshop participants were receptive and appreciative of our efforts to address areas of specific concern to school officials, parents, auditors, and school personnel.

Ella B. Bell
District V

Enclosed please find a document entitled *Guidelines for Financial Operations of School-Related Organizations*. Although not specifically endorsed by the Alabama Council of SACS/CASI and the Alabama PTA, officials at both of these organizations have reviewed this document and have accepted the need to issue these guidelines.

David F. Byers, Jr.
District VI
Vice President

Because school boards may be required to amend or adopt local school board policies, the procedures necessary to implement these guidelines should begin as soon as possible, with a goal of full compliance by July 1, 2008.

Sandra Ray
District VII

If you have questions or concerns about the enclosed guidelines, please contact Dennis Heard at telephone number (334) 242-9747 or by e-mail at dheard@alsde.edu.

Dr. Mary Jane Caylor
District VIII

Joseph B. Morton
Secretary and
Executive Officer

JBM:WCP:DWH
Enclosure
FY08-3007

Guidelines for School-Related Organizations

The majority of public K-12 schools in Alabama operate under the accreditation standards of the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS/CASI). The *Accreditation Standards 2005* published by SACS/CASI includes in *Standard 2 Governance and Leadership 2.4* the following requirement: **In fulfillment of this standard, the leadership of the school...Controls all activities, including extra-curricular, that are sponsored by the school.** This publication also provides in *Standard 6 Financial Resources 6.15* the following requirement: **In fulfillment of this standard, the school...Controls all funds raised in the name of the school....** Interpretations of these standards, primarily *Standard 6.15*, have created conflicting guidance from various sources relating to the accounting requirements for school-related organizations.

In addition to the requirements of SACS/CASI, the Alabama Department of Education must also consider other factors in providing these Guidelines for School-Related Organizations, including:

- *State laws giving the authority to establish financial and administrative requirements for local schools to the:*
 - *State Superintendent of Education.*
 - *State Board of Education.*
 - *Local Boards of Education.*
 - *Department of Examiners of Public Accounts.*
- *Governmental Accounting Standards Board (GASB).*
 - *Generally Accepted Accounting Principles.*
 - *GASB Statement No. 14 – The Fiscal Reporting Entity.*
 - *GASB Statement No. 39 – Determining Whether Certain Organizations Are Component Units.*
- *Federal legislation.*
 - *Internal Revenue Service.*
 - *Congressionally Chartered Organizations.*

The determination that a particular club or organization is a school activity must be made on a case-by-case basis according to the actual facts and circumstances of the club or organization's operations at a school. The fact that an organization would not exist without the school it supports has no bearing on determining that the organization is a school activity. However, the purpose of these Guidelines for School-Related Organizations is to assist these organizations, school officials, school bookkeepers, auditors, and other agencies in determining the proper accounting for school-related organizations.

Student Organizations

Student clubs and classes are usually recognized as school activities. The student officers and faculty sponsor operate the organization while the school principal acts in a fiduciary capacity over the organization's funds. The school's accounting records contain a separate account to record the financial operations of each student organization. Income from the student organization is recorded by receipts and deposited in the school bank account. The school principal approves the purchase orders, signs the checks, and maintains the supporting documents for the expenditures.

Some organizations consisting of students from the school may not be school activities. Some students belong to social organizations that operate off-campus. Community recreation leagues may consist solely of the school's students and operate under other entities that are not under the control of the school. Although the activities of these organizations may benefit the school's students, these organizations have a separate employer identification number (EIN), a separate mailing address, and maintain their own records and accounts.

Athletics

School athletics are extra-curricular activities that must be under the control of the school principal. Coaches and other school employees cannot maintain a separate bank account that supports, or benefits from, a school extra-curricular activity. Funds received to support an athletic activity at a school from sponsors, vendors, or other sources must be included in the school's financial records under the fiduciary control of the school principal. Funds from gate receipts and other sources may be recorded in one or more separate accounts for a particular sport in the school's financial records. However, a separate account for each sport is not required. When athletic events are held on locations other than school property, the school principal's control over the financial operations of the event, including ticket sales, concessions, and parking fees, will be determined by agreement with the entity in control of the event location.

Parent Organizations

Parent and parent/teacher organizations provide a vital role in the education of students. In Alabama public schools, the PTA and the PTO are the most common parent organizations. Both organizations have a national organization that serves the individual school organizations. Each of the national organizations publishes guidance for the financial operations of the individual school organizations. These organizations must have a separate employer identification number (EIN) and a separate mailing address in order to maintain their own records and accounts outside the control of the school. However, these organizations will become school activities if:

- a) *Both parties mutually assent to the fiduciary control of the principal, or,*
- b) *A school employee leads fund-raising or maintains the accounting records for the organization.*