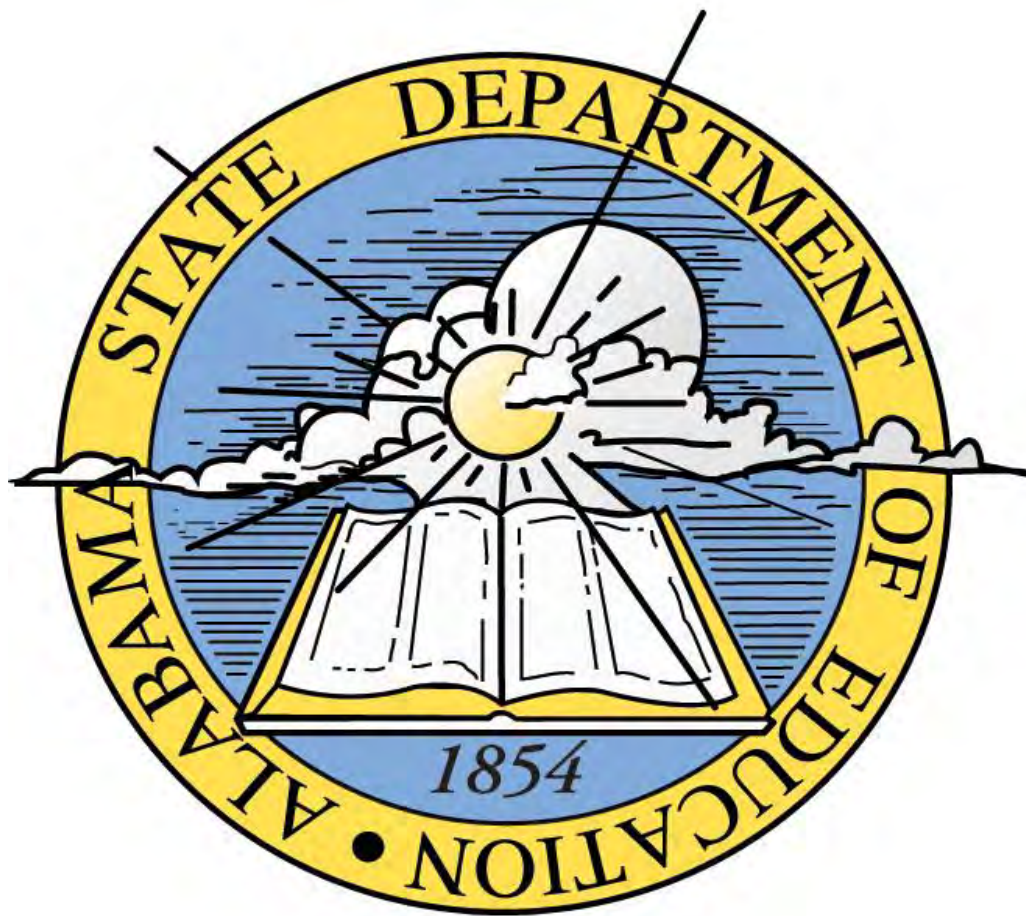


# FINANCIAL PROCEDURES FOR LOCAL SCHOOLS



ALABAMA DEPARTMENT OF EDUCATION

# **FINANCIAL PROCEDURES FOR LOCAL SCHOOLS**

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APPROVED JUNE 10, 2010



STATE OF ALABAMA □ DEPARTMENT OF EDUCATION □ JOSEPH B. MORTON, STATE SUPERINTENDENT OF EDUCATION

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JUNE 2010

## Preface

The position of Principal carries with it the full responsibility for all financial matters relating to the school. It is imperative that the Principal gives his or her personal attention to the collection, expending, documenting, recording, and overall supervision of everything relating to the financial affairs of the school. The Principal has the responsibility for collecting and disbursing all monies in a manner approved by the local board of education and in accordance with generally accepted accounting principles and procedures.

The purpose of this manual is to assist local boards of education in establishing financial policies and procedures for local school financial operations. Local school boards have a variety of requirements for overseeing the financial activity of local schools. Some schools have no bank accounts because the local school accounting is centralized at the local school board. Some schools have electronic receipts while others do not allow teachers to collect funds. Because of the variety of local school financial operations each local board of education is allowed to adopt alternative forms and procedures for local school financial operations subject to the following requirements:

- a). *Generally accepted accounting principles will not be diminished.*
- b). *Compliance with state and federal laws will be maintained.*
- c). *Internal accounting controls will allow the tracking of financial transactions to the responsible individual.*

The following are some general rules regarding the financial affairs of the schools. These rules, as well as the accompanying procedures and policies will be subject to audit.

- (1) School funds will be receipted and deposited in the school account on a timely basis.**
- (2) Expenditures will be paid by check and supported by proper documentation.**
- (3) Purchases will be approved by the Principal (with a signed purchase order when required) before the purchase is made.**
- (4) Accounting records will be posted daily.**
- (5) Bank statements will be reconciled monthly.**
- (6) Monthly financial reports reflecting accurate balances and activities of the accounts of the school will be reviewed and approved by the principal.**

The Principal must be familiar with all local school financial policies so that he or she will not permit practices contrary to the policies. The Principal is directly responsible in the handling of monies received at the school. It is the ultimate responsibility of the Principal for any shortages resulting from the failure to follow, or to require others to follow, the financial procedures for the handling of school monies.

The Alabama Department of Education and the State Examiners of Public Accounts retain the authority to require local boards of education to modify forms and procedures for local school financial operations.

### **PUBLIC AND NON-PUBLIC FUNDS**

The funds maintained at the local schools can generally be divided into two major categories: public and non-public. Various factors must be considered in determining the proper classification, which affects the degree of expenditure restriction.

**Public funds** - restricted to the same legal requirements as Board funds:

Examples:

1. General – may consist of vending machine commissions, proceeds from school fundraisers (school pictures, coupon books, etc.), student parking, appropriations from the Board, interest income, and other miscellaneous revenues. Its primary purpose is to pay for the general operations of the school and is totally controlled by the Principal.
2. Library – accounts for late charges on returned library books, funds collected for lost library books, and expenditures incurred for purchasing library books.
3. Athletic – may consist of income from gate receipts, parking at athletic events, advertising commissions, game program sales, and donations from athletic booster clubs. Separate accounts may be established for individual sports, if desired. Expenditures include athletic uniforms, equipment, and supplies; membership dues to athletic organizations; registration fees for coaching clinics; travel and transportation; game officials, and, expenditures related to athletic events, including expenses for practicing and preparing for athletic competitions and exhibitions.
4. Concession and Student Vending – may consist of concessions operated by the school at athletic events and vending machines or concessions for students operated at the school during the school day.
5. Fees – school imposed course fees for certain non-required academic courses, field trips, workbooks, and supplemental instructional materials. These funds are used to cover the costs associated with the course or purpose for which the funds are collected.
6. Locker Fees – funds collected from students that are used to cover the costs associated with maintaining the student lockers.
7. Faculty Vending – consists of funds collected and used for items sold in faculty lounge areas that, although not assessable to students or the public, are totally controlled by the Principal. *(See Section 4 - Vending Machines).*

Allowable expenditures from public funds include:

1. Professional development training.
2. Refreshments expended for an open house at a school where the public would attend.
3. Pregame meals for student athletes and coaches.
4. Academic incentives for students.
5. Athletic and band uniforms for students to participate in school activities.
6. Memberships in professional organizations.
7. School landscaping, maintenance, furnishings, and decorations.

**Funds received from public (tax) sources or used for public purposes are public funds subject to the control of the school principal.**

**Non-Public funds** - restricted for expenditures subject to the intent and authorization of the organization's sponsors and officers and not used for general operations of the school. The principal does not direct the use of these funds but does have the authority to prohibit inappropriate expenditures.

Examples:

1. Clubs and Classes – Student organizations may have self-imposed fees but not academic course fees. The participants often impose their own fees for participation in these clubs and classes. These student organizations often conduct fund raising events. Clubs and classes include FBLA, Senior Class, Student Government, Spanish Club, Cheerleaders, Band, Show Choir, Beta Club, National Honor Society, Key Club, etc. Student organizations are self-governed by officers elected by the participants.
2. Other School Related Organizations – Parent or parent/teacher organizations can have the organization's funds in the school accounts. These organizations are governed by officers elected by its members. PTO, PTA, Band Boosters, and various athletic booster support groups are considered school related organizations. *(See Section 7 - Guidelines for School Related Organizations).*

Some of the expenditures that are not allowable purchases from public funds but may be allowable expenditures from non-public funds include:

1. Food for social gatherings.
2. Class prom entertainment.
3. T-shirts for club members or faculty.
4. Donations to various organizations.
5. Transfers to other non-public accounts.
6. Travel expenses to club events.
7. Championship rings.
8. Faculty appreciation gifts.
9. Scholarships.
10. Flowers for funerals.

**[However, the State Ethics Law limits purchases for school employees and their families.]**

**NOTE: Non-public funds can become subject to the same expenditure restrictions as public funds if the accounting records do not maintain a separate account for each of the non-public funds.**

## RECEIPTING FUNDS

Audits show that the management of incoming funds in local schools as the primary weakness of internal controls for local school financial operations. Because a number of different people are often involved in the collection of school funds, establishing enforceable procedures for the variety of income sources becomes an integral part of the accountability for local school funds. Master receipts, reports of ticket sales, teacher receipts, and alternative receipt listings are all important documentation for assuring that all funds collected for the school are deposited in the school's account.

The Alabama Legislature has stated that excessive paperwork required of teachers and other public education employees hinders the prime responsibility of public education: *The education of the children of Alabama*. The Legislature declared that it is imperative that all unnecessary paperwork be eliminated from our public schools and necessary paperwork be automated to the maximum practical extent. Because the documentation needed to protect the funds collected is vital, the collection of funds by teachers should be limited or eliminated. Procedures to reduce paperwork may include:

- *Alternative funding sources for field trips and classroom materials.*
- *Centralized collection of class fees and fund-raising income.*
- *Prepayments by parents for recurring charges.*
- *Eliminating locker fees.*
- *Recruiting businesses and donors to replace charges to students.*

Elimination of unnecessary paperwork is not the only benefit of developing alternative procedures for collecting school funds. The simple fact is "*The more people you have involved in the collection of school funds the more chances you have for something to go wrong*". Consolidating the collection of school funds makes the automation of receipting even more beneficial. The automation of receipting reduces the time and mistakes of manually entering receipt information into the school's accounting records.

The security of the collection documents—teacher receipts, alternative receipt record, reports of ticket sales, master receipts, or automated receipts—is often overlooked in providing these documents to the individuals collecting school funds. Prenumbered documents and log sheets to track the assignment of these documents are part of assuring the security of school funds. Technology personnel sometimes overlook financial records when installing security features to prevent access to student records by unauthorized users. Automated records must be protected by firewalls, passwords, PINs, or daily back up of records.

The receipting procedures discussed on the following pages assume that the receipting documents are manually prepared. All manually prepared receipts will be recorded on pre-numbered duplicate receipts forms. The local school board may adopt alternative procedures if the receipting is automated or if local school accounting is centralized.

### **Master Receipts**

Master Receipts are issued in the school office by an individual assigned by the Principal or designated by job description as responsible for collecting school funds. A manually prepared Master Receipt must be a pre-numbered duplicate receipt book or record. Master Receipts should be completed and issued in numerical order at the time funds are received. Because only one Master Receipt book or record is to be in use at a time, all pre-numbered receipts in a receipt book or record should be issued before another Master Receipt book or record is put into use. Master Receipts cannot be pre-signed and must contain an original signature of the person receiving the funds. A signature stamp is not acceptable. The following procedures are recommended:

- 1). A Master Receipt should be issued after counting or verifying the amount of the receipt at the time the funds are actually received.
- 2). **The person presenting the funds for receipt should wait for a Master Receipt to be prepared and verify the information on the Master Receipt before leaving the office.**
- 3). Funds collected by a teacher must be brought to the office along with the teacher receipt book or record, alternative receipt form, report of ticket sales, or other receipt documents.
- 4). Funds should be counted and verified with the amounts in the teacher receipt book or record, alternative receipt form, or report of ticket sales.
- 5). A manually prepared Master Receipt should contain the following information:
  - a). the sequential numbers of the teacher receipt book or record, alternative receipt form, or report of ticket sales form.
  - b). the name of the individual delivering the funds.
  - c). the amount of the funds received.
  - d). identify the school activity account to receive the funds.
  - e). space permitting, other information that would be useful in identifying the funds.
  - f). the date the funds are received.
  - g). the original signature of the individual receiving the funds and issuing the Master Receipt.
- 6). The original Master Receipt should be handed to the individual delivering the funds.
- 7). Voided receipts must be retained.
- 8). Do not use correcting fluid or erasures for mistakes.
- 9). Funds received must be secured until deposit. Deposit funds daily or according to local board policy.
- 10). The Master Receipt book or record and supporting documents must be secured for audit.
- 11). A Master Receipt should also be issued for each check received by mail.
- 12). Follow school board guidance for issuing a receipt to satisfy a non-sufficient fund check.
- 13). Do not cash checks with school funds. Deposit funds intact.

The cooperation of teachers and other school personnel is essential to assure the proper receipting of school funds. Establishing designated times to receive funds for the issuance of Master Receipts should be considered.



### **Teacher Receipts**

The Principal will provide a pre-numbered duplicate receipt book or record to teachers and other individuals who collect school funds (other than CNP funds). Receipt books should be secured and a log should be maintained to track the receipt books by receipt numbers to the individual responsible for issuing the receipts.

A local board of education may give a Principal the authority to provide an alternative to writing a receipt to each student in a class when the amount being collected from each student does not exceed a certain amount (such as \$10). The alternative receipt form should identify the purpose of the collection (such as field trip to Children's Museum), the date, student name, the amount, and the signature of the teacher or person collecting the funds. At the parent's request a written receipt should be provided instead of entering the receipt on the alternative receipt form.

Teacher Receipts should be completed and issued in numerical order at the time funds are received. All pre-numbered receipts in a receipt book or record should be issued before another Teacher Receipt book or record is put into use. Teacher Receipts cannot be pre-signed and must contain an original signature of the person receiving the funds. A signature stamp is not acceptable. The following procedures are recommended:

- 1). A Teacher Receipt should be issued after counting or verifying the amount of the receipt at the time the funds are actually received.
- 2). A manually prepared Teacher Receipt should contain the following information:
  - a). the name of the individual delivering the funds.
  - b). the amount of the funds received.
  - c). identify the purpose or activity for the funds received.
  - d). the date the funds are received.
  - e). indicate if the funds are cash or check.
  - f). the original signature of the individual receiving the funds and issuing the receipt.
- 3). The original Teacher Receipt should be handed to the individual delivering the funds.
- 4). Voided receipts must be retained with the receipt book.
- 5). Do not use correcting fluid or erasures for mistakes.
- 6). The funds received must be secured.
- 7). Do not cash checks with the funds received.
- 8). No money should be left in the classroom overnight. The teacher is responsible for all monies collected until turned in to the office.
- 9). The Teacher Receipt book or record and the funds collected should be taken to the office.
- 10). **The teacher should wait for a Master Receipt to be prepared and verify the information on the Master Receipt before leaving the office.**
- 11). The teacher should retain the original Master Receipt.
- 12). Do not hold funds until all funds for an activity, fund-raiser, or other purposes are collected. The school is required to make timely deposits according to school board policy.
- 13). Teacher Receipt books containing the receipt copies and unused receipts should be returned to the Principal at the end of the school year or earlier.

## **BANKING**

### **Bank Account**

The selection of a banking institution for school funds should involve a comparison of the operating features of various banks. Although proximity to the school is important for accessibility for daily deposits of funds, bank charges and other banking procedures can create problems in managing school funds. Some school boards select the banking institution for the schools after conducting an analysis of the bank's willingness to cooperate in meeting the unique operations of public schools. Alabama banking institutions often accommodate local schools by waiving fees and providing banking features not available to individual customers. In some cases, an interest-bearing checking account has additional fees and charges that negate the interest income. Fortunately, many banks will waive the fees and charges upon request.

A school should have no more than one checking account. Establishing separate bank accounts is not necessary to avoid co-mingling of public and non-public funds. Funds not needed for current operations, whether invested in CD's, money market accounts, or savings accounts, must be recorded in the school's accounting records and included in the school's financial statements.

School funds must be maintained in a Qualified Public Depository (QPD). A QPD is an Alabama banking institution that provides protection for school funds under the Security for Alabama Funds Enhancement Program (SAFE), administered by the Alabama State Treasurer's office. 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.

### Deposits

School funds must be deposited in a timely manner, usually daily. If the deposit cannot be made before the bank closes, a locked night deposit bag should be used to secure the funds in the bank's night depository. In order to allow for time each day preparing the daily deposit, the Principal should establish and enforce reasonable timeframes for teachers to bring their daily collection of funds to the office and receive a Master Receipt. The following procedures are recommended:

- 1). Pre-printed, duplicate deposit slips should contain the name of the school account and the bank account number.
- 2). When the Master Receipt is written, payments received by check should be endorsed with the words "For Deposit Only" along with the name of the school bank account and bank account number.
- 3). The deposit slip should contain the Master Receipt numbers of the funds deposited.
- 4). The deposit date and deposit amount should be indicated on the last Master Receipt included in the deposit.
- 5). Daily receipts should be deposited intact. **Do not cash checks with the funds received.** Do not use cash receipts for change cash. Do not use cash received for payments.
- 6). Do not use correcting fluid or erasures for mistakes on deposit slips.
- 7). The bank should authenticate the duplicate deposit slip at the time of deposit. The duplicate deposit slip (and the bank's deposit confirmation, if provided) must be retained for audit.

### **Returned Checks**

Accepting a check from an individual or a business brings a risk that the check will be returned by the bank for non-sufficient funds or a closed account. A bank error can also be the cause of a returned check. Checks accepted from individuals should contain the following information:

*Full name*  
*Current residence address*  
*Home telephone number*

The procedure for processing returned checks is determined by local board policy. Secondary schools, middle schools, and schools with a high check volume may face significant bank charges and devote an inordinate amount of time to resolve returned checks. Schools with a high check volume may benefit by contracting for check recovery services. Several different companies are now operating automated check recovery systems in Alabama schools. The local school board may select a company or the Principal may be given the authority to select the appropriate check recovery system. The school's frequency of returned checks, the dollar amount of the returned checks, and the various features of the check recovery system are important factors in selecting the appropriate company for check recovery services.

Bank service charges (NSF fee and redeposit fee) for returned checks should be paid by the returned check writer or waived by the bank. The school should not accept another check from the individual until bank service charges are recovered through collection or bank waiver. An individual that issues two returned checks should be placed on a risk list and not allowed to make payments by personal check for the remainder of the school year.

In addition to utilizing companies for check recovery services, there are other options for collecting returned checks, depending on local board policy. Redepositing the returned check may often be successful but the bank may assess a redeposit fee. Reimbursement for the returned check and bank charges by cash, cashier's check, or money order usually resolves the problem. A District Attorney has specific procedures for collecting returned checks and a returned check fee. Consult local board policy to determine if the school is responsible for handling the returned check collection with the District Attorney's office or if an individual is assigned the duty of returned check collections for the schools. The last legal option is Small Claims Court. Unless local board policy gives the Principal the authority to file in Small Claims Court, specific approval should be obtained before proceeding with this option.

## SCHOOL INCOME

### Report of Sales of Tickets

Tickets should be sold at all events where admission is charged. Admission events include football, basketball, baseball, softball, volleyball, soccer, wrestling, swimming, track, and other athletic events, as well as, beauty pageants, dances, theatrical performances, talent shows, carnivals, festivals, and other school-related events. The use of tickets for admission events, when properly managed, assures that entrants to events paid the admission fee and that all admission charges are deposited in the school's bank account. Pre-numbered tickets may be printed for a specific event or may be sold from a roll of generic tickets. If generic tickets are sold for seasonal events, such as football or basketball games, ticket colors should be alternated. Security practices, such as having a ticket collector tear tickets in half, may be necessary at some events to avoid the re-use of tickets by entrants to the event. The ticket collector should not be the ticket seller.

A report of ticket sales form must be issued for each individual selling the tickets at the time the tickets are provided to them for the event. The report of ticket sales form should contain the following information:

- 1). Name of the event.
- 2). Date of the event.
- 3). A line for the name or signature of the person receiving the tickets for sale.
- 4). The beginning and ending ticket numbers of the tickets issued.
- 5). The beginning and ending ticket numbers of the tickets not sold.
- 6). A line for the signature of the person receiving the unsold tickets and cash collected.
- 7). A space for reconciling collections based on ticket sales to actual cash returned.

A Master Receipt should be issued to an individual for the cash collected from ticket sales. A separate Master Receipt should be issued for Change Cash. All cash collected must be deposited intact. **Do not use cash collected or change cash to cash any checks, including school checks issued for officiating, security, ticket sellers, or ticket collectors.**

An Attorney General Opinion stated that the local school board could authorize complimentary passes to certain individuals provided the granting of the passes furthers and enhances school purposes. A Principal cannot issue any complimentary passes without the express authority of the local school board. Public employees and officials and their family members receiving a complimentary pass are responsible for compliance with the State Ethics Law.

### **Fundraising**

The Principal must approve each school fundraising activity conducted by students, teachers, school employees, or school-related organizations. The local school board may exempt school-related organizations from this requirement if the activity of the organization is not under the control of the Principal. However, elementary school students must not be involved in any door-to-door solicitations or sales. **No fundraisers may sell foods of minimal nutritional value during the school day.** A form requesting authorization for a fundraising activity must be approved by the Principal prior to the start of the fundraising activity and should contain the following information:

- 1). Date of the request.
- 2). Name of the individual making the request.
- 3). Activity account to receive proceeds from fundraiser.
- 4). Class, club, or organization that will conduct activity, if applicable.
- 5). Name of fundraising project.
- 6). Beginning and ending dates of fundraiser.
- 7). Description of fundraising activity, such as:
  - a). name of company supplying items for sale.
  - b). description of items for sale.
  - c). estimated cost of items for sale.
  - d). sales price of items.
  - e). description and estimated cost of related fundraiser expenses.
  - f). description of method of sales and collections.
  - g). estimated profit from fundraiser.
- 8). Purpose of fundraiser.

Before approving a fundraising activity, a Principal should consider the safety of students involved in the activity. For example, the cheerleader sponsor should supervise events such as a “Car Wash for Cheerleader Camp”. The potential profitability for the efforts expended on a fundraising activity should also be considered.

Approved fundraising activities must comply with financial procedures for school funds, including:

- 1). All funds collected must be delivered to the Principal’s office for a Master Receipt. Do not cash checks from collections.
- 2). Income from fundraisers must be deposited on a timely basis. Teachers and sponsors of fundraisers should be reminded not to hold fundraiser income until the fundraising project is complete.
- 3). All fundraising expenses, including sales awards to students, must be presented to the Principal for payment by check.
- 4). A school employee cannot receive a gift or gratuity from the fundraising vendor.

Within a reasonable time after completion of the fundraising activity, a form should be submitted to the Principal that documents the result of activity.

### **Commissions**

Many local schools contract with vendors for school pictures, class rings, yearbooks, book fairs, and vending machines. Although some local school boards have system-wide contracts for all of the schools, other school boards leave the decision to the Principal of each school. The contract with the vendor allows the school to be paid by check for the activity and avoids the collecting, receipting, and depositing of cash and personal checks by the school. The contract should be written to provide the school with substantially the same net income as if the school handled all of the activity. A vending contract should require the vending company to furnish statements that identify the count of items stocked in the machines with each delivery. A school employee will verify the stocked items. The use of the statement of stocked items to calculate the expected profit from the machines will determine if the school is receiving the expected income from the vending company.

*Foods of minimal nutritional value may not be sold during the school day.*

### **Vending Machines**

Some schools service some or all of the vending machines in the schools. Some vending machines are fully serviced by school employees who stock the machines and collect the funds from the machines. Another method of servicing vending machines has the vending company stock the machine while school employees collect the funds from the machines. Controls should be established to document the products stocked in each machine and the income from each machine. Tracking the profits from each vending machine assists the Principal to insure that:

- a) A malfunctioning machine is quickly identified.
- b) Students and others are not manipulating a machine to take money or receive products without paying.
- c) The product price is set above the product cost to obtain a reasonable profit.
- d) Products are not pilfered from storage or when stocking the machine.
- e) All funds from the sale of the vending items are receipted.

The same school employees who remove the funds from a machine should also stock or supervise the stocking of the vending machine. A Master Receipt should be made to the individual for the funds collected from each machine.

A school may have an area set aside for school employees that has one or more vending machines that are not assessable by students or the public. Because the vending machines are on public property using electricity paid with public funds, as well with the principal (a public official) directing the use of the vending machine proceeds, the profits are considered public funds. However, an Attorney General Opinion established conditions that would allow the vending machine proceeds to be non-public funds. The use of the non-public funds would have to be under the control of an employee organization (not under the direct control of the principal) and all expenses for the vending machines, including vending items, electricity, and rent would have to be paid from the vending machine proceeds.

### Concessions

Concessions include event concessions, school concessions, and school stores. Because all concessions involve cash, and neither cash receipts nor tickets are used to control the exchange of money, proper accounting for the sale products and income is essential. Ideally, a cash register would be used to account for the cash collected. The purchaser would receive a cash register receipt and the cash register would generate a record of sales. An inventory of items purchased, items sold by sales price, and items unsold should reconcile to the cash collected. The following procedures are recommended:

- 1). Do not cash checks with concession funds. Deposit funds intact.
- 2). Do not make payments from cash collected. Payments must be made by check.
- 3). Funds should be collected on a timely basis.
- 4). A Master Receipt should be issued after counting or verifying the amount of the receipt at the time the funds are actually received.
- 5). **The person presenting the funds for receipt should wait for a Master Receipt to be prepared and verify the information on the Master Receipt before leaving the office.**
- 6). Supporting documentation of items sold should accompany the funds collected.

*Foods of minimal nutritional value may not be sold during the school day.*



## PURCHASING

### Purchase Orders

The Principal should approve all expenditures that will be paid from school funds. A purchase order allows the Principal to approve expenditures prior to purchase. A purchase order provides protection to the vendor for not charging Alabama sales tax on the school's purchases. A completed, pre-numbered purchase order should be approved by the Principal before the purchase of materials, supplies, or equipment. Local board policy will determine if purchase orders should be completed for other expenditures. A purchase order register should be maintained to account for purchase orders.

Although purchases made by individual schools from funds other than those raised by taxation or received through appropriations from state, municipal, or county sources are generally exempt from the bidding requirements of the Alabama Competitive Bid Law, such purchases can come under the state bid requirements if any portion of the expenditure is derived from a governmental source.

Plans for proposed land improvements, building improvements, repairs, renovations, or construction of buildings or facilities on school property should be submitted to the School Superintendent. Approval, notification, or inspection by State or local agencies may be required, even if expenditures are paid by other organizations or individuals.

Contracts, including service contracts for landscaping, maintenance, tutoring, or copier leases, must have the approval of the School Superintendent before the services begin.

### Invoices

An invoice should be obtained for each purchase before payment is made. An **IRS Form W-9** should be completed and maintained on file for each individual or vendor that qualifies for **IRS Form 1099** reporting. The vendor invoice should include the date, the pre-printed name and address of the vendor, a description of the purchase, an itemized listing of items purchased and item price, shipping and handling charges, and the total amount of the purchase. If a vendor without a pre-printed vendor invoice provides items or services, the vendor should sign an invoice containing the same information. Unless provided in another document, the school employee receiving the items purchased should sign the invoice. If the invoice is for services, the responsible school employee should sign the invoice after verification of services provided.

The invoice should be matched with the applicable purchase order before payment is made.

## EXPENDITURES

### Expenditures

Payments for school expenditures should be made from the school's checking account. However, local board financial policies may authorize cash refunds to students with proper internal controls. The Principal should sign all checks. No signature stamp may be used in place of the Principal's signature on the check. The Principal is responsible for the security of signature plates if used in place of manual signatures. Local board policy may provide for co-signatures or a designee to sign checks in the Principal's absence. The school bookkeeper should never be the sole signatory or allowed to sign on behalf of the Principal. The following procedures are recommended:

- 1). Do not write checks to "Cash".
- 2). Do not sign checks that do not contain the check recipient's name and amount of check.
- 3). Do not pay for items in advance of receipt of materials, supplies, or equipment.
- 4). Invoices and supporting documents should be provided with the check to be signed.
- 5). Invoices should be cancelled (marked PAID) when the check is signed.
- 6). Vendors should be paid on a timely basis. Late charges, penalties, and interest should be avoided by making payments by the due date.
- 7). Checks should be used in numerical order.
- 8). Checks must be secured at all times.
- 9). Voided checks must be retained for audit purposes.
- 10). Sales tax should not be paid on purchases from in-state vendors unless the items do not qualify for the sales tax exemption (school pictures, class rings, etc.).
- 11). School employees may not use the school's sales tax exemption for personal purchases.
- 12). Checks outstanding more than 60 days should be investigated.

### **Academic Incentives**

Amendment 558 of the Alabama Constitution permits the use of public funds to promote educational excellence by students. Students may receive food items (but not foods of minimal nutritional value), school supplies, admissions, T-shirts publicizing school academic accomplishments, and other provide tangible incentives for attendance, honor rolls, test scores, and other academic achievements. Academic excellence may also be recognized with plaques, trophies, and award banquets. Academic incentives with a significant monetary value may be provided to a group of students or by selecting individual recipients. (Scholarships and tuition for programs outside of the school's academic program are not permitted.) By preparing and following formal incentive award procedures a school can minimize auditor questions and public scrutiny when the incentive recipients are announced. Procedures for providing academic incentives with a significant monetary value to students should be established before the incentive recipient is determined and should include:

1. Action required for a student to receive an incentive.
2. Relationship of the required action to educational excellence.
3. Description of the planned incentives. (Laptop, cash, gift card, etc.)
4. Value of planned incentives, if known.
5. Process for determining the incentive recipients.

Academic incentives, whether purchased with school funds or donated by other entities or private sources, should be secured until provided to the incentive recipients. The student receiving the incentive should sign a form documenting the student's receipt of the academic incentive, excluding those items of insignificant value. The school official that is giving the incentive to the student, along with a witness should also sign and date the form.

## 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 are 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. Many parent organizations join 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,*
- b) *A school employee leads fund-raising or maintains the accounting records for the organization.*

**Booster Organizations**

All school sponsored extra-curricular activities must be under control of the school. However, booster organizations are often formed to support the operations of these activities in a variety of ways. While providing additional financial support for a particular extra-curricular activity, the volunteers in the booster organizations also enhance community support that often extends to benefit all of the students at a school. Because some of the activities of a booster organization may be intertwined with the extra-curricular activity it supports, some of the organization's activities may be under the control of the school principal while other functions of the same booster organization are not school activities. The determination that a particular booster organization is a school activity must be made on a case-by-case basis according to the actual facts and circumstances of the organization's operations at a school. 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,*
- b) *A school employee, who is associated with the activity supported by the booster organization, serves/holds a leadership position in the organization, or,*
- c) *A school employee leads fund-raising or maintains the accounting records for the organization.*

Specific activities of a booster organization may come under the control of a school principal if:

- a) *The organization collects admission to the school function,*
- b) *The organization operates a concession operation on school property at the school function,*
- c) *The organization collects parking fees for the school function,*
- d) *The organization operates a training camp that includes students of the activity it supports, or*
- e) *The organization operates an exhibition or competition that includes students of the activity it supports.*

**Specific Requirements**

Parent organizations and booster organizations that maintain financial operations outside the control of the school could create a negative image for the school by failing to maintain proper accounting controls. Accountability for the funds these organizations control includes an agreement that:

- a) *The organization has obtained an employer identification number from the IRS.*
- b) *The organization provides a report of the annual audit of the organization to the school.*
- c) *The organization makes its financial records available to the school's auditors and authorized school employees upon request.*
- d) *The organization provides required financial reports.*
- e) *The organization provides proof of a fidelity bond for the treasurer.*
- f) *The organization 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**.*

## STUDENT PAYMENTS

### Student Fees

State laws and administrative 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 § 16-6B-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.

**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.

**AAR 290-3-1-.02** Driver Education. (a) No fee shall be charged any child whose family is unable to pay the fee. (b) The amount of the course fee shall be established before the enrollment of students in the driver education course. (c) The amount of the driver education course fee approved by the local board of education cannot exceed the anticipated local costs of the driver education course. (d) Each board of education shall establish criteria by which the ability of families to pay the fee may be determined. (e) Local boards of education shall take reasonable steps to insure that students qualifying for no fee or a reduced fee are identified. *[Revised effective May 2014.]*

In reading the guidance above, it can be noted that academic fees during the regular school term (excluding driver 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 a non-paying student, such as withholding grades, report cards, transcripts, academic recognitions, and graduation activities, are prohibited. However, state laws governing textbooks may require the withholding of additional textbooks for a student due to unpaid lost or damaged textbook fines. (See Alabama Code § 16-36-69).**

### **Donations and Voluntary Contributions**

Voluntary contributions may be requested for various items purchased by the school that are used by students in academic courses and classes including workbooks, supplemental instructional materials, lockers, sheet music, and other academic purposes. 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, and other school purposes. 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 and a student must be provided the same instructional items as if payment was made on behalf of the student.

Schools that allow events during the school day that charge admission to students should provide admission to a non-paying student to avoid subjecting the student to embarrassment or ridicule.

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.

**The local school board office can provide guidance on collections from students for meals, snacks, and refreshments; library fines; student parking; charges for participating in extra-curricular activities; summer school; day care; weekend, before school and after school programs; dual enrollment programs; tutoring; and, requests for donations from school vendors.**



**Field Trips**

Teachers often request approval to take students off campus during the school day as enhancement of academic content in fulfilling the course curriculum. Voluntary contributions may be requested to pay the costs of transportation, meals, or admission charges. The voluntary nature of the contribution must be clearly stated in the request for the field trip costs. 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.

Field trips during the school day cannot generate a profit but may establish a per student amount that exceeds the individual student costs to provide the funds for the non-paying students, if the costs for the non-paying students are not paid by private sources or non-public school funds. Additional costs should be considered in establishing the per student field trip amount to accommodate for special needs students.

Documents providing information about the field trip to parents and guardians should include information on the disposition of excess field trip funds paid for the students including the cancellation or postponement of the field trip; a student's inability to participate in the field trip due to absence, illness, or disciplinary action; and, requirements to receive a refund for the field trip payment.

The local school board office can provide guidance on student meals, transportation, and approval procedures. School board policies may place limitations and restrictions on school field trips.

Student trips that extend overnight, are held outside of school hours, or are held on a day that school is not in session are considered extra-curricular activities. Generally, extra-curricular activities are not subject to the requirement to provide participation for non-paying students.

## **LIVE WORK PROJECTS**

### **Live Work Projects for Students**

Live work projects consist of work done by career tech students as part of their training program. Work can be done either in school or on a job location and includes service, repair, or production jobs of all types, excluding work done by cooperative education students. Live work will be conducted when, in the opinion of instructor and school administrator, the training program requires the work for acquisition of occupational skills leading to employment. The instructor, as part of the student's training program, will assign live work to individual students or groups of students. Administration and control of live work in accordance with local school board policies are the responsibilities of the school administrator. All live work performed must be approved by the administrator who shall be responsible for the determination and collection of all charges and maintenance of appropriate records.

Live work can only be performed when tasks are directly related to the knowledge acquired and skills currently being taught in the program as part of the course of study or to reinforce acquired knowledge and skills previously taught. Live work will be performed in specific projects for specific individuals and organizations. The scope and extent of each project will be well defined and documented before acceptance. Live work projects can be conducted for:

- 1). Students.
- 2). Public employees.
- 3). Tax supported programs and institutions.
- 4). Charitable organizations that are supported by donations.
- 5). Other individuals and organizations if:
  - a). The live work project is not in competition with private enterprise.
  - b). The circumstances involved are unusual and justify the acceptance of the live-work project.
  - c). The instructor and the school administrator do not have a family or business relationship with the client.
  - d). The instructor justifies in writing why the live work is necessary for the training program and files a signed copy with the school administrator.

### **Liability Waivers**

The person, program, institution, or organization for which live work is done shall:

- 1). Assume responsibility for the results of the work being done by students.
- 2). Accept responsibility for the total costs of materials and parts involved.
- 3). Pay a service charge according to the schedule established by the administrator of the school to cover indirect expenses.
- 4). Sign a form agreeing to the above conditions and specifically stipulating the work to be performed.

### **Charges for Live Work Projects**

The total charges (cost plus a service charge) for live work will be as follows:

1. Actual cost of parts and materials, plus at least 20% for the service charge.
2. Live work projects that do not include parts and materials provided by the school will be assessed a reasonable service charge according to a schedule or pricing sheet approved by the administrator.
3. A training program leading to a license, such as cosmetology or barbering may charge for services under a pricing schedule approved by the administrator.

Because state laws do not allow a school to extend credit all charges must be collected at the conclusion of live work project. Deposits and advance payments should be considered, if appropriate.

In exceptional cases such as the construction of a public building, a reduced charge for the live work project may be used provided the administrator and local school superintendent concurs in writing and the school recovers all costs expended on the project. However, all construction projects must be approved by the local school superintendent and other public agencies when applicable.

### **Work Orders**

All live work projects must be documented with a signed liability waiver, authorization for work, and schedule of estimated costs for each customer. The liability waiver must be signed by the customer (the individual for whom the work is performed or an authorized representative of the program or organization for which the work is done) before the work begins. Customer approval of significant increases in estimated costs must be documented. At the conclusion of the work, the customer must be provided an itemized statement of charges. A receipt must be provided to the customer when payment is made. The required documents may be separate forms or combined in the form of a work order. A work order should contain the following information:

1. Work order number.
2. Supervising instructor's name.
3. Customer name and contact information.
4. Liability waiver.
5. Customer's signature and date signed.
6. Student(s) assigned to the work project.
7. Instructions for the work to be performed.
8. Date work begins.
9. Date work completed.
10. Detailed description of materials and parts purchased for the work.
11. Detailed calculation of amount due from customer.
12. Receipt number.

**Proceeds From Live Work Projects**

Live work project proceeds are school funds subject to the same financial requirements as other school funds, including receipts, daily deposits, purchase orders, and invoices. Live work projects must be included in the school budget and are recorded in the school's accounting records with a separate account for each instructor. (An instructor may have additional separate accounts as needed to account for individual classes.) The income from live work projects and the expenditures from live work accounts are public funds and cannot be co-mingled with club and class funds. The administrator must approve all expenditures from live work funds. Funds from live work accounts may be transferred to other public fund accounts upon approval of the administrator. The local school superintendent may require the transfer of funds from live work accounts to reimburse the school board for expenditures related to the live work projects.