

Best Practices for School Activity Accounts

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Presented by:

Georgia Department of Audits and Accounts



Georgia State Capitol building - The Photograph



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Presentation Topics

- Overview of School Activity Accounts
- Common issues noted during audits:
 - Classification of accounts
 - School activity procedures
 - Segregation of duties
 - Cash receipts
 - Cash disbursements



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Overview

- What are **School Activity Accounts**?
 - 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)



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School Activity Accounts

Cash/bank accounts owned by the **individual schools**, including athletic accounts and club accounts.

Receipts	Expenditures (payments to)
Yearbooks	Vendors
Ice cream	Refunds to parents
T-shirts	National club dues
Club dues/fees	General supplies
Gate receipts	



Classification of Accounts

- **Governmental Activities**
 - School accounts should be recorded as governmental activities (Fund 500) when the accounts belong to the school district and are used to support district 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 2023, Drama Club, etc.
- **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.



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Chart of Accounts

Assets

0101 Cash in Bank
0103 Petty Cash
0111 Investments

Fund Balance

0799 Fund Balance

Revenues

1210 Concession Sales
1215 Clubs and Fees
1220 Donations
1225 Fund Raising/Misc Sales
1500 Investments Earnings
1995 Other Local Revenues



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Chart of Accounts

Expenditures

Functions

- 1000 Instruction
- 2300 General Administration
- 2400 School Administration
- 3200 Enterprise Operations

Expenditures

Objects

- 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



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School Activity Procedures

- Strong policies or procedures should be established for school accounts.
- Procedures:
 - Should be reviewed and updated periodically.
 - Should include number of days acceptable to hold receipts.
 - Should include the maximum amount of cash that can be held in the vault.
 - Can require receipt books for each person (sponsors, bookkeepers, etc.) receiving funds.
 - Should include process for ordering supplies.
 - Should include process for reviewing invoices
 - Should include process for issuing checks



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Designing Good Controls

Risk Assessment	Control Activities
What could go wrong?	How can we prevent?



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.
 - 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.



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Segregation of Duties – Cash Disbursements

- Common issue:
 - The same person processes claims and prepares checks.
- Recommendation:
 - 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.



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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.



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Cash Receipts

- Common issue:
 - Fund raiser not properly reconciled.
- Recommendation:
 - Receipt or receipt log should be maintained and compared to the deposit ticket information.



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Cash Receipts

- Common issue:
 - Fund raiser did not net a profit or barely broke even.
- Recommendation:
 - Always review the costs versus proceeds.



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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.



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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.



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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.



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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.



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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.



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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 the State Accounting Office, as required.



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Questions?

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