


So, What Questions Do You Have About ASB?


2016 Annual CADA Convention
March 3, 2016

Presented by:
Michelle Plumbtree, Chief Management Analyst, FCMAT
Michael Ammermon, CPA, CFE



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FCMAT receives an incredible amount of questions when doing ASB workshops across the state on a variety of ASB subjects. This is your chance to ask those burning questions that you've been holding for a while.....Who is going to go first?



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When You Have Questions

- Work with your district office.
 - No one knows the rules and policies of your district better
- Ask your auditors.
 - They have an annual responsibility to review your district, including ASB
- Review FCMAT's *ASB Accounting Manual, Fraud Prevention Guide and Desk Reference*
 - Can be accessed and downloaded for free from FCMAT's website at www.fcmat.org
 - New version was available September 2015.
- Use FCMAT's online help desk at www.fcmat.org
 - If your question hasn't been answered before and is not contained in the archives, you can submit your question and receive a confidential answer.




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ASB Accounting Practices for High Schools
Effective and Compliant Student Body Programs

2016 CADA ANNUAL CONFERENCE
March 2, 2016

Presented by:
Michelle Plumbtree
Chief Management Analyst, FCMAT



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Some of the basics



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ASB Types


- **Unorganized**
 - Elementary and K-8 school sites
 - Also: Adult ed., special education, ROP, continuation
 - Usually no student council or student clubs
 - Limited student decision making: School principal/trustee oversees raising and spending of funds and CAN make all decisions
 - Note: Although the principal/trustee can make the decisions, this does not change the rules on how and why we raise and spend these ASB funds
 - Requirements are not as strict



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ASB Types, cont.


- Organized
 - Middle and high schools; community colleges
 - Activities are organized around student clubs and a student council
 - Students are the primary authority when making decisions:
 - Formal meetings
 - Develop budgets
 - Plan fund-raisers
 - Decide how funds will be spent
 - Approve payments
 - Advisors and school principal:
 - Provide assistance, advice, and co-approve



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What is ASB Composed of?

- Middle schools, high schools and community colleges (organized)
 - Student Clubs
 - Student Council
- Elementary, K-8 school sites, Adult ed., special education, ROP, continuation (unorganized)
 - Classes
 - There may be Clubs
 - There may be Student Council



5

All Clubs Need to be Approved

- All clubs need to be approved, even activity clubs, for liability reasons.
 - Each club must have a certificated club advisor assigned to it, and only that certificated club advisor can approve activities, expenditures and activities
- A formal application should be completed that includes:
 - Title, powers and duties of the officers and the manner of their election
 - Scope of proposed activities
 - Name of organization
 - Endorsed by a certificated club advisor
- New clubs must be approved by:
 - Student council*
 - Principal



* For organized ASB

6

What it means to be part of ASB



7

Most Importantly


- It's all about students:
 - Fundraising
 - Participating
 - Doing
 - Learning
 - Experiencing
 - Making decisions (if organized ASB)



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Student Club and Trust Accounts

- So, what is a CLUB?
 - Composed of currently enrolled students at that specific school site
 - Certificated employee of the school district must be the advisor
 - Students **MUST** play a major role
 - Students are the primary authority when making decisions**
 - Have approved constitution**
 - Elected officers**
 - Must have a budget**
 - Formal meetings**
 - Minutes of meetings**
 - Clubs report to the student council**




**Optional if unorganized ASB

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Student Club and Trust Accounts, cont.


- Funds held in trust by student council
 - ASB constitution or bylaws should state what happens to funds of inactive clubs
 - If constitution or bylaws silent, funds would revert to general ASB account
 - i.e., Student council or leadership class
 - Try to spend money for same reason it was raised
 - Define what an inactive club is
 - e.g., 18 months



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How Do Parent Groups Fit In?


- Parent group funds cannot be commingled with district/ASB funds.
 - Nonstudent groups cannot deposit funds in the ASB accounts unless they are being donated to the ASB
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ASB is ASB

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- Only money that should be deposited in ASB:
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- When non-ASB activities are commingled with ASB, problems begin.
- Commingled funds should never be allowed; may appear to be fraudulent or there through negligence.
- Avoid even the APPEARANCE of fraud.



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District Board Policy and Regulations

Govern:

- Establishment of the student body organization
- Supervision of the organization's activities
- Operation and management of the organization's finances
- It is important ASBs are aware of district policy because district policy applies to the ASB
- District board policies are additional laws that ASB must follow



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Who is responsible for what?



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Site Principal:


- Works with district office
- Approves fundraising events
- Approves expenditures along with students and ASB advisor
 - Can be only approver for unorganized ASB
- Appoints the ASB and club advisors
- Supervises ASB bookkeeper and ASB advisors
- Enforces and communicates all laws, policies and procedures



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Site Principal, cont.:


- Ensures that a student council is established and approves club constitutions
- Work with each student organization to develop methods for securing cash collected after hours and on nonschool days
- Ensure proper cash control procedures established and followed at all times
- Ensures minutes are kept of all ASB and club meetings
- Receives and reviews bank statements MONTHLY
- Reviews budgets and financial reports MONTHLY



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ASB Advisor(s):


- Critical link between principal – bookkeeper – students; aka the principal's designee for day-to-day ASB functions
- Must be a CERTIFICATED employee
- Needed to supervise EACH club and student council/leadership class
- Works directly with students on a day-to-day basis, supervising the activities and serving as a link between the students and the ASB bookkeeper and the principal



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ASB Advisor(s);, cont.


- Assists the students in preparing the annual budget and revenue projection estimates for fundraisers
- Ensures that adequate internal controls are in place
- Approves expenditures along with students and board designee (for organized ASB)
- Ensures that the clubs are meeting and keeping minutes
- Reviews with the students all budgets, financial reports and transactions
- Ensures all laws, policies and procedures are followed



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Student Council:


- Represents the students
- Primary authority of how student-raised funds will be spent
 - Approves expenditures along with ASB advisor and board designee (for organized ASB)
- Develops and approves annual budget for student council and leadership class
- If unorganized, student council is not mandatory; for organized, it is mandatory



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Student Council:, cont.


- Authorizes ALL:
 - Student club budgets
 - Student clubs
- Reviews ALL:
 - Student club fundraising events
 - Student fund purchases/expenditures
- Reviews ALL:
 - Student club financial reports
 - Student club reconciliations
 - Anything else it would like to review



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ASB Bookkeeper:


- The site ASB bookkeeper safeguards money held at school site.
- Ensures funds get to the ASB bank account in a timely manner
 - Responsible for receipts received from ASB advisor until deposited
- Prepares proper financial records of financial transactions in accordance with established procedures and policies
 - Club reports, check registers, deposit registers, etc.



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ASB Bookkeeper, cont.:


- Provides materials to ASB advisors for fundraisers, and keeps stock on hand (change box, receipt books, tickets, etc.)
- Processes purchase orders, payments, and invoices
- Prepares bank reconciliations monthly
- Upholds ASB laws, procedures and policies
- We'll discuss the bookkeeper's duties in much more detail soon!



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THAT'S A LOT OF WORK!

I THOUGHT IT WAS EASIER TO SPEND MONEY FROM ASB, NOT HARDER!



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Let's talk about some more specifics



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Budgets

- Every club must have a budget if organized
- Budget is an ESTIMATE
 - If the budget goes off track during the year, REVISE it
- Budget = Usually one year
 - **Often Forgotten:** AT END OF SCHOOL YEAR, prepare **NEXT YEAR'S budget** (needed to conduct business)
 - This "next year budget" can be as simple as using current year actual revenue and expenditures
- Students need to participate in the budget process
- Require that a budget is in place and approved BEFORE the club enters into any commitments (i.e., spends any money)
 - No budget = No spending!
- If unorganized, budgets are not mandatory



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Budget Carryover

Possible; HOWEVER – Students should spend what they raise


- Seed money for next year = OK
- Reasonable carryover balances = OK
- Multiyear projects with carryover balances = OK
- Get permission to carry over and/or set percentage limits
- There should be a form to get approval to carry over funds from the prior year


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What Happens When a Class Graduates?

- Funds held in ASB can only be spent on CURRENT students
- If graduating:
 - Spend remaining funds prior to graduation
 - Gift the funds to another ASB club at the same school site
 - Gift the funds to the general ASB at the same school site
- Balances cannot follow students graduating from elementary or middle school and moving on to next level
 - Funds stay at same school where they were raised
- If class has already graduated, need to clear funds
 - General ASB unless board policy or constitution says otherwise


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What Should We Know About Raising Money?


- Obtain district governing board approval BEFORE the fundraiser occurs. This is required by Ed Code.
 - Best Practice: ASB fundraising events should be approved at the beginning of year, by the board or whomever the board delegates to do so, or the governing board should approve policies and administrative regulations that delineate allowable and unallowable fundraising events
- Ensure that parent organizations coordinate the timing of their fundraisers with ASB fundraisers so they don't compete with each other



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Revenue Potential


- Complete a revenue potential form for each fundraiser
 - An internal control requirement; absence of this results in a finding in the district's independent audits
- The form will include an ESTIMATE, ACTUAL results, and the difference
- Revenue potential form can serve as the document to:
 - Complete and submit to the board or designee for event approval
 - Ensure that the site administrator is informed and approves of all fundraising activity at the site
 - Notify the bookkeeper of an upcoming deposit
 - PLAN!



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Don't Forget....


- An ASB fundraiser must be preapproved and consist of students raising money to purchase "extras" for students' educational experience
- Charging students a fee is not a fundraiser
- School districts and ASBs cannot hold raffles
- It is not legal for teachers to raise funds to increase their site budgets by fundraising using the district's tax ID number. If they do, the funds are considered taxable income to the teacher
 - There's a big difference between students fundraising using the district's tax ID number and teachers fundraising using the district's tax ID number: One is legal; the other is not!



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Unallowable Fund-raisers

- Raffles, bingo, and other games of chance
 - Against Penal Code
- Activities that pose liability, safety or risk concerns
 - i.e. Will the district's liability policy cover injuries at the event?
- Rental of district property (equipment or facilities to outside groups)
 - Remember, the district owns the property!
- Fees not authorized by the Education Code
 - If not allowed by Ed Code, don't charge it!




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Donations

- ASB can gladly accept donations of money or property if the donation is for appropriate ASB expenditures
- But they can't be:
 - Required
 - Mandatory
 - A prerequisite to participate in a program or activity
- All ASB rules and guidelines apply to any received donations
- Make sure you know if the district's board policy on donations has special provisions/instructions for how ASB donations are to be acknowledged or accepted




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Allowable Expenses

- Must be in compliance with the law and local board policy
- Must promote the students' general welfare, morale, and educational experience
- Must be directly linked to the students' benefit
- Must be pre-approved
- Must be outside of what the school district should provide, or has provided in past, from their own general funding sources
- Must benefit a group of students (with few exceptions)




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Allowable Expenses, cont.


- Expenses **CANNOT** be considered a gift of public funds
 - Article 16, Section 6, of the California Constitution
 - Must have a direct or substantial purpose
 - Misappropriation of public funds is considered a criminal act, with no monetary limit specified
 - Better to be safe than sorry



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Gift of Public Funds


- Expenditures of school funds must be for a direct and primary public purpose to avoid being a gift of public funds
 - Private individuals are benefitted only incidentally
 - Approved public purpose must be within the scope of a school district's jurisdiction and purpose
- Expenditures that most directly and tangibly benefit students' education are more likely justified
 - Expenditures driven by personal motive are not justified even if long-standing custom or based on benevolent feelings



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Gift of Public Funds, cont.


- To justify the expenditure of public funds, the governing board must determine that the expenditure will benefit the education of its students.
- If the governing board has determined that a particular type of expenditure serves a public purpose, courts will almost always defer to that finding: **Put it in board policy.**
- The following can be considered a gift of public funds unless in board policy:
 - Scholarships to college
 - Donations to charity
 - Flowers



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Allowable Expenses

- Examples:
 - Student magazines and newspaper subscriptions
 - Supplemental equipment for student use not provided by the school (e.g., telescopes)
 - Field trips/excursions/outdoor education camps
 - Extracurricular athletics costs
 - Social events for students
 - Awards if there is a district policy allowing them (E.C. 44015)
 - Substitute teacher if the teacher is absent due to an authorized ASB event



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Unallowable Expenses

Ask these questions:

- Does the expense directly promote the general welfare, morale or educational experience of the students?
- Does the expense benefit students as a group?
- Are you sure the expense can't be considered a gift of public funds?
- If you answer **NO** to any question above, the expense is probably unallowable

NO = Don't spend from ASB funds!!!




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Unallowable Expenses, cont.

Include:

- Regular curriculum and classroom supplies
- Salaries/supplies that are the district's responsibility
- Repair and maintenance of district equipment/facilities
- Employee clothing/attire, including coaching uniforms
- Large awards (over \$200 in value) unless specifically approved in board policy
- Employee appreciation meals or gifts
- Donations to other organizations without specific board approval
- Tickets for foster/homeless students for games and other student events
- Gifts of any kind
- Items for employee personal use
- Faculty meeting or parent group costs
- Gift cards unless specifically allowed in board policy




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Contracts for ASB

- Contract - legally binding document
 - Those who are authorized to sign contracts under district policy are the same individuals that are allowed to sign ASB contracts
 - Unless board policy states otherwise
 - District contract policies and procedures protect the ASB, the students, and their assets



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Let's talk about internal controls



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Fraud is also known as.....

- Misappropriation
- Theft
- Embezzlement




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ASB's and Fraud

Why do you think so many fraudsters target ASBs?

(HINT: What does an ASB have that is highly liquid, transports easily, derived from numerous sources, difficult to trace, and is easily removed???????)




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Cash

- Cash from fundraising – (candy drives, auctions)
- Cash from events – (football gate receipts, dances, bake sales)
- Cash from donations


Most fraud that occurs in ASB is directly related to procedures for handling of cash and checks.



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ASB's and Fraud


Please don't ever think fraud cannot happen at your school!



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What are Internal Controls?


- Internal controls are CRITICAL to:
 - Protect ASB's assets.
 - Protect students, employees and staff who handle cash.
- There are many rules and regulations that require compliance; many who don't want to follow them; and others who don't allow enough time or patience to implement or follow through the procedures.
- ASB accounting has not traditionally been scrutinized enough.
- Often times, a school site is just happy someone took the job, even if he or she is not qualified.



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What are Internal Controls?, cont.


- School site administrators/principals must ensure:
 - Proper cash control procedures established and followed:
 - During fundraising event.
 - When cash and checks given to ASB bookkeeper for deposit in ASB account.
 - Unless cash control procedures are in place for the fundraiser, the event cannot be held (or approved).



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Could there be Fraud?


- Think about these three important things when evaluating your ASB for the potential of fraud occurring:
 - Who had opportunity?
 - Who has motive?
 - Who has access?



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Internal Controls

- Internal controls do a lot in helping to prevent errors that may look like fraud.
- Internal controls also help mitigate fraud, protect against motive, opportunity and access, as well as keep employees, volunteers and students from being accused of fraud.



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What are Internal Controls?


- Policies and procedures designed to provide the governing board and management with reasonable assurance that the district, including ASB, achieves its objectives and goals. They include:
 - Segregation of duties
 - Limiting access to assets
 - Management review and approval
 - Reconciliations
 - Maintaining established policies, procedures and standards of conduct
 - Efficient and effective accounting and business practices, policies and procedures
 - Training programs
 - Appropriate oversight



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What are Internal Controls?, cont.


- Principal mechanism for preventing and/or deterring fraud or illegal acts, misappropriation of assets, or other fraudulent activities
 - Fraudulent activities include an array of irregularities characterized by intentional deception and misrepresentation of material facts
- Effective internal control processes provide reasonable assurance that the district's/ASB's operations are effective and efficient, that the financial information produced is reliable, and that the organization operates in compliance with all applicable laws and regulations



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Examples of Internal Controls in ASB


- Purchase order/requisition completed prior to purchase
 - ASB/school is not obligated to pay for the expenditure without a PO
- Never pay expenses out of cash receipts
 - Deposit cash and then write a check
- Keep the checkbook and extra check stock in a secure place
- Void checks that are incorrect or not issued
- Never sign checks in advance – have one or more backup signer
- Never make check out to “cash” or cash personal or third-party checks
- Use checks in proper sequence
- Check should have two signatures



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Examples of Internal Controls in ASB, cont.


- Dual cash counts
 - Always count funds with a witness, and both people countersign the proper deposit forms.
 - Always issue receipts and tie receipt numbers with deposits.
- Endorse all checks – “For Deposit Only ...”
- Do not leave funds unattended on a desk
 - If the office manager or bookkeeper who normally receives cash is not available, assign another individual to receive the deposit and sign for the received funds in his or her absence. The cash should be double counted by this person.
- Timely deposits
 - NO LESS than weekly.
 - Make the bank deposit THAT DAY, if possible!
 - Never leave undeposited money at a school over weekends or holidays.



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Examples of Internal Controls in ASB, cont.


- All financial and reconciliation reports are Issued timely and per district policy.
- All financial and reconciliations are reviewed and approved/signed by the district office.
- Principal must work with each student organization to develop methods for securing cash collected after hours and on nonschool days.
- Unexpected internal audits performed.
- Separate user IDs and passwords are issued to each accounting software and system user.
- Don't allow people to walk funds unescorted to the safe or bank
 - If you are alone, who will believe if you are robbed?



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Examples of Internal Controls in ASB, cont.

- Bank reconciliations done within two weeks of receiving bank statement, with proper review and approval afterward
 - All discrepancies need to be resolved
- Always use prenumbered receipt books or tickets
- Adequately control where prenumbered tickets and receipt forms are stored
- Service/product/goods **MUST** be RECEIVED and authorized before payment is made
- Payments or disbursements made **ONLY** if original documents/receipts exist (i.e., proof of purchase)
- Student council and each club prepares and maintains a record of each meeting and the action(s) taken in them
- Report overages and shortages
 - Loss of tickets is the same as loss of cash
- Limit access to safes

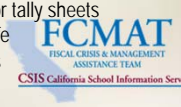


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Examples of Internal Controls in ASB, cont.

- Budgets for each club
- Preapproval of fundraisers and completion of revenue potential forms
- Inventory control and review for vending machines, stores, and concession stands
- Proper cash handling and physical chain of custody for all cash receipts
- No commingling of receipts from separate events
- Immediate delivery of all event proceeds to the ASB bookkeeper with appropriate backup to justify amount
- Using prenumbered tickets, receipt books, or tally sheets
- Cash boxes to keep the received money safe
- Profit and loss statements for student stores




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Examples of Internal Controls in ASB, cont.

- Safe storage is a **MUST**
 - The safest place for money to be is in the bank
 - Second safest place is a **SAFE**
- **FUNDS SHOULD NEVER BE TAKEN HOME, PUT IN A DESK DRAWER, OR EVEN IN A LOCKED FILE CABINET**
- If you cannot deposit the money in the bank that day - **PUT THE MONEY IN THE SAFE WITH A WITNESS PRESENT!!**



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Whom Do Internal Controls Protect?


- Employees
- Volunteers
- Students
- Your organization's assets



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ASB Minutes Requirements


- The student council and each club must prepare and maintain a record of each meeting and action taken in them
 - Details of proceedings
 - Actions taken
 - Demonstrate that policies and procedures are followed by ASB
- Need to be concisely and clearly written
- If ASB is unorganized, and if meetings are not held, then minutes are not mandatory. But if meetings are held, and decisions are made there, minutes are mandatory



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ASB Minutes Requirements, cont.


- Any information introduced to those attending the meeting should be attached to the original copy and kept on file, such as list of purchase orders, list of checks, financial information, and letters
- The club secretary, or whoever took the minutes, should sign the minutes when they are completed
- Review and approve at next meeting
- Maintain a binder of all of the approved minutes for the school year



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ASB Bank Accounts, cont.


- ASB bank accounts should always be in the name of the ASB organization rather than in the name of any individual
- Only ASB funds are deposited in ASB accounts
- There must be at least two signatories on each bank account, and these signatories should not include students
 - Should also not include the bookkeeper



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Auditors


- Good resource:
 - Annual audit report
 - Report of internal controls is within the audit requirements
 - Report their findings and recommendations to correct procedures
 - Protect the district by offering a third-party line of defense for why policies and procedures are necessary
 - Auditors report directly to the governing board



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In Case You are Wondering.....

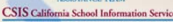

- Auditors review a sampling of transactions
 - They may not find everything – the audit is an annual compliance audit
- Not all auditors are created equal:
 - Some auditors are more thorough than others
- Incorrect procedures undetected by auditors should be corrected – remember, this protects you, the students, and the ASB/school
- **FIX THE ISSUES BEFORE SOMETHING GOES VERY WRONG!!**



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 - Making decisions (if organized ASB)




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ASB Advisor(s):

- Critical link between principal – bookkeeper – students; aka the principal's designee for day-to-day ASB functions
- Must be a CERTIFICATED employee
- Needed to supervise EACH club and student council/leadership class
- Works directly with students on a day-to-day basis, supervising the activities and serving as a link between the students and the ASB bookkeeper and the principal



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ASB Advisor(s);, cont.


- Assists the students in preparing the annual budget and revenue projection estimates for fundraisers
- Ensures that adequate internal controls are in place
- Approves expenditures along with students and board designee (for organized ASB)
- Ensures that the clubs are meeting and keeping minutes
- Reviews with the students all budgets, financial reports and transactions
- Ensures all laws, policies and procedures are followed



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Student Council:


- Represents the students
- Primary authority of how student-raised funds will be spent
 - Approves expenditures along with ASB advisor and board designee (for organized ASB)
- Develops and approves annual budget for student council and leadership class
- If unorganized, student council is not mandatory; for organized, it is mandatory



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Student Council:, cont.


- Authorizes ALL:
 - Student club budgets
 - Student clubs
- Reviews ALL:
 - Student club fundraising events
 - Student fund purchases/expenditures
- Reviews ALL:
 - Student club financial reports
 - Student club reconciliations
 - Anything else it would like to review



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ASB Bookkeeper:


- The site ASB bookkeeper safeguards money held at school site.
- Ensures funds get to the ASB bank account in a timely manner
 - Responsible for receipts received from ASB advisor until deposited
- Prepares proper financial records of financial transactions in accordance with established procedures and policies
 - Club reports, check registers, deposit registers, etc.



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ASB Bookkeeper, cont.:


- Provides materials to ASB advisors for fundraisers, and keeps stock on hand (change box, receipt books, tickets, etc.)
- Processes purchase orders, payments, and invoices
- Prepares bank reconciliations monthly
- Upholds ASB laws, procedures and policies
- We'll discuss the bookkeeper's duties in much more detail soon!



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THAT'S A LOT OF WORK!

I THOUGHT IT WAS EASIER TO SPEND MONEY FROM ASB, NOT HARDER!



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Let's talk about some more specifics



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Budgets

- Every club must have a budget if organized
- Budget is an ESTIMATE
 - If the budget goes off track during the year, REVISE it
- Budget = Usually one year
 - **Often Forgotten:** AT END OF SCHOOL YEAR, prepare **NEXT YEAR'S budget** (needed to conduct business)
 - This "next year budget" can be as simple as using current year actual revenue and expenditures
- Students need to participate in the budget process
- Require that a budget is in place and approved BEFORE the club enters into any commitments (i.e., spends any money)
 - No budget = No spending!
- If unorganized, budgets are not mandatory



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Budget Carryover

Possible; HOWEVER – Students should spend what they raise


- Seed money for next year = OK
- Reasonable carryover balances = OK
- Multiyear projects with carryover balances = OK
- Get permission to carry over and/or set percentage limits
- There should be a form to get approval to carry over funds from the prior year


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What Happens When a Class Graduates?

- Funds held in ASB can only be spent on CURRENT students
- If graduating:
 - Spend remaining funds prior to graduation
 - Gift the funds to another ASB club at the same school site
 - Gift the funds to the general ASB at the same school site
- Balances cannot follow students graduating from elementary or middle school and moving on to next level
 - Funds stay at same school where they were raised
- If class has already graduated, need to clear funds
 - General ASB unless board policy or constitution says otherwise


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What Should We Know About Raising Money?


- Obtain district governing board approval BEFORE the fundraiser occurs. This is required by Ed Code.
 - Best Practice: ASB fundraising events should be approved at the beginning of year, by the board or whomever the board delegates to do so, or the governing board should approve policies and administrative regulations that delineate allowable and unallowable fundraising events
- Ensure that parent organizations coordinate the timing of their fundraisers with ASB fundraisers so they don't compete with each other



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Revenue Potential


- Complete a revenue potential form for each fundraiser
 - An internal control requirement; absence of this results in a finding in the district's independent audits
- The form will include an ESTIMATE, ACTUAL results, and the difference
- Revenue potential form can serve as the document to:
 - Complete and submit to the board or designee for event approval
 - Ensure that the site administrator is informed and approves of all fundraising activity at the site
 - Notify the bookkeeper of an upcoming deposit
 - PLAN!



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Don't Forget....


- An ASB fundraiser must be preapproved and consist of students raising money to purchase "extras" for students' educational experience
- Charging students a fee is not a fundraiser
- School districts and ASBs cannot hold raffles
- It is not legal for teachers to raise funds to increase their site budgets by fundraising using the district's tax ID number. If they do, the funds are considered taxable income to the teacher
 - There's a big difference between students fundraising using the district's tax ID number and teachers fundraising using the district's tax ID number: One is legal; the other is not!



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Unallowable Fund-raisers

- Raffles, bingo, and other games of chance
 - Against Penal Code
- Activities that pose liability, safety or risk concerns
 - i.e. Will the district's liability policy cover injuries at the event?
- Rental of district property (equipment or facilities to outside groups)
 - Remember, the district owns the property!
- Fees not authorized by the Education Code
 - If not allowed by Ed Code, don't charge it!




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Donations

- ASB can gladly accept donations of money or property if the donation is for appropriate ASB expenditures
- But they can't be:
 - Required
 - Mandatory
 - A prerequisite to participate in a program or activity
- All ASB rules and guidelines apply to any received donations
- Make sure you know if the district's board policy on donations has special provisions/instructions for how ASB donations are to be acknowledged or accepted




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Allowable Expenses

- Must be in compliance with the law and local board policy
- Must promote the students' general welfare, morale, and educational experience
- Must be directly linked to the students' benefit
- Must be pre-approved
- Must be outside of what the school district should provide, or has provided in past, from their own general funding sources
- Must benefit a group of students (with few exceptions)




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Allowable Expenses, cont.


- Expenses **CANNOT** be considered a gift of public funds
 - Article 16, Section 6, of the California Constitution
 - Must have a direct or substantial purpose
 - Misappropriation of public funds is considered a criminal act, with no monetary limit specified
 - Better to be safe than sorry



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Gift of Public Funds


- Expenditures of school funds must be for a direct and primary public purpose to avoid being a gift of public funds
 - Private individuals are benefitted only incidentally
 - Approved public purpose must be within the scope of a school district's jurisdiction and purpose
- Expenditures that most directly and tangibly benefit students' education are more likely justified
 - Expenditures driven by personal motive are not justified even if long-standing custom or based on benevolent feelings



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Gift of Public Funds, cont.


- To justify the expenditure of public funds, the governing board must determine that the expenditure will benefit the education of its students.
- If the governing board has determined that a particular type of expenditure serves a public purpose, courts will almost always defer to that finding: **Put it in board policy.**
- The following can be considered a gift of public funds unless in board policy:
 - Scholarships to college
 - Donations to charity
 - Flowers



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Allowable Expenses

- Examples:
 - Student magazines and newspaper subscriptions
 - Supplemental equipment for student use not provided by the school (e.g., telescopes)
 - Field trips/excursions/outdoor education camps
 - Extracurricular athletics costs
 - Social events for students
 - Awards if there is a district policy allowing them (E.C. 44015)
 - Substitute teacher if the teacher is absent due to an authorized ASB event



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Unallowable Expenses

Ask these questions:

- Does the expense directly promote the general welfare, morale or educational experience of the students?
- Does the expense benefit students as a group?
- Are you sure the expense can't be considered a gift of public funds?
- If you answer **NO** to any question above, the expense is probably unallowable

NO = Don't spend from ASB funds!!!




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Unallowable Expenses, cont.

Include:

- Regular curriculum and classroom supplies
- Salaries/supplies that are the district's responsibility
- Repair and maintenance of district equipment/facilities
- Employee clothing/attire, including coaching uniforms
- Large awards (over \$200 in value) unless specifically approved in board policy
- Employee appreciation meals or gifts
- Donations to other organizations without specific board approval
- Tickets for foster/homeless students for games and other student events
- Gifts of any kind
- Items for employee personal use
- Faculty meeting or parent group costs
- Gift cards unless specifically allowed in board policy




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Contracts for ASB

- Contract - legally binding document
 - Those who are authorized to sign contracts under district policy are the same individuals that are allowed to sign ASB contracts
 - Unless board policy states otherwise
 - District contract policies and procedures protect the ASB, the students, and their assets



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Let's talk about internal controls



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Fraud is also known as.....

- Misappropriation
- Theft
- Embezzlement




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ASB's and Fraud

Why do you think so many fraudsters target ASBs?

(HINT: What does an ASB have that is highly liquid, transports easily, derived from numerous sources, difficult to trace, and is easily removed???????)




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Cash

- Cash from fundraising – (candy drives, auctions)
- Cash from events – (football gate receipts, dances, bake sales)
- Cash from donations


Most fraud that occurs in ASB is directly related to procedures for handling of cash and checks.



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ASB's and Fraud


Please don't ever think fraud cannot happen at your school!



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What are Internal Controls?


- Internal controls are CRITICAL to:
 - Protect ASB's assets.
 - Protect students, employees and staff who handle cash.
- There are many rules and regulations that require compliance; many who don't want to follow them; and others who don't allow enough time or patience to implement or follow through the procedures.
- ASB accounting has not traditionally been scrutinized enough.
- Often times, a school site is just happy someone took the job, even if he or she is not qualified.



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What are Internal Controls?, cont.


- School site administrators/principals must ensure:
 - Proper cash control procedures established and followed:
 - During fundraising event.
 - When cash and checks given to ASB bookkeeper for deposit in ASB account.
 - Unless cash control procedures are in place for the fundraiser, the event cannot be held (or approved).



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Could there be Fraud?


- Think about these three important things when evaluating your ASB for the potential of fraud occurring:
 - Who had opportunity?
 - Who has motive?
 - Who has access?



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Internal Controls

- Internal controls do a lot in helping to prevent errors that may look like fraud.
- Internal controls also help mitigate fraud, protect against motive, opportunity and access, as well as keep employees, volunteers and students from being accused of fraud.



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What are Internal Controls?


- Policies and procedures designed to provide the governing board and management with reasonable assurance that the district, including ASB, achieves its objectives and goals. They include:
 - Segregation of duties
 - Limiting access to assets
 - Management review and approval
 - Reconciliations
 - Maintaining established policies, procedures and standards of conduct
 - Efficient and effective accounting and business practices, policies and procedures
 - Training programs
 - Appropriate oversight



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What are Internal Controls?, cont.


- Principal mechanism for preventing and/or deterring fraud or illegal acts, misappropriation of assets, or other fraudulent activities
 - Fraudulent activities include an array of irregularities characterized by intentional deception and misrepresentation of material facts
- Effective internal control processes provide reasonable assurance that the district's/ASB's operations are effective and efficient, that the financial information produced is reliable, and that the organization operates in compliance with all applicable laws and regulations



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Examples of Internal Controls in ASB


- Purchase order/requisition completed prior to purchase
 - ASB/school is not obligated to pay for the expenditure without a PO
- Never pay expenses out of cash receipts
 - Deposit cash and then write a check
- Keep the checkbook and extra check stock in a secure place
- Void checks that are incorrect or not issued
- Never sign checks in advance – have one or more backup signer
- Never make check out to “cash” or cash personal or third-party checks
- Use checks in proper sequence
- Check should have two signatures



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Examples of Internal Controls in ASB, cont.


- Dual cash counts
 - Always count funds with a witness, and both people countersign the proper deposit forms.
 - Always issue receipts and tie receipt numbers with deposits.
- Endorse all checks – “For Deposit Only ...”
- Do not leave funds unattended on a desk
 - If the office manager or bookkeeper who normally receives cash is not available, assign another individual to receive the deposit and sign for the received funds in his or her absence. The cash should be double counted by this person.
- Timely deposits
 - NO LESS than weekly.
 - Make the bank deposit THAT DAY, if possible!
 - Never leave undeposited money at a school over weekends or holidays.



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Examples of Internal Controls in ASB, cont.


- All financial and reconciliation reports are Issued timely and per district policy.
- All financial and reconciliations are reviewed and approved/signed by the district office.
- Principal must work with each student organization to develop methods for securing cash collected after hours and on nonschool days.
- Unexpected internal audits performed.
- Separate user IDs and passwords are issued to each accounting software and system user.
- Don't allow people to walk funds unescorted to the safe or bank
 - If you are alone, who will believe if you are robbed?



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Examples of Internal Controls in ASB, cont.

- Bank reconciliations done within two weeks of receiving bank statement, with proper review and approval afterward
 - All discrepancies need to be resolved
- Always use prenumbered receipt books or tickets
- Adequately control where prenumbered tickets and receipt forms are stored
- Service/product/goods **MUST** be RECEIVED and authorized before payment is made
- Payments or disbursements made **ONLY** if original documents/receipts exist (i.e., proof of purchase)
- Student council and each club prepares and maintains a record of each meeting and the action(s) taken in them
- Report overages and shortages
 - Loss of tickets is the same as loss of cash
- Limit access to safes

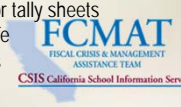


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Examples of Internal Controls in ASB, cont.

- Budgets for each club
- Preapproval of fundraisers and completion of revenue potential forms
- Inventory control and review for vending machines, stores, and concession stands
- Proper cash handling and physical chain of custody for all cash receipts
- No commingling of receipts from separate events
- Immediate delivery of all event proceeds to the ASB bookkeeper with appropriate backup to justify amount
- Using prenumbered tickets, receipt books, or tally sheets
- Cash boxes to keep the received money safe
- Profit and loss statements for student stores




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Examples of Internal Controls in ASB, cont.

- Safe storage is a **MUST**
 - The safest place for money to be is in the bank
 - Second safest place is a **SAFE**
- **FUNDS SHOULD NEVER BE TAKEN HOME, PUT IN A DESK DRAWER, OR EVEN IN A LOCKED FILE CABINET**
- If you cannot deposit the money in the bank that day - **PUT THE MONEY IN THE SAFE WITH A WITNESS PRESENT!!**



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Whom Do Internal Controls Protect?


- Employees
- Volunteers
- Students
- Your organization's assets



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ASB Minutes Requirements


- The student council and each club must prepare and maintain a record of each meeting and action taken in them
 - Details of proceedings
 - Actions taken
 - Demonstrate that policies and procedures are followed by ASB
- Need to be concisely and clearly written
- If ASB is unorganized, and if meetings are not held, then minutes are not mandatory. But if meetings are held, and decisions are made there, minutes are mandatory



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ASB Minutes Requirements, cont.


- Any information introduced to those attending the meeting should be attached to the original copy and kept on file, such as list of purchase orders, list of checks, financial information, and letters
- The club secretary, or whoever took the minutes, should sign the minutes when they are completed
- Review and approve at next meeting
- Maintain a binder of all of the approved minutes for the school year



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ASB Bank Accounts, cont.


- ASB bank accounts should always be in the name of the ASB organization rather than in the name of any individual
- Only ASB funds are deposited in ASB accounts
- There must be at least two signatories on each bank account, and these signatories should not include students
 - Should also not include the bookkeeper



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Auditors


- Good resource:
 - Annual audit report
 - Report of internal controls is within the audit requirements
 - Report their findings and recommendations to correct procedures
 - Protect the district by offering a third-party line of defense for why policies and procedures are necessary
 - Auditors report directly to the governing board



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In Case You are Wondering.....

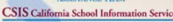

- Auditors review a sampling of transactions
 - They may not find everything – the audit is an annual compliance audit
- Not all auditors are created equal:
 - Some auditors are more thorough than others
- Incorrect procedures undetected by auditors should be corrected – remember, this protects you, the students, and the ASB/school
- **FIX THE ISSUES BEFORE SOMETHING GOES VERY WRONG!!**



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When You Have Questions

- Work with your district office.
 - No one knows the rules and policies of your district better
- Ask your auditors.
 - They have an annual responsibility to review your district, including ASB
- Review FCMAT's *ASB Accounting Manual, Fraud Prevention Guide and Desk Reference*.
 - Can be accessed and downloaded for free from FCMAT's website at www.fcmat.org
- Use FCMAT's online help desk at www.fcmat.org.
 - If your question hasn't been answered before and is not contained in the archives, you can [submit your question](#) and receive a confidential answer



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Are there any questions I can help you with now?



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Thank You For Attending



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