



The ABCs of ASBs: Effectively Managing ASBs & Mitigating Fraud

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Today's Presenter



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Agenda



- Understanding the risks of cash collection
- Fraud red flags
- Implementing controls & accountability to mitigate risks
- Cash handling best practices
- Audit preparation tips & checklists
- How technology can help
- Key takeaways

ASB Fund Payment Methods



**CREDIT/DEBIT
VIA ONLINE**



**CREDIT/DEBIT
VIA MOBILE POS**

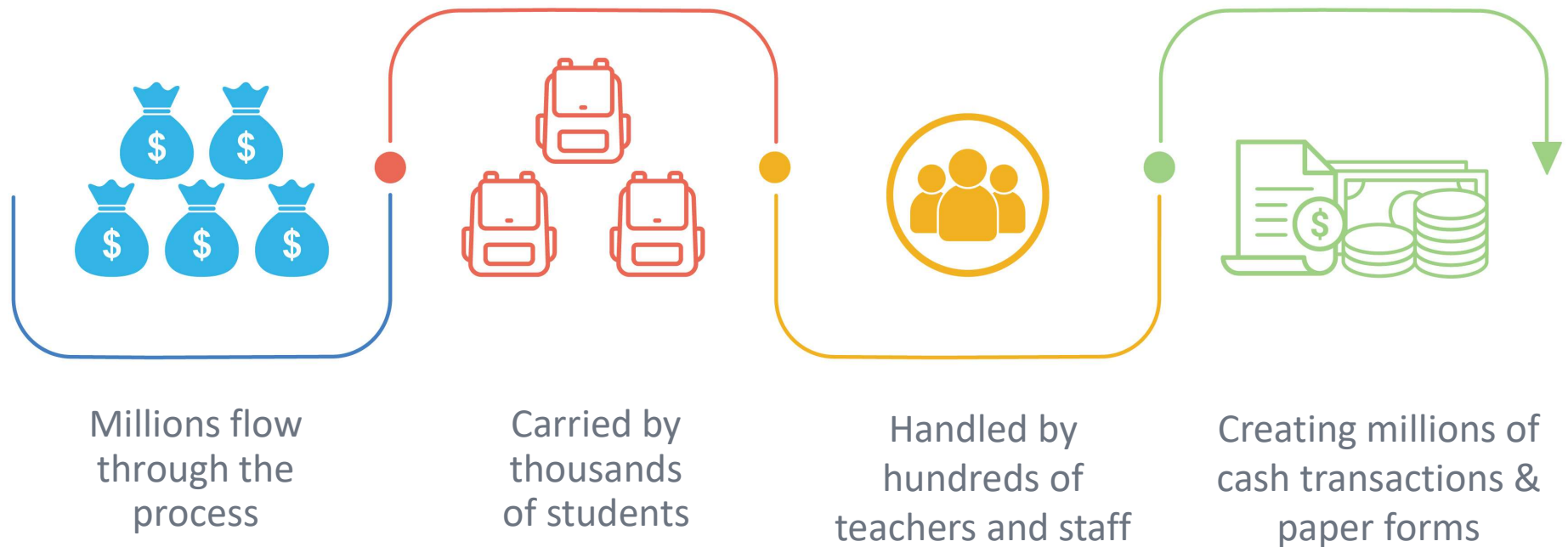


**CASH/CHECK
IN THE OFFICE**



**CASH/CHECK IN
THE CLASSROOM**

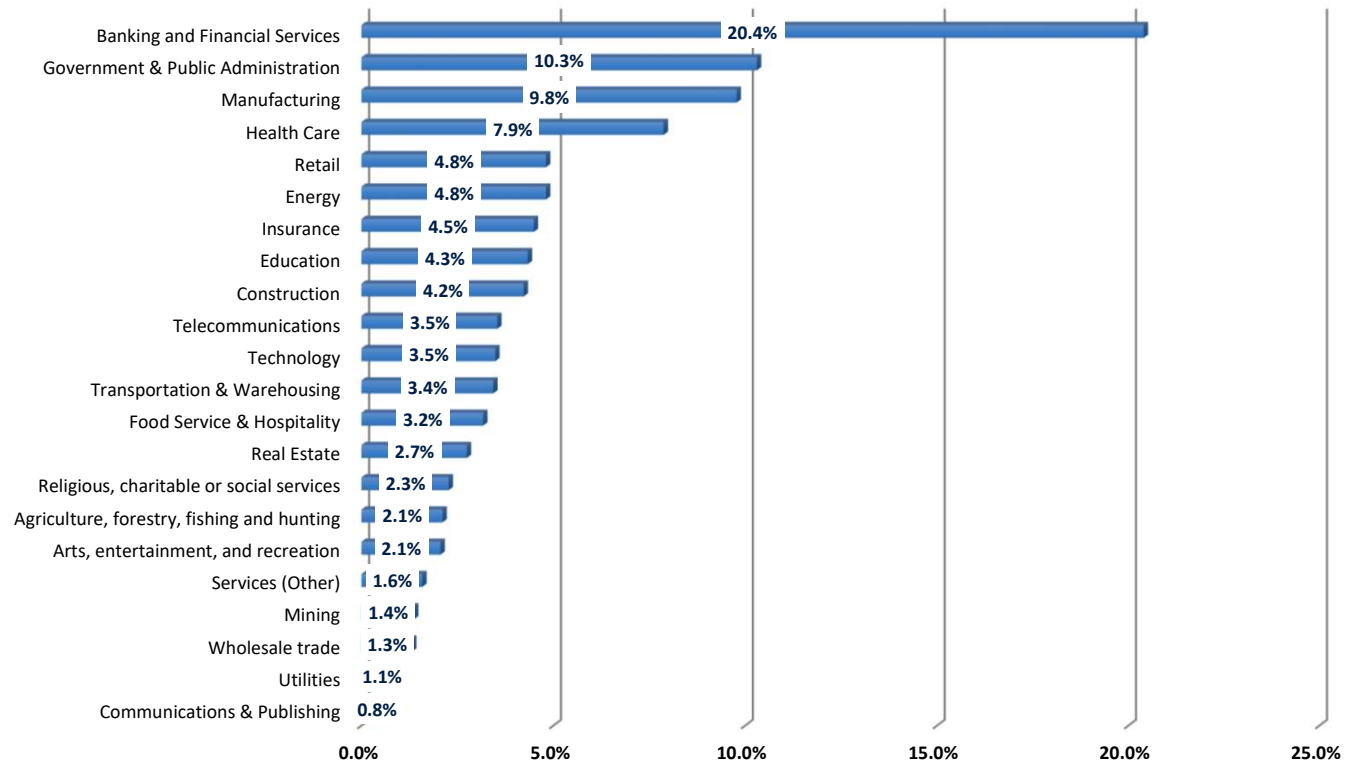
Collecting Cash Is Problematic



Understanding The Risk

- Millions of dollars flow through thousands of hands
- Liquidity of cash makes it more vulnerable to loss & theft
- 5% - 7% of all funds are at risk of loss, theft or misappropriation

% of Fraud Cases Affecting Industries*



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*Source: 2020 Global Fraud Study from Association of Certified Fraud Examiners

The Risk Of Fraud Is Real

Former Placentia-Yorba Linda Unified School District Finance Clerk charged with embezzling at least \$859,000 in funds that belonged to Esperanza High School's student council

Former principal pleads guilty to stealing almost \$77,000 from students

Arkansas School Secretary pleads guilty of theft over \$38,000 over the course of a year

Fraud Red Flags

- Multiple transfers between accounts
- Limited spending following fundraisers
- Finance Clerk/Bookkeeper limits time off
- Staff can't/won't answer questions
- Late or incomplete reports
- Increase in staff/parent complaints



The Pandemic Increases Concerns

- Cash is tempting & leads to easy **misappropriation**
- **Skimming** is much easier when payments are submitted via cash & when districts have manual procedures for collecting, counting & recording payments
- Some school staff may feel underpaid or face **financial pressures** in their personal lives
- **COVID safety protocols** must be maintained

Internal Controls Are Vital

Establish processes for assuring achieving operational effectiveness & efficiency, reliable financial reporting & compliance with laws, regulations & policies

- Invoice approvals
- Timeliness of deposits
- Conduct random internal audits
- Conflict of Interest policy

Famous Last Words



“Our Associated Student Body accounts are audited by external auditors & they didn’t report anything. So there must not be any fraud.”

Audits Can Help ... But Not A Silver Bullet



- Audits are not designed to find every potential fraud
- Not every transaction is checked by an auditor
- According to the ACFE, only 4% of fraud is detected through external audits
- An effective audit will often point out deficiencies in internal controls
- A signature does not necessarily mean it was properly reviewed

Increase Efficiencies & Reduce Risk by Implementing Controls & Leveraging Technology



Developing Controls



- Establish clear, written roles & accountability
- Put written policies into place for usage of funds
- Set out written internal controls for daily operations

Establishing Accountability



- Assign duties & responsibilities for specific tasks
- Hold individuals accountable
- Establish formal processes & procedures

Accountability Tip

Tell the person responsible for the cash that the amount of cash held overnight shouldn't be greater than what they feel comfortable personally reimbursing if something goes wrong

District Staff's Role



- Train principals, bookkeepers & other staff in accounting procedures
- Lead internal audits to ensure compliance
- Coordinate external audits
- Stay involved to mitigate fraud

The Bookkeeper's Role

- Deposit funds promptly
- Maintain accurate records
- Submit reports on time (at least monthly)
- Communicate with principals regularly
- Flag issues quickly
- Reconcile monthly



The Sponsor's Role



- Review/approve invoices
- Provide copies of contractual agreements
- Submit collected funds daily
- Control merchandise inventory
- Enforce ticket control requirements / reporting

The Principal's Role

- Approve budgets & ensure funds are safe
- Authorize transactions
- Ensure regulatory compliance
- Maintain knowledge of policies & procedures
- Review monthly reports thoroughly



Best Practices: Cash Receipts

- Mandate signed receipts for all transactions
- Never use cash receipts to cash checks, make change or establish a petty cash fund
- Physical count of cash and equivalents should equal total of all receipts issued

Best Practices: Ticket Sales



- Maintained in a safe place & completely monitored
- Prepare ticket boxes with pre-numbered tickets & sufficient cash to make change
- Ticket numbers & cash should be recorded by the bookkeeper on a reconciliation sheet
- Count & reconcile cash & tickets in front of another person
- Expenses associated with each event should be paid by check
- No expenses should be paid out of cash gate receipts

Best Practices: Cash Disbursements



- Approval for all disbursements by authorized signatory
- Purchase Orders should be marked 'PAID'
- No checks signed in advance or blank
- No checks should be made payable to "CASH"
- Two signatures should be required on all checks
- Never allow signature stamps

Best Practices: Bank Reconciliations & Statements



- Statements should be reviewed before they are submitted
- Authorized signatory should:
 - Review all canceled checks for proper signatures & make copies to compare to the final reconciliation
 - Review reconciliation for accuracy
 - Never sign statements without proper review
- All bank statements & bank reconciliations be submitted to the district office

Tips For Preparing For Internal & External Audits



- Policies & procedures
- Balance reconciliations for audit period
- Bank reconciliations for the entire year
- All disbursement receipts
- Bank deposit documentation

Audit Checklist



Cash Receipts

- ☐ All cash and checks are properly collected with supporting documentation and receipts
- ☐ Face-to-face counting is being performed & documented
- ☐ Undeposited funds are locked in a safe or vault overnight
- ☐ Locking money bags are being utilized
- ☐ Deposits are being made when amounts reach a certain threshold
- ☐ Tickets sold for fundraising events are pre-numbered & reconciled to monies collected
- ☐ Cash receipts and documentation are confirmed to match amounts being deposited

Audit Checklist



Cash Disbursements

- ☐ Purchases are authorized in writing prior to distributing funds
 - ☐ Supporting documentation is maintained, including proof of receipt of goods
 - ☐ Checks are being properly voided when required
 - ☐ Payments and reimbursements are issued within 30 days
 - ☐ No pre-signed checks and no signature stamps
 - ☐ Two signatures on every check
-

Audit Checklist



Bank Statements and Journal Entries

- ☐ Statements are reconciled against bank balances monthly
- ☐ The principal is responsible for approving all transfers, journal entries & modifications

Fundraising Events

- ☐ Fundraisers are properly approved & documented
- ☐ Sponsors are following fundraising guidelines
- ☐ Sponsors always complete a fundraiser analysis report

Leverage Technology To Automate The Entire Process



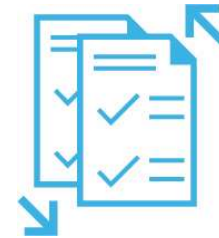
COLLECT



MANAGE



TRACK



RECONCILE

Invest In An Integrated Activity Fund Management Solution

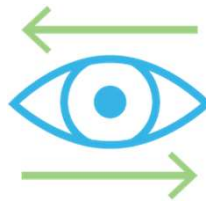


- Efficiently manages the financial data & reporting of activity funds, online payments & associated fee management activities at all levels
- Handles all payment types consistently
- Secure & user friendly
- Seamlessly integrates & automates workflows based on your internal business rules to ensure efficient staff utilization
- Creates efficiencies by reducing the need for cash handling in schools
- Eliminates manual processes

The Benefits Of An Integrated Solution



**Ability to implement
Single Sign-On**



End-to-end transparency



Ironclad audit trail



**Consolidated
payment reporting**



**Track all payment
methods consistently**



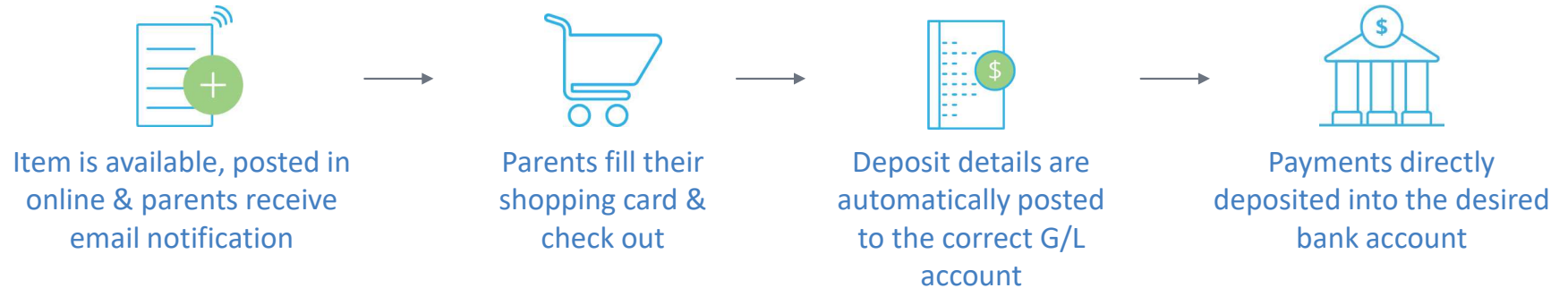
**Single point of
contact**



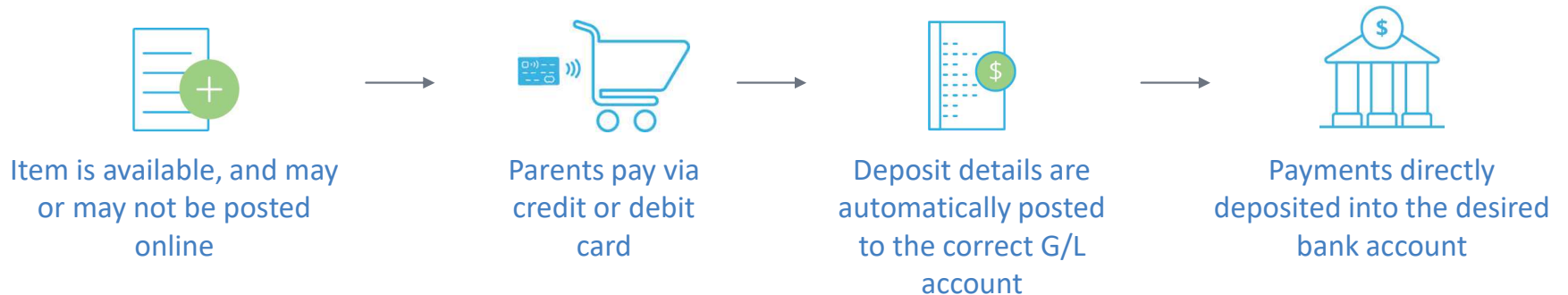
**Chart of Accounts
consistency**

Promote Use Of Contactless Payment Methods

Online



POS



BONUS: Refunds are much easier to process electronically

Process POS Payments Efficiently

- Support one-time credit/debit card payments (& refunds) at in-person events using devices such as Clover Flex POS
- Devices should be integrated with activity fund management software to ensure:
 - Payments are automatically posted to the correct G/L account
 - Deposited automatically into the desired bank account



Summary

Key Takeaways

- Acknowledge the concerns
 - Cash collection increases the potential for fraud, misuse or lost funds with cash
- Audits can help but they are not a silver bullet
- Establish clearly defined & documented processes & responsibilities for everyone involved
- If collecting cash, establish & follow an audit-compliant checklist of best practices
- Invest in technology that will allow you to:
 - Automate the entire school activity fund management process
 - Offer contactless payment options
 - Eliminate manual process & create efficiencies so staff can focus on more value-added tasks



SCHOOL SOLUTIONS

MANAGE EVERY DOLLAR



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