HANDLING SCHOOL LEVEL FUNDS CHALLENGES & OPPORTUNITIES

WASBO ACCOUNTING CONFERENCE
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Presenter Introduction

Dr. Jack E. Stoskopf, Jr.
RETIRED Assistant Superintendent
D.C. Everest Area Public Schools

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My Goals

1. Brief discussion on what MMSD is doing to implement GASB 84.
2. Brief review of the research
3. Review instances of how, when, and where money is handled at the school level

GASB 84 Fiduciary Activities

- Applies to:
  - Student activity funds
  - Scholarship funds

- This is a REPORTING requirement
- For REPORTING to DPI and the audit (trial balance and audited financial statements) any district administrated assets mut be reported in fund 10 or 21(fundraising)
- BIG year end journal entry to get it into fund 21 and out of 60 and 70s.
- Fort Atkinson has a fund 22 that folds into fund 21 for Reporting. Nice.

GASB 84 Fiduciary Activities

- What can still be in fund 60.
  - Who controls it. Who makes the decisions. Who's money is it?
  - Does the District have administrative involvement in the assets? Who makes investment decisions? Who makes coding decisions?
  - Can a District employee say yes or no?
  - *MAYBE* Student Council, National Honor Society, Key Club, Class of 20XX. Can a District employee say yes or no?
  - This is a great opportunity to clean up these clubs.
    - One high school had 97 clubs.
    - Deal with inactive accounts. Some had not been used in 5 years.

GASB 84 Fiduciary Activities

- What can still be in fund 70s.
  - Is there a LEGAL trust? (like OPEB)
  - Does the District have administrative involvement in the assets.
    - Who picks the recipient of the scholarship.
    - Who is investing and managing the assets.

- You could argue. Scholarships should have been in fund 21 the whole time. How is this different from a donation specified for a purpose. The District decides who gets the scholarship. The District manages the assets.
- Just move it to fund 21.

GASB 87 LEASES

- This is a HUGE GASB that has me greatly concerned. If I was not presenting, I would be over in that session right now. If you do not have someone else from your district watching that session, please feel free to move to that session. I totally would.

Dr. Jack E. Stoskopf, Jr.
RETIRED Assistant Superintendent
D.C. Everest Area Public Schools

Dissertation Title: "Perceptions of High School Principal's Preparedness for their Financial Responsibilities."

To what degree do high school principals perceive that the financial component of their administrator preparation and licensing programs prepared them to effectively carry out to their financial responsibilities?

Introduction

- High school principals have multiple responsibilities.
  - Student Achievement/Education Accountability
  - School Culture
  - Community Relations
  - Hiring Top Quality Staff
  - Supervision of Multiple Employees
  - Oversight of Overall Facility Needs
  - Financial Management/Responsibilities

- Managing the budget and all other funds that go through the office is of critical importance - as mis-management can lead to a public relations nightmare and possible loss of one's job.

Significance of Study

This study is important because little has been written about high school principals' financial responsibilities and their level of preparedness to effectively carry out those responsibilities.

Colleges and Universities may wish to compare what financial skills they teach with the on-the-job skills high-school principal need to be successful.

Results/Key Findings

Table 7. *Budget Preparation*

	None	Limited	Average	Above Average	High
Prepare a school budget?	2.0% (2)	36.4% (24)	43.9% (29)	12.1% (8)	4.5% (3)
	38.4% (26)			**60.5% (40)**	
Manage a school budget?	6.1% (4)	42.4% (28)	37.9% (25)	10.6% (7)	3.0% (2)
	48.5% (32)			**51.5% (34)**	
Prepare a budget report?	19.7% (13)	42.4% (28)	30.3% (20)	4.5% (3)	3.0% (2)
	62.1% (41)			37.8% (25)	
Understand the structure of budgetary account numbers?	6.1% (4)	43.9% (29)	31.8% (21)	10.6% (7)	7.6% (5)
	50% (33)			50% (33)	
Understand the meaning of encumbered funds?	16.7% (11)	39.4% (26)	34.8% (23)	7.6% (5)	1.5% (1)
	56.1% (37)			43.9% (29)	
Understand the budget transfer process?	21.2% (14)	42.4% (28)	24.2% (16)	10.6% (7)	1.5% (1)
	63.6% (42)			36.3% (24)	
Understand the requisition and purchase order process?	18.2% (12)	36.4% (24)	28.8% (19)	13.6% (9)	3.0% (2)
	54.6% (36)			45.4% (30)	
Understand how purchasing cards can be used?	54.5% (36)	24.2% (16)	18.2% (12)	3.0% (2)	0.0% (0)
	78.7% (52)			21.2% (14)	

BUDGET PREPARATION
Preparation program
vs.
On-the Job

93.9% of principals surveyed stated they learned more about budget preparation while **on-the-job**.

BUDGET MANAGEMENT
Preparation program
vs.
On-the Job

93.8% of principals surveyed stated they learned more about budget management while **on-the-job**.

Results/Key Findings

Table 10. *Preparedness for Financial Management and Accounting*

	None	Limited	Average	Above Average	High
Reconcile a checkbook with multiple accounts?	66.2% (43)	13.8% (9)	13.8% (9)	4.6% (3)	1.5% (1)
	80% (52)			20% (13)	
Read and understand a balance sheet?	23.1% (15)	38.5% (25)	26.2% (17)	9.2% (6)	3.1% (2)
	61.5% (40)			38.5% (25)	
Prepare and record a deposit from multiple revenue sources?	53.8% (35)	27.7% (18)	13.8% (9)	3.1% (2)	1.5% (1)
	81.5% (53)			18.5% (12)	
Invest school funds for the purpose of earning interest?	72.3% (47)	16.9% (11)	7.7% (5)	3.1% (2)	0% (0)
	89.2% (58)			10.8% (7)	
Post debits and credits properly to revenue and expenditure accounts?	56.9% (37)	23.1% (15)	12.3% (8)	7.7% (5)	0% (0)
	80% (52)			20% (13)	

FINANCIAL MANAGEMENT AND ACCOUNTING
Preparation program
vs.
On-the Job

93.8% of principals surveyed stated they learned more about financial management and accounting while **on-the-job**.

Results/Key Findings

Table 11. *Preparedness for Internal Controls*

	No	Limited	Average	Above Average	High
The need for internal controls?	66.2% (17)	13.8% (18)	13.8% (22)	4.6% (7)	1.5% (1)
	53.8% (35)			46.2% (30)	
Proper handling of non-budgeted school funds?	23.1% (21)	38.5% (18)	26.2% (16)	9.2% (10)	3.1% (0)
	60% (39)			40% (26)	
Preparing proper receipting documents?	36.9% (24)	32.3% (21)	21.2% (17)	3.1% (2)	1.5% (1)
	69.2% (45)			30.8% (20)	
Ensuring the person handling funds is not also reconciling the books?	35.3% (23)	33.8% (22)	18.5% (12)	10.8% (7)	1.5% (1)
	69.2% (45)			30.8% (20)	
Safeguarding the funds in your school until they go to the bank?	33.8% (22)	29.2% (19)	24.6% (16)	10.8% (7)	1.5% (1)
	63.1% (41)			36.9% (24)	
Completing a risk assessment of money handling procedures on a regular basis?	50.7% (33)	30.8% (20)	15.4% (10)	3.1% (2)	0% (0)
	81.5% (53)			18.5% (12)	

INTERNAL CONTROLS
Preparation program
vs.
On-the Job

86.1% of principals surveyed stated they learned more about the importance of internal controls while **on-the-job**.

Results/Key Findings

Table 12. *Preparation for Preparedness for Financial Accountability*

	None	Limited	Average	Above Average	High
How effective uses of financial resources support student learning?	15.4% (10)	26.1%% (17)	41.5% (27)	15.4% (10)	1.5% (1)
	41.5% (27)			**58.4% (38)**	
The importance of planning for the use of resources?	6.2% (4)	30.8% (20)	41.9% (26)	20% (13)	3.0% (2)
	36.9% (24)			**63.1% (41)**	
The importance of the principal's stewardship responsibility for public funds?	7.7% (5)	16.9% (11)	49.2% (32)	20% (13)	6.2% (4)
	24.6% (16)			**75.4% (49)**	
The risk of losing one's job if financial matters come into question?	7.7% (5)	6.1% (4)	47.7% (31)	23% (15)	15.4% (10)
	13.8% (9)			**86.1% (56)**	

FINANCIAL ACCOUNTABILITY
Preparation program
vs.
On-the Job

81.5% of principals surveyed stated they learned more about the importance of financial accountability measures while **on-the-job**.

Conclusions

1.Overall principals perceive they are not well prepared for their financial responsibilities

2.Principals overwhelmingly agree they learn their financial skills through on-the-job experiences as opposed to through their preparation program

3.Internal controls and financial mismanagement appears to be an issue of concern.

4.There is a disconnect between the amount of financial preparation compared to the amount of time they spend on financial matters.

ADVICE
HELP
TIPS
SUPPORT
ASSISTANCE
GUIDANCE

SCHOOL MONEY!

Fees:
Athletic
Course
Parking
AP Testing

Resale:
Band
tech ed
orchestra

General Sales:
School Store
Concession Stands
PTO Fund-raisers
FBLA Fruit sales

Classroom collections:
Field trips
supplies - special projects
Special trip Fund-raisers
Penny Pots
Department apparel sales

Co-curricular
fees
Apparel sales
fund-raisers
Program book ads
equipment
Band trips
dECA trip donations

Ticket Sales:
Athletic events
plays
Musicals
raffles - 50/50's

Scholarships:
internal
external

WHAT ARE THE CHALLENGES?

- **Accountability for the funds**
  - **Teachers, coaches, secretaries, principals, students, booster members, PTO volunteers, business office**
- **The handling of the funds**
  - **Who, how, where, when (deposits and payments)**
- **Documentation of receipts and expenses**

CHALLENGES (CONT.)

- **Fraud risks - single points of failure**
- **Funds held outside the school district**
- **Inadequate policies and procedures**
- **Resistance to change with new procedures:**
  - **"We never had to do this before."**

SUGGESTIONS AND IDEAS TO ADDRESS THE CHALLENGES….

- **Ensure the school board has an over-arching policy**
- **Develop <u>specific</u> guidelines and procedures for the handling of non-budgeted funds that flow through school offices**
- **Garner support and understanding from building principals about the importance of following the procedures (to protect principal, staff, assets, the reputation of their school and district in general)**
- **Eliminate single points of failure - rotate duties if possible. No one person should deposit, write checks, and reconcile.**

SUGGESTIONS AND IDEAS TO ADDRESS THE CHALLENGES (CONT.)

- **Survey local banks to see if outside groups are using your EIN or your name.**

- **Encourage booster groups to get their 501(c)3. All accounts are either tied to a social security number or an EIN.**

- **Employ a whistle blower policy**

- **Do not pay compensation directly to employees. The IRS will come visit you.**

- **Move to online payments – It's the future!**

SUGGESTIONS AND IDEAS TO ADDRESS THE CHALLENGES (CONT.)

- **Cash handling procedures**
  - **Put it on the website so that everyone can get to it.**
  - **Update every year.**
- **Bank accounts are in the name of the district.**
- **Establish clear lines of authority.**
- **Clear statement that the misappropriation or misuse of student activity funds is THEFT.**
- **Student activity accounts should not maintain negative balances.**
- **Money should not be "temporarily" help in a staff account. Or desk, or under the floor board.**

SUGGESTIONS AND IDEAS TO ADDRESS THE CHALLENGES (CONT.)

- **Internal controls**
  - **All student activity funds are subject to the same internal controls as all other district funds.**
  - **Receipts are issued for cash collected.**
  - **Invoices support cash disbursements.**
  - **Student activity accounts are reconciled monthly. And reviewed by the Principal**
  - **Checks are not signed in advance or written to cash.**

Table of Contents

Introduction

General Guidelines and Procedures

Budget

Account Numbers

Grants & Donations

Service Agreements /Contracts

Direct Pays

Mileage

Conference/Travel Reimbursements

Invoices/ Billings/ Accounts receivable

Clearing Account

Food

Gift Cards/Gift Certificates

Procurement Cards P cards

Special Guidelines and Procedures for School Locations

School Activity Funds

Classroom Collection of Field Trip and School Activity Fees

School Office Collection of Field Trip and School Activity Fees

Commission Checks

Banking

School Cash Supply

Event Athletic Start-Up Monies

Food Services

Money Solicitation and Collection

Student Fee Schedule

Student Fees and Rentals

Fee Pro-ration/Waiver

Textbook Damage Fines

Sale of Supplies or Materials

Refunds

Non-Sufficient Fund (NSF) Checks

Take Advantage of the Audit

Take Advantage of the Audit

Be ready :

- Have all balances reconciled.
- Bank reconciliations for each month.
- All support documentation for disbursements
- Bank deposit slips and receipts.
- Forget the sample. Have **everything** for the year boxed up and sent to the office.
- Ask the auditors to call the secretaries and ask them how they do things
- Get a tool back from the auditors you can use for REAL conversations.

Take Advantage of the Audit

Madison Metropolitan School District
Fund 60 Summary of Findings
June 30, 2020

Target Area: Disbursements or Receipts	Finding Description	Schools with Finding
Disbursements	Missing support documentation: invoices, order of withdrawals, copies of checks, etc.	
	Invoices for disbursements were not signed indicating approval.	
Receipts		
	Receipts are not written to all individuals when cash is deposited.	
Auditor Notes	This year was a HUGE improvement from the prior year! It appears the process is becoming streamlined and more uniform, keep up the good work!	

Take Advantage of the Audit

Madison Metropolitan School District
Fund 60 Summary of Internal Control Recommendations
June 30, 2020

Target Area:	Recommendation:	School:
Disbursements:		
	The Principal should approve invoices by initialing or signing the invoice.	
	Supporting documentation should be obtained for all expenditures.	
Receipts:		
	The secretary should provide written receipts for all money received at the time the funds are collected.	
	The secretary should count the money in front of another secretary or another staff in the office and both should sign off that they agree on the amount.	
Bank Reconciliations:		
	The principal should review and approve the bank reconciliation. Monthly review activity reports in Munis so the Principal is aware of the deposits and disbursements coming from the student activity accounts.	

Sample Forms Curtesy of D.C. Everest

Standard Deposit Envelope

Directions:

1. This envelope **must** be used for the collection of all SBAA funds. Keep all required forms, cash & checks in this envelope.

2. Completion of **School Based Activity Accounting Deposit Voucher** form is **mandatory** before submission of this envelope to building SBAA secretary. Forms are available from your SBAA Secretary.

3. When funds are collected from students, the **Funds Collected from Students** form must also be completed before envelope will be accepted by SBAA Secretary.

4. SBAA Secretary will verify completion of above forms and provide you with a receipt for funds received.

5. SBAA Secretary will apply funds to correct SBAA account & complete the bank deposit.

6. District business office will review SBAA revenues & expenditures from time to time and complete monthly SBAA bank reconciliation.

Standard Deposit Voucher

School Based Activity Accounting Deposit Voucher

D.C. Everest Area SCHOOL DISTRICT

This form is used in **all** circumstances when funds are being deposited into a School Based Activity Account. If the deposit involves the collection of money from students, the **Funds Collected from Students form** needs to be filled out completely and submitted with this form to the SBAA secretary in your school. All deposits require the use of an **SBAA Deposit Envelope**.

1. Completely fill out this form (Manually or Electronically)
2. Keep all cash and checks inside SBAA Deposit Envelope
3. Envelope must be placed in school safe each night
4. **Funds Collected from Students form** must be filled out and placed inside Deposit Envelope whenever funds are collected from students
5. SBAA secretary will provide you with a printed receipt when this deposit is processed
6. Make a copy of this form **and** Funds Collected from Students form for your records

SBAA Deposit Account Name:			
Teacher/Coach/Advisor:			

Origination of Funds

Check One:

	Athletic Fees*
	Athletic Ticket Sales (Attached forms with details for all events)*
	Club/Team Fundraiser
	Field Trip Funds Collected from Students
	Food Service Funds*
	Referee Funds (from district office)
	Resale Items Sold to Students*
	Scholarship Funds
	School Play or Musical Ticket Sales (Attach forms with details for all events)
	School Store Proceeds
	Student Registration or Course Fees*
	Tournament Fees/Athletic Playoff Revenues*
	Vending Revenue
	Other - Describe: Greenheck Foundation Grant

Coins	Number	Dollar Amount	Currency	Number	Dollar Amount
Pennies		$0.00	Ones		$0.00
Nickles		$0.00	Fives		$0.00
Dimes		$0.00	Tens		$0.00
Quarters		$0.00	Twentys		$0.00
50-cents		$0.00	Fiftys		$0.00
$1-Coin		$0.00	Hundreds		$0.00
Total Coins		$0.00	Total Bills		$0.00
Total Checks		$0.00	Total Coins & Bills		$0.00
Grand Total		**$0.00**			

Your signature below certifies that the information on this form are true and accurate.

Printed Name: _____ Signature _____

Date Form and Funds Submitted to Office: _____

For Office Use Only

Date Received:		Name:	
Amount Verification:		Signature:	
SBAA Liability Account Number to be Credited With Funds:			

Documentation of Funds Collected From Students

FUNDS COLLECTED FROM STUDENTS

D.C. Everest Area School District

Teacher/Coach/Advisor:

Funds Collected For:

School:

This form must be completed anytime funds are collected from students.

Student Name	**Cash Amount**	**Check Amount**	**Note**
Totals	$ -	$ -	
Grand Total		$ -	

Submit this form along with the Cash Deposit Envelope and SBAA Deposit Voucher form when turning student collected funds into the office.

Expense Voucher

School Based Activity Accounting Expense Voucher

D.C. Everest Area SCHOOL DISTRICT

This form will be used in all circumstances when funds are expended from a school based activity account. A clear description of what is being purchased and the purpose is required. **It is the responsibility of the teacher/coach/advisor/staff (not the SBAA secretary) to process and complete this form!**

1. Completely fill out this form (Manually or Electronically)
2. Scan or save to PDF along with the appropriate receipt(s) or quote.
3. Email this form and accompanying receipt(s) or vendor quote to the SBAA Secretary.
4. Spending approvals will be done electronically by the building principal, so their signature is not required on this form.

SBAA Account Name: _____ School: _____

Teacher/Coach/Advisor: _____ Date: _____

Check One: ☐ Check Needed (Invoice or Receipts Attached)
☐ Purchase Order Needed (Quote and Vendor Information Attached)

Vendor: _____

Description of Items or Services:

Purpose:

Check or Purchase Order Amount: _____

Check one: ☐ Send check or PO to Vendor
☐ Return check to Teacher/Coach/Advisor
☐ Other - Explain: _____

Your signature below authorizes the expenditures listed above to come from the above named account for which you are responsible.

Printed Name: _____ Signature: _____

If this form is filled out electronically and e-mailed from ateacher/coach/advisor/staff - a written signature is not required.

Date: _____

Questions/Comments

Thank You To

Dr. Jak E. Stoskopf, Jr.