

## ELEMENTARY ACCOUNTING PROCEDURES

The school has a fiduciary responsibility to the public to spend funds for the purpose for which they were collected. The school must be able to demonstrate this fiscal responsibility upon request. All revenues and expenditures within the school need to be recorded in the schools' financial books. These funds should be expended on students during the same school year that they were received. The school is responsible to ensure adequate financial safeguards are in place to protect employees, students and the district.

The following procedures will help school and district personnel have standardized guidelines to meet their fiduciary responsibilities.

### I. GENERAL APPLICATIONS

#### A. Auditing

##### 1. Internal Audits by the District

- a. Periodic audits are performed by the District internal auditors.
- b. Schools will be notified prior to the audit regarding what is to be audited.
- c. Internal audits are intended to be educational as well a review of internal controls of the school or department.
- d. At the conclusion of the audit, the auditors will have an exit audit with the administrator and others involved in finances for the school.
  - 1- Material weakness and infractions will be reviewed
  - 2- Basic recommendations will be made and educational information will be shared.
- e. The internal auditor will write up a district response to the audit which will be reviewed by the business administrator before being sent to the school/department.
- f. The administrator over the school/department will need to

respond to the audit with a corrective action plan of how district recommendations will be incorporated into the school/district financial practices.

2. **External Audits**

- a. Schools will periodically have external audits.
- b. Those being audited will be contacted in the fall of the school year they are to be audited.
  - 1- Membership audits are done based on the October 1<sup>st</sup> enrollment.
- c. The financial audit is completed in the Fall of the school year.
  - 1- Appointments are made in advance
  - 2- Schools receive a list of items to be audited
  - 3- It is recommended that the administrator be at the school during the audit. If the administrator is not available, a designee may represent administration.
  - 4- At the conclusion of the audit the external auditors will have an exit audit with school personnel and discuss problems and infractions.
- d. The information obtained during an audit is given to the Business Services Department to review and write up a district response to each individual audit.
  - 1- The department will provide district guidelines and resources to help schools/departments make necessary improvements in the financial internal controls of the school.
  - 2- The business administrator approves the district response and sends it out to the schools/department.
- e. Each entity being audited has a fiduciary responsibility to respond to the audit and represent in writing improvements that will be made and controls that are being put in place to

answer the concerns found during the audit.

- 1- Schools are required to respond in writing to the audit within two weeks of receiving the district comments.

f. Helpful information when being audited:

- 1- Provide the information requested.
- 2- During the audit be honest and truthful.
- 3- Don't be defensive- be careful not to overstate your position.

g. When responding to the audit:

- 1- Address each item listed on the document.
- 2- Make response to audit items short, stating action taken to resolve the problem.
- 3- If exposure or problem is minor, state so with facts and a statement of a commitment to improve.
- 4- Show or demonstrate you are in control.

### 3. School Internal Audit

a. On a three-year rotating basis, schools/departments will be audited by an external audit company.

- 1- Principals leaving the district may have an audit before they leave the district.
- 2- Principals moving to another school may be audited, or may request an internal audit if they desire.
- 3- Financial secretaries leaving the district may receive an internal audit.

b. Principals should perform monthly reviews and unscheduled monitoring for all cash activity.

c. Audits can be formal or casual visits.

d. All activities involving cash must be supervised by an adult or two adults if available. Part of the supervisor's responsibility is to ensure adequate controls are in place.

4. **District Audit Committee** - The audit committee is comprised of two board of education members, the superintendent, business administrator, and representatives of the District's external auditing company. The audit committee reports back to the Board of Education. Their responsibilities include:
  - a. Meet periodically to review the internal and external audits of the district.
  - b. Receive analysis of audited concerns and infractions.
  - c. Offer input and direction to the District for financial internal controls.
  - d. Elementary and secondary administration will be invited to an audit review meeting where the external auditors' findings are reported.

**B. Banking**

1. Schools must have Business Administrator approval before choosing or changing banks.
  - a. The District will choose a limited number of banks for schools to use for deposits.
2. Schools must have at least two signers of the signatory card at the bank. The Principal and Business Administrator will be signers on the account.
3. Banking supplies
  - a. Deposit slips are purchased from the banking entity or other qualified vendor.
  - b. Disposable bank bags for child nutrition are provided by the District Child Nutrition department.
  - c. The school will provide Child Nutrition with a "For Deposit Only" stamp.
  - d. Disposable bank bags if used by the School Office are

purchased by the school.

4. Banking balances – schools are encouraged to bank at institutions that pay top interest on their checking accounts.
  - a. The schools TES accounting program Asset - Cash-in-bank account should be reviewed each time checks are issued.
    - 1- If necessary transfer money from investments/savings to schools checking account.
5. Administrator may invest excess funds with the District PTIF Fund (Public Treasurer Investment Fund) or other FDIC insured institutions.
  - a. Interest received from District investments
    - 1- Monthly the interest is computed for each school added to their District PTIF investment balance.
    - 2- Quarterly statements are sent to the school and the schools should record the investment income in TES with a Journal Entry.
6. Bank Statements
  - a. Bank statements need to be opened, signed and dated by the principal or their designee.
  - b. The bank statement needs to be on file with other monthly financial documents for four years (one year after an external audit)
  - c. Imaged cancelled checks should be filed with the bank statement.
  - d. Actual cancelled checks should be filed separately in a check box or envelope for that purpose.
7. Errors on the Bank Statement
  - a. All errors need to be researched; what may seem like a small error may in fact be a large error when all parts of the puzzle are put together.
  - b. After complete research, you may adjust your bank

statement either way by \$5.00. Anything \$5.00 or more requires a call to the District Schools Account for help in finding the difference.

8. Three day banking rule
  - a. Funds received in a school should be deposited daily where possible, where this procedure is not possible school personnel must receipt money and send to the bank at least every third school day.
  - b. If not deposited funds shall be secured in a locked cabinet or safe.
  - c. The Principal is responsible for and should take the deposits to the bank.

**C. Employees Depositing Money into a Personal Account**

1. School or district personnel should never deposit money collected for school/district purposes into their own personal bank account. It is considered a criminal offense and will be prosecuted.

**D. Faculty Fund**

Most schools have a faculty fund which generates money through annual donations paid by each faculty member. This account is generally used for socials and flowers, gifts, or cards in the case of a birth, death, marriage etc.

1. If the faculty fund is run through the school books, it is necessary that all district procedures be followed.
  - a. Prior approval of purchase
  - b. Follow District purchasing policies for bid requirements.
2. Faculty members may designate a teacher to be responsible for this account.
  - a. The teachers may choose to open a separate checking account to manage the various expenditures.
  - b. If a separate account is opened, nothing should be processed

through the school.

- c. The teacher representative should reconcile the bank statement monthly and provide a financial report to the faculty at least semiannually.

3. The Faculty Fund should never be in a deficit situation.
4. Sales tax should be paid on these purchases because they benefit faculty and not students.

**E. Funds spent for the purposes they were collected**

The school has a fiduciary responsibility to the public to spend funds for the purposes for which they were collected. Upon request, the school must be able to demonstrate this fiscal responsibility during an audit. Consequently, all income and purchases relating to that fund or fee must be applied appropriately. Generally, funds should be spent in the school year they are collected and for the purpose they were raised. Basic student activity funds (agency funds) are listed below.

District schools use TES Student Accounting for school funds. As part of the school funds all monies received by, and for students must be applied to an appropriate “Activity” with the associated “Accounts.” used to document income and expenditures.

1. An “*Activity*” is a major category description for a series of accounts used to record the financial transactions of those accounts.
2. Examples of “*Activity*” accounts include:
  - a. Library fines, class gifts, restricted donations.
3. Excess funds must not be transferred to a general administration “*Account*” and be absorbed with another “*Activity*.”
  - a. Transfers to the general administration account need to be reviewed to ensure the integrity of the activity and accounts associated within that “*Activity*.”
4. Discretionary Funds
  - a. Student fines should be expended in such a way as to benefit

those pupils who have contributed to the accumulation of such money.

- b. Discretion should be used for general accounts such as:
  - (1) Library fines - may be used for anything relating to the library program.
  - (2) Interest income and fund raisers may be used at the discretion of the principal for the purpose they were raised for or for any student purpose.
  - (3) Faculty vending funds should be used for faculty recognitions, faculty socials or other purposes.

**F. Reporting to the District**

- 1. Annual School records are due to the School Accountant's office by August 31<sup>st</sup> of the follow school year.

**G. Password Protection for Financial Programs - Security precautions should be in place for the school's financial programs and the school safe.**

- 1. Passwords and combinations should be changed with principal or financial secretary changes.
- 2. In case of an emergency, the principal should have knowledge of the financial secretary's passwords.
- 3. Who to call for changing combinations and passwords
  - a. Safe combinations - call the maintenance department
  - b. Email passwords - contact the technology department
  - c. My Student passwords - contact data processing
  - d. TES accounting - contact accounting support personnel.

**H. Safes and Locked Cabinets - Adequate precaution should be taken to secure cash and provide for the safety of personnel handling cash within the school.**

- 1. Safe and locked cabinet combinations and keys should be changed as personnel changes.
- 2. Principals are responsible to limit the number of people that have access to the combinations, and safeguard written combinations.

3. Cash should not be stored in areas where general staff or students have access.
  4. Principals need to evaluate the safety of money and the protection of students and employees on a regular basis.
  5. If Principals feel there is a need to purchase a safe, they should request the purchase from the capital outlay budget. If the safe is a portable it should be bolted to the floor.
  6. Once a bank deposit has been prepared it should be kept in a safe or locked cabinet until taken to the bank.
- I. **School Accounts with a Deficit Balance**
1. As a general rule, no school account should end the year (June 30<sup>th</sup>) with a deficit balance.
  2. All "*Accounts*" within an "*Activity*" will be used to bring a deficit account to a zero balance. Teachers will use all sources of money under their control before the administrator will pay for deficits from school wide accounts. Example: Foundation money.
  3. Teacher's should not request reimbursement for purchases made before the intended funding is at the school.
- J. **School Fund Balances (Equity Accounts) - Fund balances are created when the "*Activity's*" previous years fund balance plus current year income is greater than current year expenditures.**
1. All "*Activity*" accounts have the possibility of money being available in the fund balance.
  2. Administration should review each "*Activity*" to determine if a fund balance is justified.
  3. Grade "*Activities*" may have money left at the end of the year that would become part of their own fund balance.
  4. Some balances may be transferred into the administrators fund balance to be reallocated in the next school year.
  5. Elementary school "*Activities*" are reviewed at the end of the year to

determine if grants, or a teacher's "*Activity*" should become the fund balance for the "*Activity*" or the fund balance of the administrator.

6. Schools with excessive fund balances:
  - a. Administrator's should actively work to purchase items, or achieve the goals established
7. Fund balance money for long-term projects
  - a. Monies needed to achieve a long-term project may be designated by having its own fund balance within the administrator's general fund balance account.

Elementary example:

Administrator Fund Balance \$20,000

Admin Playground Fund Balance \$7,500

Total in Administrator's Fund Balance \$27,500