



GASBO

Georgia
Association
of School
Business
Officials

Best Practices for School Activity Accounts

November 4, 2021

Presented By:
Georgia Department of
Audits & Accounts

Georgia State Capitol

Presentation Topics



Overview

School Activity Accounts

Common issues noted during audits

- ✓ Classification of Accounts
- ✓ School Activity Procedures
- ✓ Segregation of Duties
- ✓ Cash Receipts
- ✓ Cash Disbursements

Overview



What are considered School Activity Accounts?

- Funds (Money) at the individual schools that has been collected by teachers, administrator, office staff, etc. is commonly referred to as School Activity Accounts or Principal Funds

How is the activity reported:

- General Fund Activity (Fund 500)
- Custodial Funds (Fund 705)

School Activity Accounts



Cash:

Bank Accounts owned by the Individual Schools, including Athletic Accounts and Club Accounts

Receipts:

- 1) Yearbooks
- 2) Ice Cream
- 3) T-shirts
- 4) Club Dues/Fees
- 5) Gate Receipts

Expenditures/Expenses
(Payments to):

- 1) Vendors
- 2) Refunds to Parents
- 3) National Club Dues
- 4) General Supplies

Classification of Accounts



Classification of Accounts



Governmental Activities

School accounts should be recorded as governmental activities (Fund 500) when the accounts belong to the School District, are used to support school programs and the funds are handled/managed by the teacher, club sponsor, office staff, etc.

Examples:

Athletics, School General Fund (Principal Account), Book Fair, Art Club, Class of 2022, Drama Club, etc.

Classification of Accounts



Custodial Funds

School accounts should be recorded as custodial funds (Fund 705) when the accounts belong to the students and the use of those funds are determined by the student ONLY. No involvement of the school staff.

Individual accounts should not have a **deficit balance**.

Due to GASB 84, **MOST** School Districts have determined that all their funds are now considered Governmental Funds and reported in Fund 500.

School Activity Procedures



School Activity Procedures



- Strong policies or procedures should be established for school accounts.
- Includes:
 - 1) being reviewed and updated periodically.
 - 2) includes number of days acceptable to hold receipts.
 - 3) includes maximum amount of cash that can be held in vault.
 - 4) can require receipt books for each person (sponsors, bookkeepers, teachers, etc.) receiving funds.
 - 5) process for ordering supplies
 - 6) process for reviewing invoices and
 - 7) process for issuing checks

Chart of Accounts



ASSETS

0101 CASH IN BANK
0103 PETTY CASH
0111 INVESTMENTS

FUND BALANCE

0799 FUND BALANCE

REVENUES

1210 CONCESSION SALES
1215 CLUB AND FEES
1220 DONATIONS/MISC DONATIONS
1225 FUND RAISING/MISC SALES
1500 INVESTMENT EARNINGS
1995 OTHER LOCAL REVENUES

Chart of Accounts



EXPENDITURES

FUNCTIONS

- 1000 INSTRUCTION
- 2300 GENERAL ADMINISTRATION
- 2400 SCHOOL ADMINISTRATION
- 3200 ENTERPRISE OPERATIONS

OBJECT CLASSIFICATIONS

- 300 PURCHASED PROFESSIONAL SERVICES
- 610 SUPPLIES
- 611 SUPPLIES – TECHNOLOGY RELATED
- 612 COMPUTER SOFTWARE
- 615 EXPENDABLE EQUIPMENT
- 642 BOOKS (OTHER THAN TEXTBOOKS)
- 810 DUES AND FEES
- 890 OTHER EXPENDITURES

Review of School Activity Accounts



- State Compliance Requirement – Reporting Activity to the Central Office
- Review of Monthly Bank Account Reconciliations
- Review of Summary Reports of Monthly or Yearly Activity
- Audit Procedures include analytical procedures
 - Review the ending balances and compare to prior year balances
 - Inquire of significant change or unusual balances
 - Review of receipt documentation
 - Review of Voucher Packages

Financial Statement Presentation



General Fund Activity is reported

- 1) Government-Wide Statements
- 2) Governmental Funds Statements

Fiduciary Funds Activity is reported

- 1) Fiduciary Fund Statements

The statements include:

- | | |
|------------------------------|--------------------------|
| 1) Assets | 4) Revenues |
| 2) Liabilities | 5) Expenditures/Expenses |
| 3) Fund Balance/Net Position | |

Financial Statement Presentation



	<u>GENERAL FUND</u>
<u>REVENUES</u>	
Property Taxes	\$ 5,445,436.20
Sales Taxes	-
State Funds	16,286,548.21
Federal Funds	2,939,114.00
Charges for Services	456,773.63
Investment Earnings	1,912.72
Miscellaneous	1,432,986.48
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Total Revenues	26,562,751.24
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Financial Statement Presentation



	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>	<u>NET (EXPENSES)</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
			<u>REVENUES AND CHANGES IN NET POSITION</u>
<u>GOVERNMENTAL ACTIVITIES</u>			
Instruction	\$ 17,479,402.76	\$ 193,311.54	\$ 18,412,479.63
Support Services			\$ (8,673,611.59)
Pupil Services	2,148,734.40	-	137,895.26
Improvement of Instructional Services	651,153.01	-	304,136.63
Educational Media Services	512,852.87	-	345,078.00
General Administration	615,826.48	-	663,942.06
School Administration	1,665,343.04	-	756,240.00
Business Administration	366,413.72	-	1,919.15
Maintenance and Operation of Plant	2,220,321.68	-	844,227.04
Student Transportation Services	844,156.26	-	205,052.28
Central Support Services	140,579.44	-	-
Other Support Services	24,776.46	-	832.50
Operations of Non-Instructional Services			
Enterprise Operations	109,727.48	152,024.94	-
Community Services	70,324.98	56,940.25	-
Food Services	1,820,697.47	54,496.90	1,460,000.59
Interest on Long-Term Debt	606,969.12	-	-
	<u>\$ 29,277,083.17</u>	<u>\$ 456,773.63</u>	<u>\$ 18,131,903.14</u>
Total Governmental Activities			<u>(10,688,406.40)</u>

Segregation of Duties



Segregation of Duties – Cash Receipts



Common Issue:

The same person collects funds, deposits funds, records receipts and prepares bank reconciliation.

Recommendation:

- Designate someone separate from school bookkeeper to receive cash receipts.
- Deposits made by someone separate from bookkeeping.
- Designate someone separate from school operations to prepare the bank reconciliation.
- Principal, or designee, review supporting documentation for receipts monthly.

Segregation of Duties – Cash Receipts



Recommendations:

- Bank Statements could be mailed directly to the Central Office.
- Central Office Staff (A/P Clerk, CNC Bookkeeper, Receptionist, etc.) could perform the bank reconciliation.
- Finance Director could approve the bank reconciliation.

Segregation of Duties – Cash Disbursements



Common Issue:

The same person processes claims and prepares checks.

Recommendations

- Principal manually signs the checks after the review of the voucher package.
- Give club sponsors and others periodic updates of the expenses recorded in the club accounts.

Cash Receipts



Cash Receipts



Common Issue:
Gate Receipts not properly reconciled.

Recommendation:

- Reconciliations should be prepared including beginning and ending ticket numbers.
- Variances should be investigated.
- Reconciliations should be reviewed and approved.

Cash Receipts



Common Issue:

Fund Raiser not properly reconciled.

Recommendation:

Receipt or Receipt Log should be maintained and compared to the deposit ticket information.

Other Common Issue:

The fundraiser did not net a profit or barely broke-even.
ALWAYS review the costs versus proceeds.

Cash Receipts



Common Issue:

No supporting documentation is included with receipt.

Recommendation:

Receipt or Receipt Log should include a listing of money collected for number/description of items.

Cash Receipts



Common Issue:
Receipts not deposited timely.

Recommendation:

- Deposits should be made in accordance with policy.
- If policy does not designate the amount and time limit of deposit, best practices would be no more than \$100 within 3 business days.

Cash Disbursements



Cash Disbursements



Common Issue:

Purchase Orders are approved after the check date and/or after the invoice date.

Recommendation:

Expenditures (Purchase Orders) should be approved prior to purchase by appropriate personnel.

Cash Disbursements



Common Issue:

Voucher packages do not contain supporting documentation (i.e. invoices, purchase orders, evidence of receipt).

Recommendation:

A complete voucher package should include copy of check, approved purchase order, invoice and documentation of receipt.

Cash Disbursements



Common Issue:

Purchases not recorded in the correct period and not coded correctly

Recommendation:

Expenditures should be recorded in the period the liability is incurred and in accordance with State Chart of Accounts.

Cash Disbursements



- Actual Vendor Name should be identified in the general ledger, not "One Time Vendor".
- Checks should not be written to "Cash".
- Employees should not be given Blank Checks.
- Prior approval is required when making purchases with the purchasing credit card.
- Payroll and Travel Disbursements should be paid from the Central Office Accounts to ensure that the transactions are reported to State Accounting Office, as required.

Questions?



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