

<b>DESCRIPTOR TERM:</b> <b>Fiscal Management</b>	<b>Millard District Policy</b> <b>File Code: 2060</b> <b>Approved: 12-12-13</b>
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## SCHOOL FINANCIAL PROCEDURES

### **Purpose**

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. As much as possible, student donations, and fees should be expended to benefit those students who have contributed to the accumulation of such funds. They should be expended on students during the same school year that they were received. Money received for the student body as a whole, must benefit the student body as a whole. The school is responsible to ensure that adequate financial safeguards are in place to protect employees, students, and the District.

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

### **General Applications**

#### **A. Auditing**

1. Internal Audits by the District
  - a. District financial personnel will perform periodic audits/reviews.
  - b. Schools will be notified prior to the audit regarding what is to be audited. However, the District reserves the right to conduct unannounced audits.
  - c. Internal audits are intended to be educational, as well as a review of the internal controls and procedures of the school or department.
  - d. When audits are conducted:
    - i. Be honest and truthful in answering any questions asked
    - ii. Be organized and able to provide the information requested
    - iii. Don't be defensive, audits are a tool to help individuals, schools, departments improve their practices and procedures

- iv. At the conclusion of the audit, the auditor will have an exit interview with the administrator and others involved in the finances for the school.
  - 1. Material weakness and infractions will be reviewed.
  - 2. Basic recommendations will be made and educational information given regarding how the issues may be remedied or resolved.
- v. Within a reasonable amount of time, and under the direction of the business administrator, the auditor will prepare the District's response/findings to the audit and send it to the school or department. The District's response contains policies and procedures that are currently in place and used as a financial standard for the District as a whole.
- vi. The administrator over the school/department will need to respond to the audit exceptions and the District response with a corrective action plan on how they will meet the recommendations.
  - 1. The response should be on school letterhead and include the principal's signature.
  - 2. School responses may be emailed to the business administrator.
- vii. School/department administrator will have 15 school days to provide the business administrator with their corrective action plan.
  - 1. School responses should be short and concise, stating the necessary action(s) taken to resolve the problem.
  - 2. Internal audits, District responses, and school responses, will be given to the District audit committee for review.

## 2. External Audits

The purpose of having an external audit is to provide additional tools and experience to assure that the District's assets are safe and that the District complies with the laws and procedures of the state. They take an independent look at the finances. Each year they look at different areas to make sure they have a broad view of the financial internal workings of the District.

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

- i. Items reviewed by the auditors are:
  1. Finances
  2. Student membership
  3. Fixed assets
  4. State and federal grants
- ii. Student membership audits at the schools are done on October 1st or the Monday following. Schools will be notified prior to the audit so appropriate class rolls, attendance records, etc., can be printed out prior to the auditor's arrival.
- iii. Other audits listed above are generally reviewed in April/May for selection.
- iv. Unannounced external audits are conducted when applicable.
- v. Those schools/departments being audited are contacted in the fall of the school year that they are to be audited.
- vi. The external auditors work from a list of areas to be reviewed called test papers or field documents. The same information is reviewed at each school/department being audited.
- vii. Helpful information when being audited.
  1. During the audit be honest and truthful.
  2. Be organized and able to provide the information requested.
  3. Don't be defensive---be careful not to overstate your position or authority.
- viii. At the conclusion of the audit, an exit interview is held with the financial secretary and administrator.
  1. The administrator is encouraged to attend the exit interview, but a designee may attend in their place.
  2. The auditors will discuss audit infractions found during their test work.

3. It is appropriate to discuss with auditors if there is a difference of opinion, or if additional information needs to be provided to clarify an issue.
  4. Unless a fraud investigation is taking place, the secretary should not take the audit personally. This is a great opportunity to find out if corrections need to be made and to take corrective actions by incorporating them into day-to-day financial activities.
- ix. Within a reasonable amount of time, and under the direction of the business administrator, District personnel will send a response to the audit to the school or department. The District response contains policies and procedures that are currently in place and used as a financial standard for the District.
- x. The administrator over the school/department will need to respond to the audit exceptions and the District response with a corrective action plan on how they will meet the recommendations.
1. The response should be on school letterhead and include the principal's signature.
  2. Address each item listed as an audit concern or finding.
  3. Make responses to the audit items short and concise, stating the action that will be taken to resolve the problem.
  4. If exposure or problem is minor, state so with facts and a statement of a commitment to improve.
  5. Show or demonstrate you are in control of the school finances.
  6. School responses may be emailed to the business administrator.
- xi. The school/department administrator will have 15 school days to provide the business administrator with their corrective action plan.
- xii. External audit test papers, District responses, and school responses from the school/department are given to the District audit committee for review.

- xiii. Schools/departments not making needed corrections may receive disciplinary actions from their supervisors.

### 3. School Internal Audits

From time-to-time the principal, or their designee, is encouraged to perform an in-house audit to make sure that the secretary and faculty are following District policies and procedures. These types of audits uncover more fraud than any other types of audits being done in our schools.

- a. Administration should perform periodic and unscheduled audits for all cash activity.
- b. It is important to check and make sure that money is being receipted regularly and sent to the bank.
- c. It is a concern when little stashes or piles of money are being left in the safe or other areas for more than three days.
- d. School budgets should be approved and signed by the principal and kept on file.
- e. Petty cash or change box is reviewed.
- f. Because of the large sums of money collected during a fundraiser or sporting event, the money should be receipted and taken to the bank that day. If this isn't possible on a particular day, it should be deposited the next business day. (See the Millard School District "School Transparency Packet" for procedures.)

### 4. District Audit Committee

The District audit committee is organized by policy through the Board of Education. The audit committee is comprised of two board of education members and other members of the committee such as the Superintendent, Business Administrator and program directors, who shall be appointed by the board of education. The external auditors and District and school administrators may be invited to attend when applicable. The responsibilities of the audit committee are as follows:

- a. The audit committee's main function is to focus on various aspects of financial reporting and compliance with significant applicable legal, ethical, and regulatory requirements.
  - i. Ensuring that management properly develops and adheres to a sound system of internal controls consistent with the requirements of R277-113-5.i) Receiving a report of the risk assessment process undertaken by management in developing the system of internal controls.

- b. The audit committee assists with overseeing the integrity of the District's financial statements.
  - i. Developing a process to review financial information, financial statements, and LEA (Local Education Agency) and individual school records on a regular basis.
  - ii. Receiving communication from or meeting with the external auditors annually and receiving a direct report of the audit findings, exceptions, and other matters noted by the auditor. The external auditors will also report this information directly to the board of education.
  - iii. Ensuring that matters reported by external audits, internal audits, or other regulatory bodies are resolved in a timely manner.
- c. Reporting the annual audit reports and findings or other matters communicated by the external auditor or other regulatory bodies to the LEA board in a public meeting.
- d. Hiring of the external auditors including their qualifications, experience, and independence in reporting.
  - i. Ensuring that management conducts a competitive RFP (Request For Proposal) process to hire external auditors and other professional services and making a recommendation to the LEA board on the results of the RFP process consistent with the State Procurement Code.
  - ii. Performance of the District's internal audit functions.
  - iii. Handle financial complaints that come to the board or the office and determine what needs to be done.

**B. School Accounting Procedures**

- 1. The principal of each school is designated as the responsible person to administer all school funds. The principal is to ensure the safeguarding of all school fund assets. The principal will also ensure that adequate internal controls are in place and functioning, and that school fund activities are reported to the district fairly and completely.
- 2. Separation of Duties – The principal in each high school will oversee the accounting function. The same person that prepares the deposits will not prepare the bank reconciliation statement.

The following is an example to use as a guide:

- a. All monies will be counted by two individuals, one being the individual responsible for the cash being counted.
  - b. One individual will prepare cash boxes, issue tickets, accept return of cash box, make a record of transactions, and sign a statement indicating amount of money received.
  - c. A different individual will receipt monies, make out deposit slips and deposit funds. The individual who prepared the cash box may also prepare checks. Also, the individual who prepares the financial report can be the one who prepares the checks.
  - d. A different individual will do the bank reconciliation statement.
  - e. The principal will check deposits and sign a statement approving bank reconciliation and financial statements.
3. Pre-numbered Documents – All receipts, tickets, and checks should be pre-numbered. Any unused document should be clearly marked “void” and kept in the accounting records.
  4. Deposits – All funds received by a school will be deposited in the bank within three days. All funds over \$200.00 will be deposited daily.
  5. Dual Signatures on All Checks – All checks will be reviewed and signed by at least two individuals. Where possible, one of the signers should be the principal. The bank will receive instructions not to process a check that is not signed by two authorized individuals. Signature stamps are not allowed. Before signing a check, proper documentation should be reviewed and initialed by the signers. Pre-signing blank checks is not authorized.
  6. Proper Documentation – Two types of documentation must be kept in the accounting records. Documentation must be present that the expenditure was properly authorized and documentation for proper proof of the expenditure.
  7. Local School Purchases/Principal Budget Purchases– When local school monies are used to purchase needed items, the following steps will be followed:
    - a. Schools/Individuals may use their individual purchasing cards to purchase items up to the single purchase limit, not to exceed the monthly limit as approved by district administration.
    - b. For purchases exceeding the single limit allowance and monthly limit allowance for school and individual purchasing cards, the schools will

have in place a purchase order form and claim form to be used for processing these purchases. All items purchased over purchasing card limits must be on a purchase order and approved by the principal.

- c. Claims for purchases expended from the principal's budget may be prepared on a claim form explaining the items purchased and the cost. The claim form and the proper documentation of the purchase will be kept in an open file for audit review at the school, as well as copies of the claims to the district office for reimbursement. This open file must be checked every month and any discrepancy noted and reported to the principal.
  - d. A receipt must accompany all items received or purchased.
8. Fund Raising and/or Activities – Reconciliations and deposits made described in #4 above must be completed after each activity or on a regular basis which account for items sold (i.e., tickets, food, etc.) to the money received. This reconciliation should be kept as part of the accounting records, to show support for the amount deposited.
  9. Complete Reporting – All receipts and expenditures must be reported completely.
  10. Safekeeping of Cash and Inventory – Access to vaults, inventory storage, and accounting records should be limited and managed by the principal.
  11. Measurability of Activities Involving Inventories – An accounting system must be in place to account for total sales, cost of goods sold, and cost of inventory on hand for all activities involving inventories being sold (i.e. vending machines, bookstores, etc.). The profitability of the activity must be measurable using generally accepted accounting principles.
  12. All expenditures should be paid by check or purchasing card. Multiple copy checks are recommended.
  13. The principal will, on a monthly basis, review the accounting records, including the bank reconciliation, to ensure records are reconciled and complete.
  14. The district will periodically make surprise inspections of individual school's accounting records and /or require quarterly reports of the individual school's fund activities be submitted to the District Office.

## **C. Banking**

1. Banking Requirements
  - a. A minimum of three check signers needs to be on the bank signature card for each school.



- b. Two signers are required on each manual check issued, including one administrator.
  - c. Generally, money is receipted and sent to the bank daily for deposit whenever practical, but not later than three days after receipt. Deposits must be in compliance with Utah Code 51-4-2(2).
    - i. Regular deposits help to discourage theft or break-ins.
    - ii. A minimum of two individuals will count and reconcile the proceeds of the activity/event.
      - 1. Both individuals will prepare the deposit slip.
      - 2. Both individuals will sign the reconciliation of activity/event slip.
2. School Banking Balances

The Board of Education has established an investment sweep account or interest bearing account with the bank where the school's bank account resides. All funds are subject to receiving current interest rates available, less applicable banking fees. School administration, in cooperation with the District accounting department, has a financial stewardship to make sure school money is safeguarded and that the best interest rate is given on the accounts.

#### **D. Principal's Responsibility for Monthly Financial Reports**

The school has a fiduciary responsibility to the public to spend funds for the purpose for which they were collected. The school upon request must be able to demonstrate this fiscal responsibility, especially during an audit. The principal has the fiduciary responsibility to review financial information monthly and to determine, to the best of their ability, that the required checks and balances have been in place for the school's finances and that no fraud or misappropriations of funds has occurred during the month. The State Office of Education has advised the District that the monthly financial statements are not valid until the principal has reviewed, signed, and dated the information. Principals should review the following items for potential problems:

- 1. Monthly financial check-list
  - a. Are regular ongoing bank deposit amounts reasonable and have they been made within the required three-day window?
- 2. Has activity/event bank deposits been made within one business day?
  - a. If there are unpaid invoices, ask the question, why they are unpaid?

- b. Are there problems with any of the nonsufficient funds checks, often called NSF or ISF checks?
  - i. If there are unpaid amounts owed to the District, why are they unpaid?
  - ii. The teachers/faculty should have access to their account balance program information, teacher supply balance, etc. Are teachers aware of deadlines?
  - iii. Have you reviewed the school budget reports? Are you aware of your ending balances in the various accounts?
  - iv. Were the expenditures for the month consistent with the purpose those funds were collected to support?
  - v. When the principal signs the monthly check listing, they are stating that they have asked the secretary the above questions and feel that the answers are true, accurate, and appropriate.

**E. 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 and on a regular interval, but not less than every six months.
- 2. Limited access should be given to the safe combination and access to the financial computer.
- 3. Safes in schools (if applicable) - Adequate precaution should be taken to secure cash and provide for the safety of personnel handling cash within the school.
- 4. Safe combinations and keys should be changed as personnel changes.
- 5. Principals are responsible to limit the number of people who have access to the combinations and safeguard written combinations. A master list of combinations and passwords should be forwarded in a sealed envelope to the District accountant for storage in an offsite District safe for backup purposes. This should be updated each time a password or combination is changed.
- 6. Cash should not be stored in areas where general staff or students have access.

7. Principals need to evaluate the safety of money and the protection of employees on a regular basis.
8. Once a bank deposit has been prepared, it should be kept in a safe location until taken to the bank by an authorized individual.

**F. School Accounts with a Deficit Balance**

1. As a general rule, all accounts should have a positive account balance at some point in each fiscal year.
2. Any account with a deficit balance will be identified by the principal and a written explanation containing the circumstances of the deficit and what the corrective action plan is to eliminate the deficit; including timelines will be sent to the District office and provided to the audit committee.

**G. School Fund Balances (Equity Accounts)**

Fund balances are created when the activity previous year's 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. Many balances are transferred into the administrator's fund balance to be reallocated in the next school year.

**H. Stale Checks/Unclaimed Property**

1. School checks that are six months old or older need to be voided, or written off from the school financial records.
  - a. Before checks are written off, it should be determined if payments were made in some other way.
  - b. An attempt should be made to contact the person/company and reissue the check if the claim for payment is deemed legitimate. If not, it should be voided and the dollar amount sent to the District as unclaimed property.
2. Vendors should be contacted to see if they have outstanding invoices. If invoices are still open, a stop payment should be placed on the check by the school with the bank, and then a check should be reissued to the vendor.
3. Often checks were written to a teacher or student, who is embarrassed to say that they lost the check.

- a. Be gracious about voiding the check and reissuing a new check.
  - b. Explain to the individual that they must cash the check within thirty days and that there may be a charge for reissuing the check equal to the stop payment fee.
4. Checks written in the previous fiscal year will need to be voided and reissued in the current fiscal year.
- a. Checks written in the previous fiscal year that are not to be reissued, need to be voided in the current fiscal year to avoid modifying prior year-end fund balances of school accounts.
  - b. The check should be voided within the school finance system, and all journal entries associated with voided checks should be posted within a single reconciliation period.
  - c. Reissue check from appropriate account.
5. Unclaimed property:
- a. When it is determined that the stale check is truly outstanding and it is not possible to reissue the check, the information must be given to the Utah State Tax Commission's Division of Unclaimed Property.
  - b. The school will issue a check payable to the Utah State Tax Commission's Division of Unclaimed Property, and the original check will be voided to offset the new check issued.
  - c. The school should keep a central file for unclaimed property.
    1. Information should be kept for six years.
    2. It should contain the following:
      - a. Copies of outstanding checks, invoices, addresses, and follow-up information.
      - b. List of unclaimed property sent to the District.

#### **I. School Lunch Meal Reimbursements**

1. School lunch meal reimbursements should be paid to the district monthly, no later than the 10<sup>th</sup> of the month following the month where meals have been served.
2. Year-end meal reimbursements should be paid to the district no later than 10 calendar days after the last day of school.

3. Schools should run all applicable reports (L)unch, (B)reakfast, (A)la carte, (O)ther or (C)atering under the school lunch summary report option using the beginning and ending dates of the month.
  - a. These reports will calculate the number of meals and other SFS sales that should be submitted to the District for meals served.
  - b. The school should add all applicable reports together and submit a total payment to Millard School District –Lunch, vendor #211.

**J. Textbook Fees**

1. Textbook fees are collected from all 7-12 grade students.
2. Unused textbook fees are returned to the district at the end of the school year.
3. Concurrent Enrollment textbooks purchased are an additional charge and are not prorated. They are the responsibility of the school to purchase.

**K. Vending Machines**

1. Faculty vending machines
  - a. Generally not considered profit making.
  - b. Proceeds may be used by principal for staff meetings or to supplement other staff related functions.
  - c. Certain guidelines must be followed: Faculty vending machines must be self-supporting.
2. Periodically the account needs to be reviewed.
  - a. Make sure the product is:
    - i. Not being taken without being paid for.
    - ii. Monies received needs to be recorded through the school accounts and deposited into the designated account.
    - iii. Monies from the machines should not be used to make cash purchases or pay for product directly to vendors.
    - iv. Sales tax should be paid on product purchased.
    - v. Students should not be allowed to stock or empty machines unless under adult supervision.

3. Student vending machines:
  - a. Schools should work with vendors to stock and empty machines.
  - b. Vendors will pay sales tax on the products.
  - c. Proceeds from student vending must be used to benefit students and be deposited into the appropriate accounts.

**L. Journal Entries**

1. Approvals
  - a. Administrator must review and sign all journal entries requested. The principal's signature on the document provides the checks and balances needed for all accounting purposes.
2. Documentation
  - a. Journal entries need some type of documentation to initiate the request.
3. Substantiation documentation should be kept on file behind the printed journal entry or the journal entry register.
4. Reporting
  - a. Journal entries and copies of the documentation should be kept with the monthly financial information at the school.
5. Entering
  - a. The request of a journal entry should be submitted to the district accountant once all the required procedures are met.
  - b. The accountant will enter the journal entry information and post it to the school accounts and then retain the appropriate supporting documentation.

**M. Booster Clubs/Camps and Clinics**

The purpose of District guidelines is to provide direction and procedures for camps, clinics and other extra-curricular activities. Because of the magnitude of important issues, this topic is covered in its own section in the Millard School District School Transparency Packet under the Camps and Clinics section.

**N. Media Centers Financial Accounting**

1. Media centers need to account for product sales, copying services, lost books, and fines. At a minimum, all media activity funds collected must be given to the financial secretary once each week.
2. Change box may be kept in media center.
  - a. The box should contain no more than \$25.
  - b. The box needs to have a lock on it and be kept in a locked cabinet when not needed.
  - c. The number of people with access to the box should be limited.
3. Media center purchases.
  - a. Actual money collected in the media center may not be used to make purchases.
  - b. Purchases must conform to District purchasing and procurement guidelines by having a budget or prior approval for all purchases.
4. Book fairs are to be accounted for in one of two ways.
  - a. The first method is for all checks and orders to be sent directly to the vendor and the net commission received from the vendor is then recorded as revenue.
    - i. The vendor is responsible to remit and pay all sales taxes generated by the book fair.
  - b. The second method is for the school to run all the orders through its financial records. In this instance:
    - i. All the checks should be made out to the school.
    - ii. The school should collect and submit the order through the vendor. The school should make payment to the vendor through a check issued by the school.
    - iii. The school is then liable for any sales taxes.
    - iv. The revenues would be recorded as revenues and the expenditures would be recorded as expenditures. The net difference would be the funds available for other expenditures.

- c. Schools should evaluate the process of hosting a book fair or other fundraising events very carefully to insure that the time and effort placed into the event generates sufficient revenues to make the event worthwhile.

## **O. Grants**

On occasion, schools receive money for various grants. Grants have been written with specific criteria and goals in mind. Guidelines for the grants need to be followed. If necessary, the school should contact the District accounting department to establish a unique program to account for the grant.

1. Accounting for all grants needs to be under the direction of the school and District.
  - a. Federal and state grant information must be given to the District and reported on the District's Comprehensive Annual Financial Report.
  - b. The District needs the financial information of the grant so that they can follow state and federal guidelines.
    - i. An example of this would be, a teacher writing a technology grant for \$40,000 and using the District federal I.D. number.
2. Grants are recorded in the school financial records as income accounts.
3. If the grant revenue is given to the District first, the school will receive the grant money in the form of a pass through line item on a District budget report.
4. Checks for grants should be made out to the school and not the individual teacher. If a teacher receives grant money personally, they should endorse the check and sign it over to the school to be used for said grant.
5. Grants should be used for stated purposes only.
  - a. A copy of the grant, including financial requirements, should be on file in the school and district office.
  - b. The name of a contact person for the grant should also be on file.
6. If money is left in a grant account at the completion of the project, the contact person of the grant should be notified to see what they want the school or teacher to do with the balance.
7. Items purchased from grant money given specifically to a teacher and not the school becomes the personal property of the teacher and may be taken with the teacher as they retire or move to another school. The grant must specifically identify this circumstance.



8. A school grant written by a teacher may have the teacher purchase and use items for the grant, and anything purchased should stay at the school if the teacher leaves.

**P. Annual Financial Training**

Principals and the secretary primarily responsible for financial affairs of the school along with the District accounting personnel should attend an annual training session, which reviews all the appropriate guidelines, procedures and policies of the District regarding school financial procedures.

1. Teachers and coaches should be educated on an annual basis at minimum regarding the criteria for spending, receipting, fundraising, and handling school funds.
2. Budget training workshops should be held annually to assist school personnel in reviewing, managing and entering budget revisions and new operating budgets.

**Q. Sales Tax in Schools**

Sales tax is a tax on the rental or retail sale of all tangible personal property, admissions and users fees, and certain services performed within Utah. The sales tax is collected from the purchaser and is remitted by the vendor (or seller) to the Utah State Tax Commission ("Tax Commission)" on monthly, quarterly or annual tax returns.

Utah law provides for a sales tax exemption on sales or rental to a public school. However, many sales or rentals from a public school and admissions or user fees are taxable. The school must collect tax on its taxable sales or rentals of tangible personal property to students or to the public. To qualify as a sale made to a public school the purchase must be made with the school's funds. A purchase does not qualify for exemption as a purchase by a school if a school employee pays for the purchase with personal funds, even if the school employee is reimbursed for the purchase by the school.

1. Exemption Certificate:
  - a. A signed and completed Tax Commission form TC-721, Exemption Certificate, must support all eligible tax-exempt purchases made by public and private schools. The school's assigned sales tax number must be indicated in the space provided on the form. If you need assistance with completing this form correctly, please contact the accounts payable clerk.