

# Financial Procedures for Local Schools



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# Resources for Local School Finance



- Local Finance and Accounting Manuals
- Local School Board Policies
- Alabama Department of Education WebPages
  - Local School Financial Procedures Manual
  - Recent Audit Findings
  - Links

# FINANCIAL PROCEDURES FOR LOCAL SCHOOLS



**APPROVED**

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# Resources in LINKS



- Available from Alabama Department of Education web site – [www.alsde.edu](http://www.alsde.edu).
- Locate **SECTIONS** tab on left.
- Select ***LEA Funding and Accountability***.
- Select **LINKS** tab on left.
  - Ethics Commission – Opinions
  - State Laws – Code of Alabama
  - Archives and History – Record Retention

# Different Financial Procedures



- **Centralized Accounting**
  - Different types but all receipts written at school
- **Automated Records**
  - Different software
- **Combination of Manual and Automated**
  - Master receipts automated or manual
  - Receipt books or “one-write” receipts
  - On-line payments by ACH, credit cards, or debit cards.

# RECEIPTS



# Receipt Controls



- Collection documents:
  - Teacher Receipts
  - Alternative Receipt Records
  - Reports of Ticket Sales
  - Master Receipts
  - Automated Receipts
- Security is often overlooked in providing these documents to the individuals collecting funds.
- Pre-numbered documents and log sheets to track the assignment of these documents are part of assuring the security of school funds.

# Master Receipts



- Issued in the school office.
- Manually prepared receipts:
  - Pre-numbered, duplicate receipts.
  - Issued in numerical order.
  - Cannot be pre-signed.
  - Original signature – no signature stamp.



# Master Receipts



- Issued only after counting the amount of the funds at the time the funds are received.
- Teacher should not leave funds and come back later to get receipt.
- The teacher should bring the receipt document to the office with the funds.
- Funds should be counted and verified to the receipt documents before the Master Receipt is written to the teacher.

# Master Receipts



- Receipt should be made to the name of the individual actually delivering the funds.
- The completed original Master Receipt should be given to the individual delivering the funds.
- Retain voided Master Receipts for audit.
- No correcting fluid or erasures.
- Deposit funds daily or according to local board policy. Secure funds until deposit.

# Master Receipts



- Complete with indelible ink.
- A teacher should not give funds collected to a student to take to the office.
- Endorse check with words “For Deposit Only” along with the name of the school bank account and the bank account number.
- The Master Receipt should be completed with the information required to document the funds received.
- **DO NOT CASH CHECKS!**
- Do not use cash collected for change cash.

# Teacher Receipts



- Use pre-numbered, duplicate receipts.
  - Issued in numerical order.
  - Cannot be pre-signed.
  - Original signature – no signature stamp.

# Teacher Receipts



- The Principal should keep a log of teacher receipt books to track receipt books to the teacher.
- Do not hold funds until the activity or fund raiser collection is complete. Timely deposits of funds collected is required.
- The teacher receipt books should be returned to the Principal at the end of the school year or earlier, if required by local board policy.

# Teacher Receipts



- The teacher is responsible for funds collected until turned in to the office.
- No funds should be left in the classroom overnight.
- No correcting fluid or erasures.
- Complete with indelible ink.

# Teacher Receipts - Alternative



- As an alternative to writing individual receipts most local school boards allow a collection form to document collections from multiple students for small amounts for field trips, daily juice, etc.
- The collection form must identify:
  - The purpose of the collection
  - The date the funds are received
  - The individual student
  - The amount
  - And be signed by the teacher
- The alternative receipt form is taken to the office with the funds collected.

# BANKING





# Bank Account



- Centralized bank account.
- Bank designated by school board.
- Bank selected by Principal.

# Bank Account



- A school should have no more than one checking account, preferably interest-bearing.
- All school funds must be maintained in a QPD and must be included in the school's financial statements.
- The bank must be a Qualified Public Depository (QPD) under the SAFE program.

# Deposits



- School funds must be deposited in a timely manner.
- Deposit slips should be pre-printed, duplicate forms containing the name of the school bank account and the bank account number.
- The deposit slip should contain the Master Receipt numbers of the funds deposited.

# Deposits



- Deposit funds intact.
  - **DO NOT CASH CHECKS!**
  - Do not use cash collected for change cash.
  - Do not use cash for payments.
- Do not use correcting fluid for mistakes.
- The bank should authenticate the duplicate deposit slip.

# Returned Checks



- Checks included in bank deposits may not be accepted by the bank because of :
  - Insufficient funds.
  - Closed account.
  - Bank error.
  - Incomplete check or check error.
  - Unauthorized signatory.
  - No endorsement.

# Returned Checks



- Checks accepted from individuals for payment should contain:
  - Full name.
  - Current residence address.
  - Home telephone number.

# Returned Checks



- Procedures for handling returned checks should be determined by local board policy.
- Check Recovery Service
- Bank service charges should be paid by the returned check writer or waived by the bank.
- Risk list – individuals not allowed to pay by check.

# Resolving Returned Checks



- Redeposit of check.
- Reimbursement for returned check and bank charges by cash, cashier's check, or money order.
- District Attorney.
- Small claims court.



# Bank Reconciliations



- Bank statements should be delivered unopened to the Principal.
- Bank statements should be reconciled to the accounting records soon after receipt.
- The Principal should review bank reconciliations each month.
- Reconciling the bank statement to the checkbook balance is not sufficient.

# PURCHASING



# Purchase Orders



- The Principal should approve all purchases that will be paid from school funds.
- A completed, pre-numbered purchase order should be approved by the Principal before the purchase.
- A purchase order register should be maintained to account for purchase orders.
  
- Bid Law
- Capital Improvements & Contracts should be approved by the Board.

# Invoices



- An invoice should be obtained for each purchase before payment is made.
- IRS Form W-9 should be completed & maintained on file to determine necessity of 1099 at year-end.
- The invoice should provide
  - Pre-printed vendor name & address
  - Description of purchase
  - Itemized listing of items purchased and item price
  - Shipping & handling charges
  - Total amount of the purchase.

# Invoices



- Unless provided in another document, the school employee receiving the items should sign the invoice to verify the items billed were actually received.
- Match the invoice to the purchase order before processing payment.

# EXPENDITURES



# Expending Funds



- Checks
- School bank account
  - Manual checks
  - Automated checks
  - Electronic payments
- Centralized bank account

# Expenditures



- Payments for school expenditures should be made from the school's checking account.
- The Principal should sign all school checks.
- Signature stamps should not be used.
- The school bookkeeper should not be the sole signer or allowed to sign on behalf of the Principal.



# Expenditures



- Do not write checks to “Cash”.
- Do not sign checks that do not contain the check recipient’s name and the amount of the check.
- Do not pay for items in advance.
- Invoices and supporting documents should be provided with the check to be signed.
- Invoices should be cancelled when the check is signed.

# Expenditures



- Vendors should be paid on a timely basis.
- Checks should be used in numerical order.
- Checks must be secured at all times.
- Voided checks must be maintained for audit.
- Sales tax should not be paid on purchases.
- School employees may not use the school's tax exemption for personal purchases.
- Investigate checks outstanding more than 60 days.

# Academic Incentives



- Public funds can be used to promote educational excellence by students.
- Excellence includes
  - Attendance
  - Honor rolls
  - Test scores
  - Other academic achievements

# Academic Incentives



- Incentive awards procedure
  - Action required for a student to receive an incentive
  - Relationship of the required action to educational excellence
  - Description of the planned incentive
  - Value of the planned incentive
  - Process for determining the incentive recipients.
- For incentives of significant value, signed documentation of the student's receipt of the incentive should be maintained. This should include signatures of the student, school official, and a witness.

# SCHOOL INCOME



# Ticket Sales



- Pre-numbered tickets should be sold at all events where admission is charged.
- The ticket collector should not be the ticket seller.

# Ticket Sales



- A report of ticket sales should be issued to each individual responsible for selling tickets.
- Tickets sold for different amounts for the same event should be different number series in order to account for funds at varying ticket prices.

# Ticket Sales



- The Principal or responsible school official should enter the following information on the report of ticket sales when the tickets are issued to the individual seller:
  - Name and date of event.
  - Name of seller.
  - Beginning and ending number of each series of pre-numbered tickets issued to seller.



# Ticket Sales



- When ticket sales have ended, ticket seller should complete the following information on the report of ticket sales:
  - Beginning and ending number of each series of tickets not sold.
  - Reconciliation of tickets sold to cash.
- The Principal or school official receiving the cash and unsold tickets will sign the report.

# Ticket Sales



- A Master Receipt should be issued to the responsible individual for the cash collected from ticket sales after counting the funds.
- A separate Master Receipt should be issued to the responsible individual for the change cash after counting the funds.
- Do not use cash collected or change cash to cash checks, including school checks issued for officiating, security, ticket sellers, or ticket collectors.
- The Principal cannot issue any complimentary passes without the express authority of the local school board.

# Fundraising



- Each school fundraising activity should be approved by the Principal.
- A form requesting authorization for a fundraising activity must be approved by the Principal before the start of the fundraising activity.
- Fund raising activities involving students should be supervised.

# Fundraising



- All funds collected must be delivered to the Principal for a Master Receipt.
- **DO NOT USE FUNDS TO CASH CHECKS!**
- Fundraising collections must be deposited on a timely basis. Collections should not be held until all funds are collected.
- Sales awards to students should be pre-determined and approved by the Principal.
- Do not make payments from funds collected.

# Fundraising



- A school employee cannot receive a gift or gratuity from the fundraising vendor.
- After completion of the fundraising activity, a form that documents the result of the fundraising activity should be submitted to the Principal and reconciled to the Master Receipts.

# Commissions



- Contracting with a vendor for a sales commission can be a beneficial method for school income.
- A school board may select the vendors or may allow each school to contract with vendors.

# Commissions



- The contract for commission sales should require the vendor to provide documentation to verify the amount of the school's commission.
- For example, a statement from the vending machine company of the items stocked at each delivery can be used to calculate the expected commission check.

# Vending Machines



- When commission sales are not used by the school for vending machines, documents should be maintained to track the profits of each machine.
- A Master Receipt should be made to the individual removing the funds from each machine at the time monies are brought to the office.



# Vending Machines



- Can profits from vending machines be non-public?  
Yes, if:
  - The location of the vending machine is not accessible by students or the public.
  - Funds are under the control of an employee organization (not under the direct control of the principal).
  - All expenses for the vending machine (vending items, electricity, & rent) are paid from the machine's proceeds.

# Concessions



- An inventory must be maintained for items sold at event concessions, school concessions, and school stores.
- The inventory of items purchased, items sold, and items unsold should be reconciled to cash collected.

# STUDENT PAYMENTS



# School Fees



- School fees are charges for instructional purposes during the school day during a school term supported by taxation. School fees include charges for workbooks and supplemental instructional materials used in classroom instruction, charges for activities during the school day, and charges for access to instructional resources, such as libraries, computers, and science labs.

# Student Fees



- No fees are allowed in courses required for graduation.
- In courses not required for graduation, fees may only be charged in courses requiring laboratory and shop materials and equipment, provided that fees are waived for students who cannot afford to pay the fee.
- Funds collected for student fees can only be used for the purpose for which the fee was collected.

# Student Fees



- No fees are allowed in grades K – 5.
- State laws allow for out-of-district fees, lost textbook fees, and driver education fees.
- However, there are limitations to the collection of other student fees.

# Donations & Voluntary Contributions



- Voluntary contributions are allowed.
- Donation/Contribution/Fee requests must be approved by the Principal.
- A student who does not pay the voluntary contribution for an academic course, instructional materials (including workbooks), access to instructional resources, school day academic field trip, or other instructional activity cannot be treated any differently than a “paying” student.

# Donations & Voluntary Contributions



- Actions taken against students for non-payment of student fees, contributions, or donations are prohibited.
- Examples of prohibited actions include:
  - Withholding:
    - ✦ Grades
    - ✦ Report cards
    - ✦ Transcripts
    - ✦ Diplomas
    - ✦ Honor rolls
    - ✦ Participation in graduation events & student recognition events
    - ✦ Membership in honors organizations
  - Other actions that would subject the student to embarrassment or ridicule.



# Field Trips



- Voluntary contributions are allowed.
- Non-payment of requested contributions cannot be used against a student and the student must be provided the same participation as if payment was made on behalf of the student.
- Student trips that extend overnight, are held outside of school hours, or are held on a day school is not in session are considered extra-curricular activities.

# SCHOOL RELATED ORGANIZATIONS



# Student Organizations



- Operated by the student officers, members, and faculty sponsor.
- Income is recorded by receipts and funds are deposited in the school bank account.
- Principal approves purchase orders, signs checks, and is responsible for maintaining the financial records for student organizations.

# Athletics



- School athletics are under the control of the school principal.
- Athletic funds are maintained in the school bank account and include:
  - Gate receipts
  - Game programs
  - Vendor advertising
  - Parking \*
  - Athletic concessions \*

# Parent Organizations



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

# Booster Organizations



- Primarily athletic boosters and band boosters but has expanded to cheerleader boosters, choral boosters, academic boosters, and alumni associations.
- Subject to poor financial management practices, theft and misappropriation of funds.
- Involvement of school employees in booster organizations should be limited.

# Booster Organizations



- Included in the school financial records and the school bank account unless:
  - It has an EIN number and separate mailing address, and
  - No employee of the school, **who is associated with the activity supported by the booster organization**, serves/holds a leadership position in the organization.
  - No employee of the school **leads** the organization's fundraising, and
  - No employee of the school maintains the accounting records for the organization.

# Specific Requirements



- Parent organizations and booster organizations that maintain their own financial records must provide:
  - Proof of employer identification number.
  - Annual audit report.
  - Financial records to the school's auditors and authorized school employees upon request.
  - Required financial reports.
  - Proof of a fidelity bond for the treasurer.
  - Assurance that it will not provide any payment or benefit to a school employee (or family member of a school employee) in violation of the State Ethics Law.



# LIVE WORK



# Live Work Projects



- Live work projects are for training career tech students as part of the course of study or to reinforce acquired knowledge and skills previously taught.
- Live work projects can be conducted for students, public employees, tax supported programs and institutions, charitable organizations supported by donations, and under certain conditions, other individuals and organizations but not in competition with private enterprise.

# Liability Waivers



- Signed waiver required before work begins.
- “Customer”
  - Assumes responsibility for work done by students in training.
  - Accepts responsibility for costs of materials and parts.
  - Agrees to pay the required service charge.

# Charges for Live Work



- If applicable, a service charge of at least 20% of the actual cost of parts and materials.
- Otherwise a reasonable service charge approved by the administrator.
- School cannot extend credit for work done
  - **NOT EVEN FOR SCHOOL EMPLOYEES.**
- Deposits and advance payments should be considered.

# Work Orders



- A work order is required to document all costs associated with the work performed.
- The customer must be provided a receipt when payment is made.
- The customer receipt, work order and materials purchased must be reconciled.

# PUBLIC / NON-PUBLIC FUNDS



# Public Funds



1. Funds received from public (tax) sources.
2. Funds received from non-tax sources but used for public purposes.
3. Any funds subject to the direct control of the school principal.

# Non-Public Funds



1. NOT received from public (tax) sources.
2. NOT used for public purposes.
3. Subject to the intent and authorization of the organization's members, officers, and sponsors and not used for general operations of the school.
4. The Principal does not direct the use of these funds.



# Public vs. Non-Public



- You can transfer non-public to public, but NOT public to non-public.
- If non-public receipts are commingled with public receipts, they all become public.
- When in doubt, consider the funds public.

# Public Funds Expenditures Unallowable



- Food items for social gatherings
- Meal expenditures for employee spouses
- Faculty & staff Christmas luncheon
- Flowers for sickness, death, secretary's day, etc.
- Scholarships
- Faculty appreciation gifts
- Championship rings

# Public Funds Expenditures Allowable



- Professional development training expenditures, including refreshments and meals
- Refreshments for an open house at a school where the public would attend
- Pregame meals for the athletic participants and coaches
- Academic incentives for students
- Athletic and band uniforms for **students**
- Membership in professional organizations
- School landscaping, furnishings and decorations.

# Non-Public Activity Accounts



- The Principal cannot use or transfer non-public activity funds without the approval of the organization's officers or sponsor.
- Monthly reports should be provided to the organization's officers or sponsor reflecting the operations and balances of the activity.

