



Student Activity Funds and Support Organizations

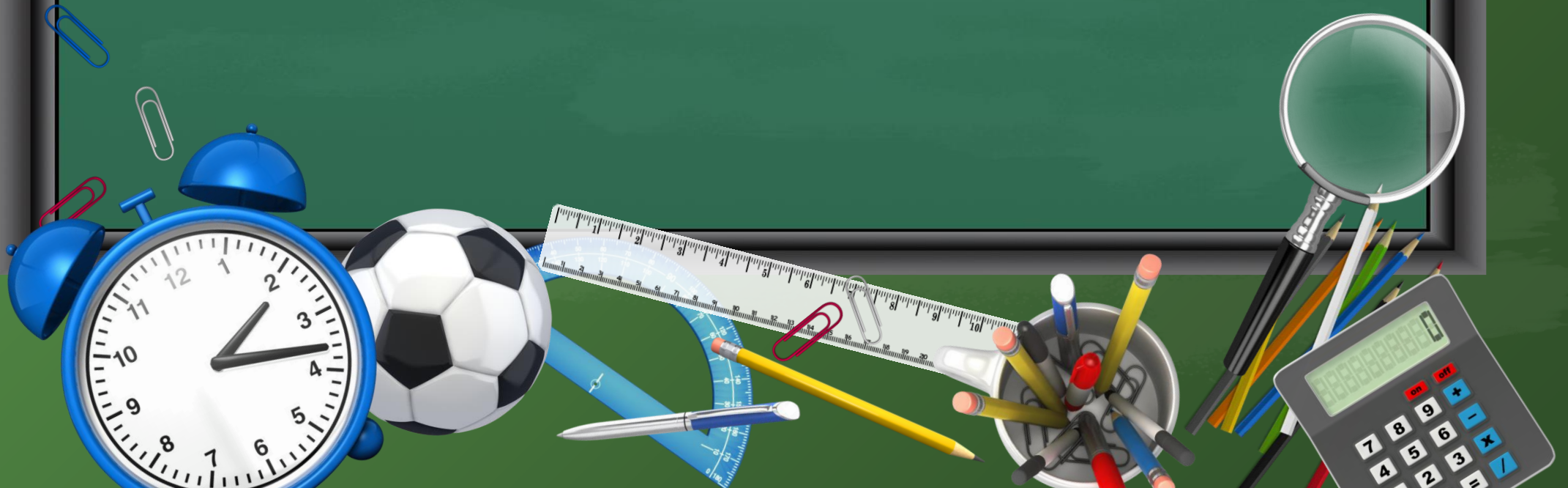
Financial Considerations





Agenda

1. Internal controls/segregation of duties
2. Monitoring and financial reporting
3. Support Organizations



SAF-Internal Controls



TRAIN
THEM
OFTEN!

- ✓ Both formally and informally (when you see something they did wrong don't just fix it, show them so they can learn)



- ✓ Take some time at the beginning of a new person's tenure to get them off to a good start with what you want them to know.
- ✓ Periodic visits to build relationships and answer questions



Internal Controls

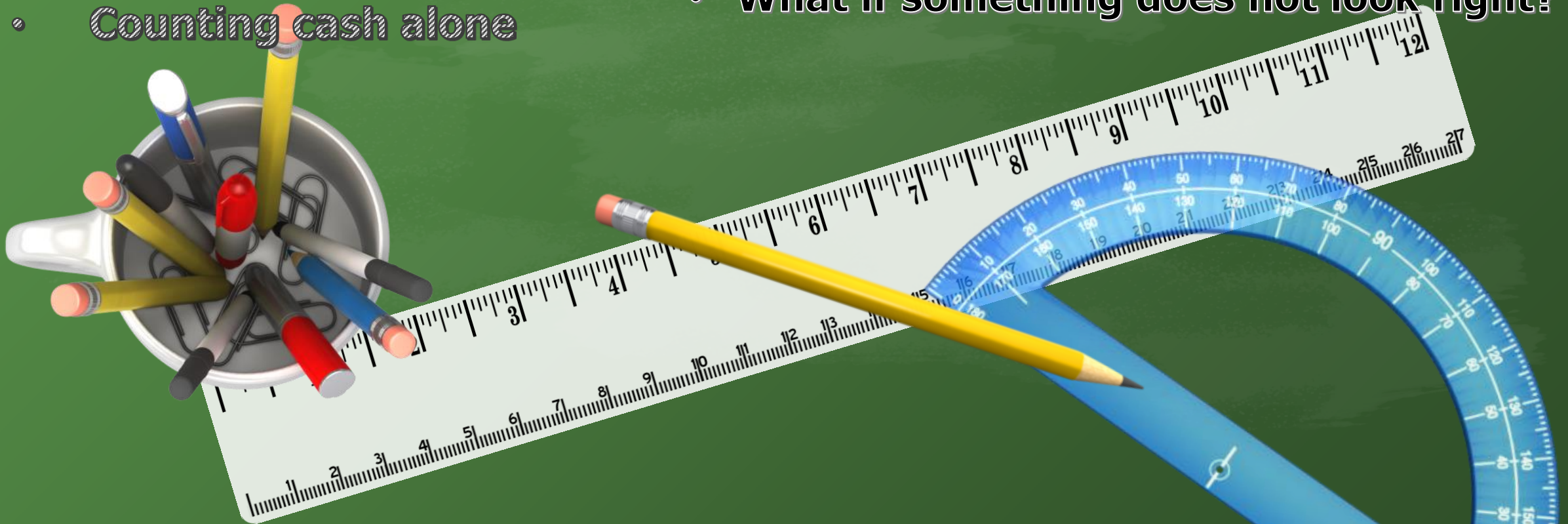
Cash receipts

What's the risk?

- Not deposited/recorded
- Not received (collusion)
 - No receipt provided
 - Counting cash alone

What do we do about it?

- How do you know it all gets deposited?
- Do you have an expectation?
- What if something does not look right?



Internal Controls

CASH DISBURSEMENTS



What's the risk?

- Extra to a vendor
- False vendor
- Pulling checks out for personal use
- Padding the reimbursements

So what?

- **How do you know it is all valid?**
- **Does anyone look at the vendors?**
- **Does anyone track check sequence?**
- **Reimbursements require detail receipts?**



Internal Controls Bank Reconciliations

What's the risk?

- False reconciling items
- No review or approval

So...

- Someone must review who knows what they are looking for
- Signatures and dates of preparer and reviewer
- Details must be included (bank statement, list of o/s checks...)

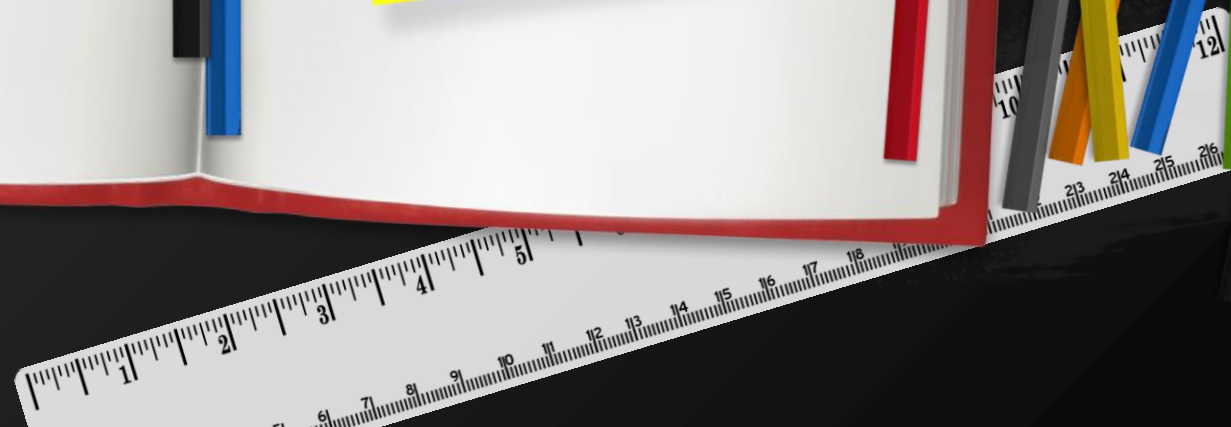


Internal Controls-Procurement



SAF are usually exempt from District procurement codes.

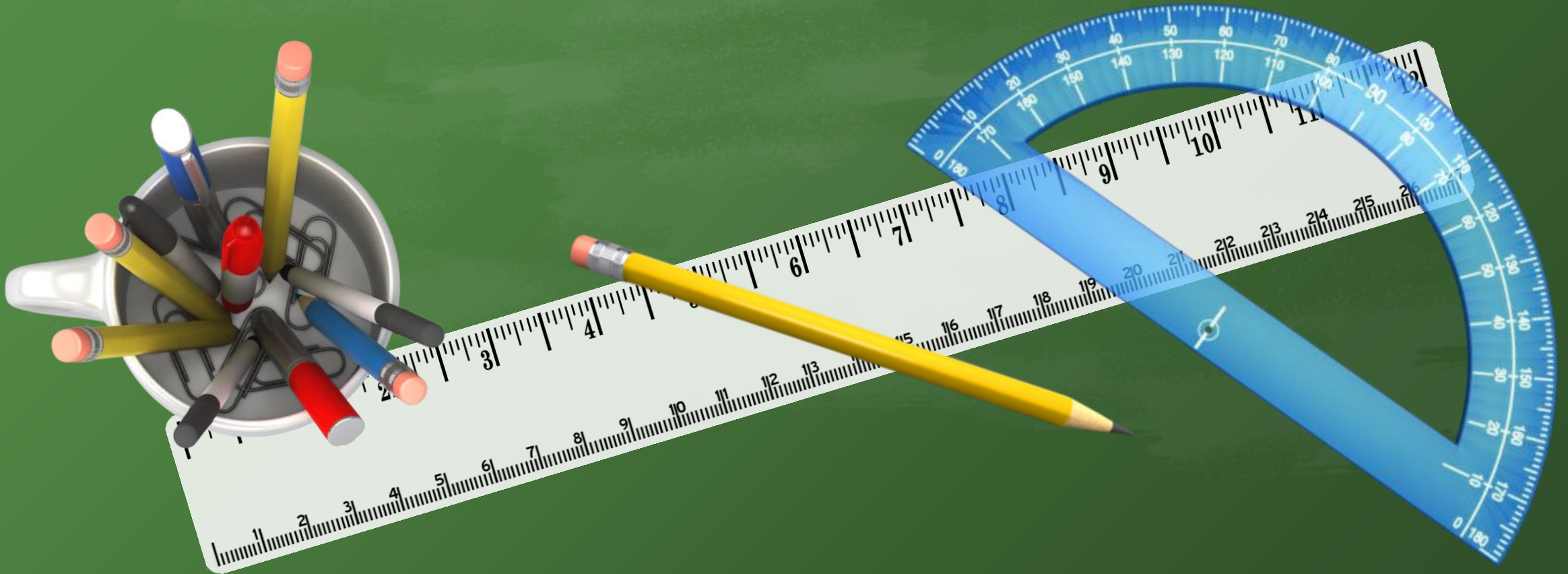
So how do you make sure they still use best practices?



Internal Controls-Procurement



- ✓ Should still be using p-cards and/or POs and following District SAF processes
- ✓ Would recommend periodic visits to the schools by someone in internal audit or finance to answer questions and do some testing to make sure they are following District SAF processes (many of you have procurement aup work every year)





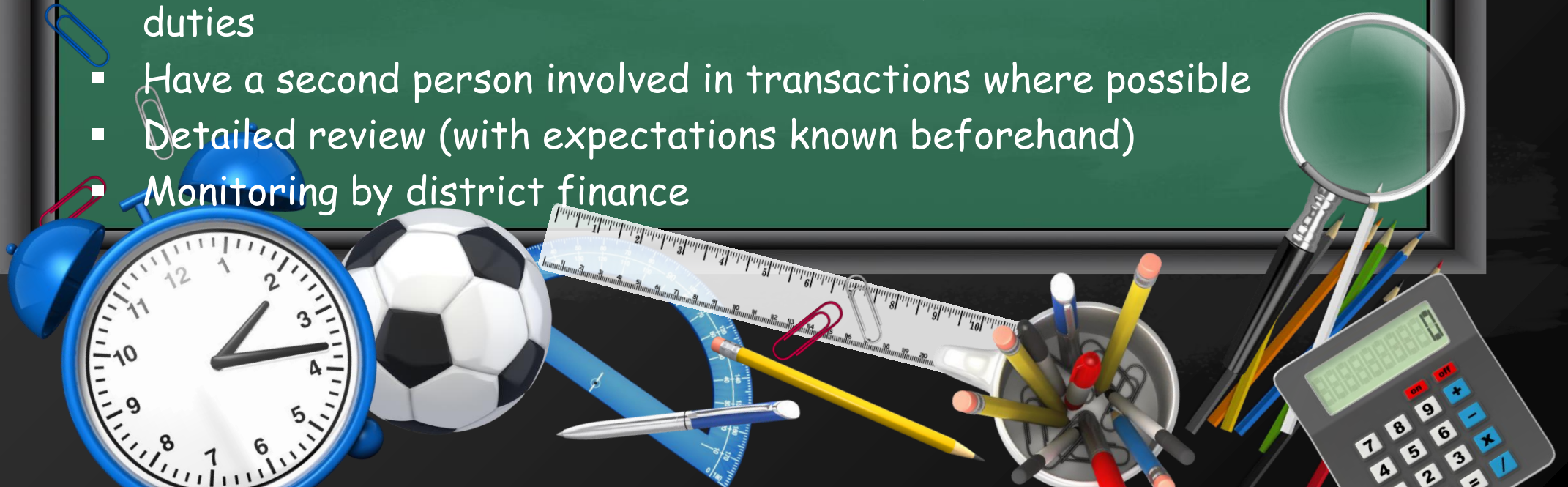
Segregation of Duties

What's the risk?

- One person doing too much w/o review by a knowledgeable person in any area-principal, asst. principal or bookkeeper

So what can we do?

- Train so that everyone understands the importance of segregating duties
- Have a second person involved in transactions where possible
- Detailed review (with expectations known beforehand)
- Monitoring by district finance

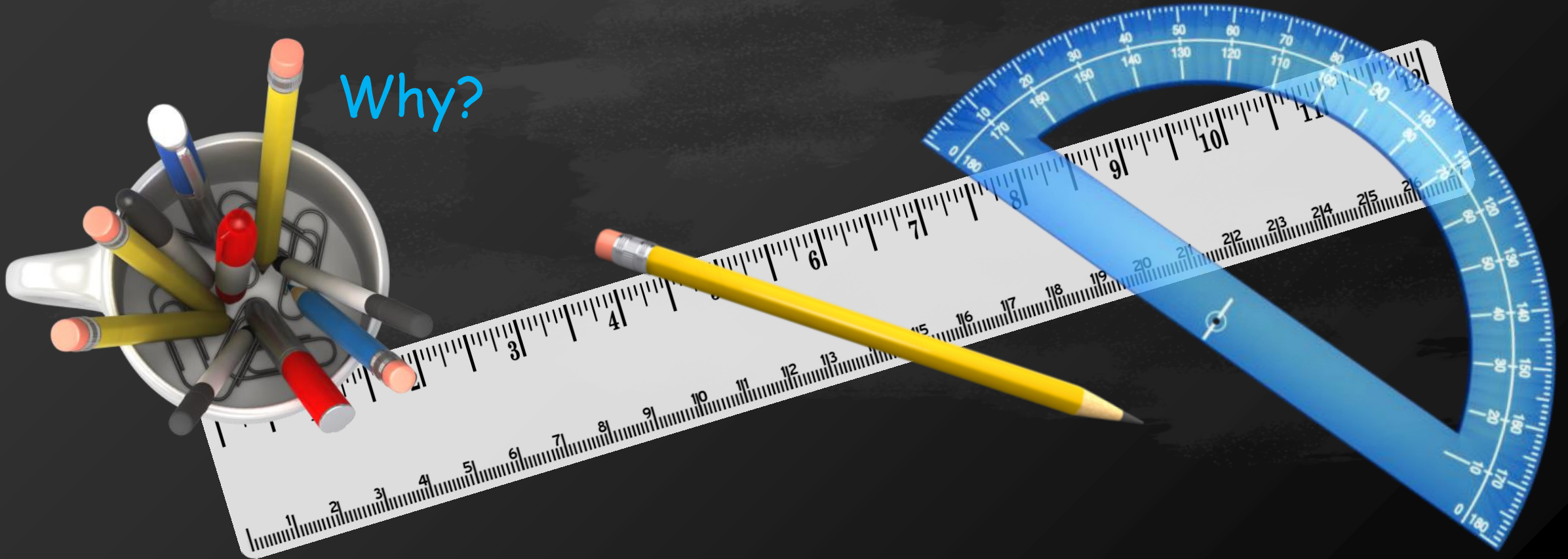


Internal Controls



Very important to have all of your policies, processes, procedures and controls **IN WRITING!!!!!!!!!!!!!!**

Why?



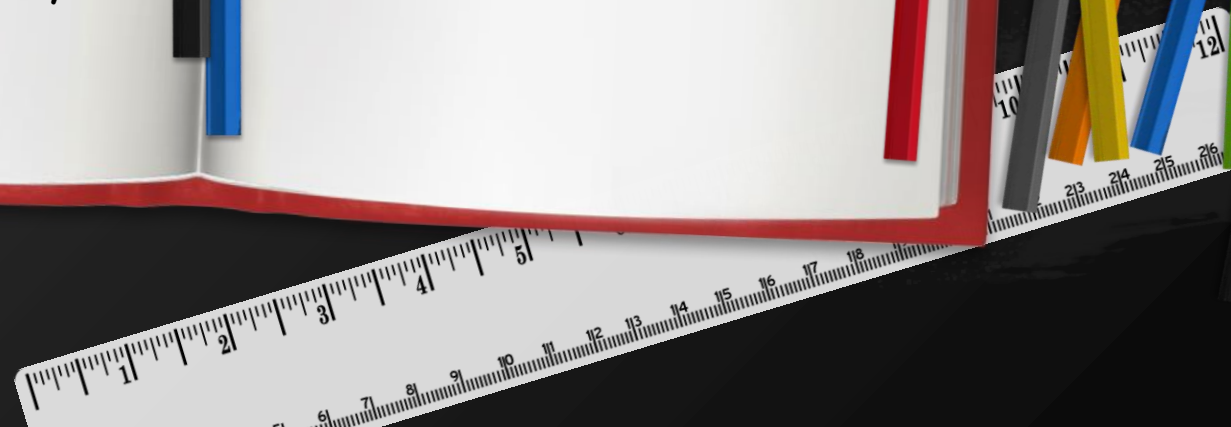
Monitoring and Financial Reporting



This is extremely important for three reasons:

1. Segregation of duties issues
2. Cash is involved
3. So you can identify issues early

So what are you doing?



Monitoring and Financial Reporting



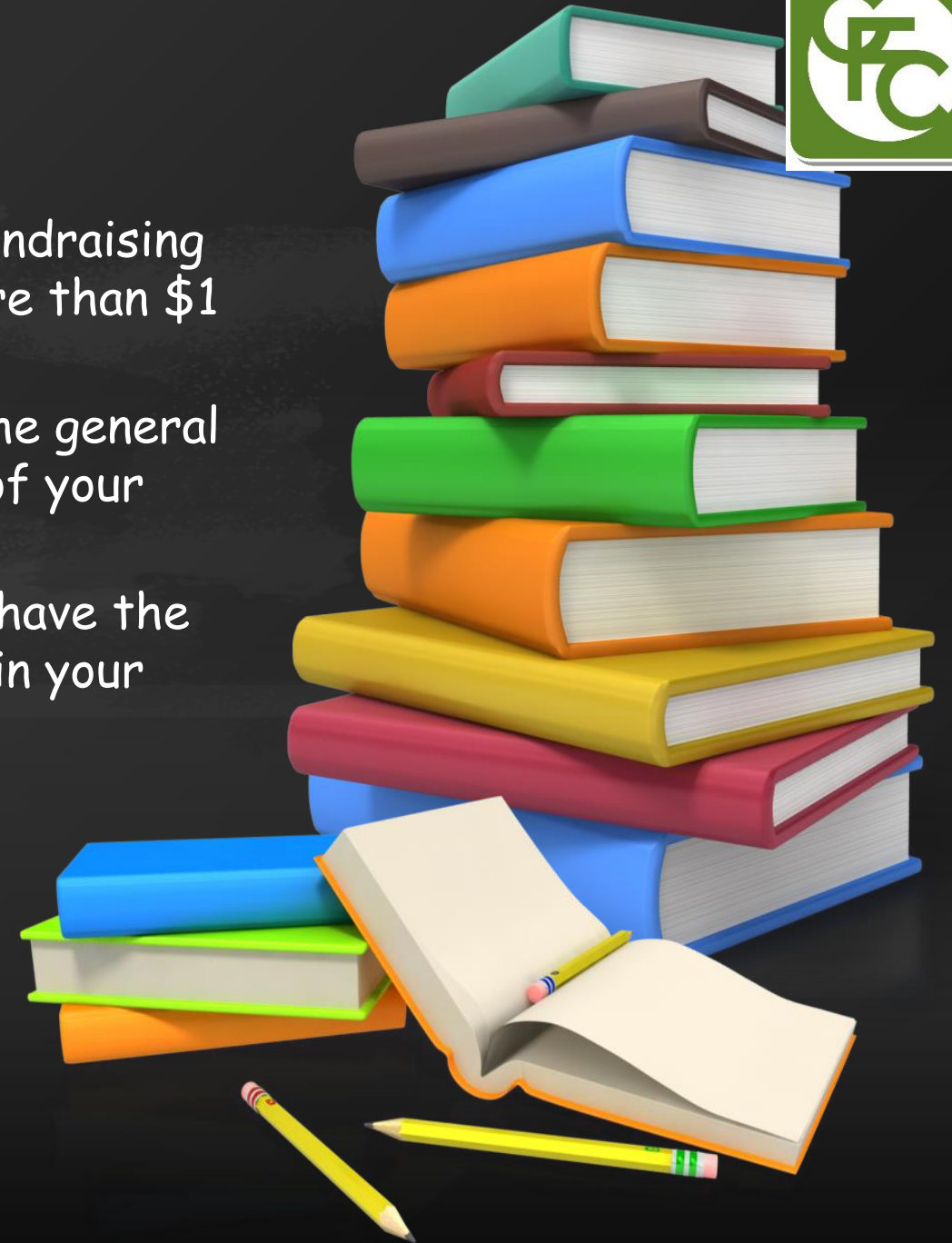
- Relationships
- Encourage questions and then respond promptly
- Request regular financial information
- Review the information and at least periodically ask questions or ask for more information about it so they know you are paying attention.

Common issues:

- Fundraisers
- Keeping complete documents and records
- Inactive accounts
- Deficit accounts
- Timeliness of deposits
- Not reviewing and approving (or evidencing it)
- Understanding and following policies and procedures

PTA/PTO/Booster Club

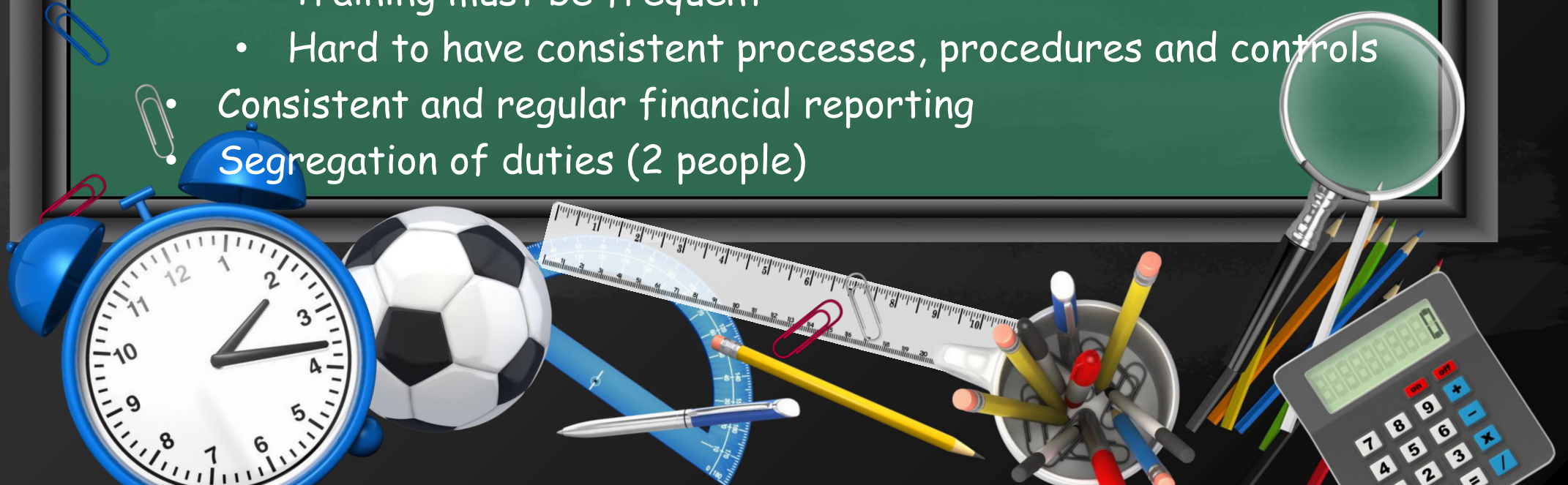
- "Support Organizations" (SOs)
- Parent Boosters reported that booster club fundraising alone annually raises about \$4.5 billion and more than \$1 million a year is lost to fraud.
- Even though they are separate legal entities the general public thinks of these organizations as a part of your district
- There is a fine line but remember that you do have the ability to decide whether an SO can work within your district or not.





SO Challenges

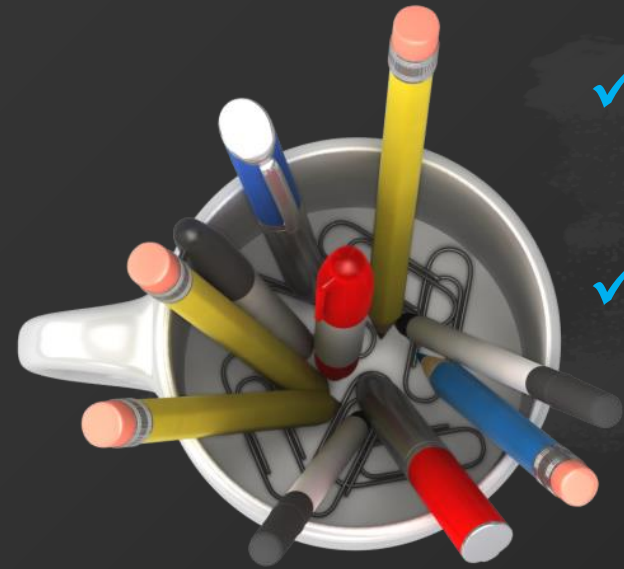
- Should be separate legal entities (apply for own EIN). Should also be registered with Sec. of State and have tax-exempt status (to receive donations that are tax deductible)-PTAs have advantage
- Ensuring a good relationship between school administration and SO leadership
- Leadership can change frequently
 - Always developing new relationships
 - Training must be frequent
 - Hard to have consistent processes, procedures and controls
- Consistent and regular financial reporting
- Segregation of duties (2 people)





Important SO Matters

- ✓ Training, training, training (at least annually)-most officers serve to help the children-little if any financial experience; need to help them understand risk, "thinking evil", trust but verify (share stories)
- ✓ Processes/procedures in writing with focus on segregation of duties
- ✓ Establish district policies they must follow to operate

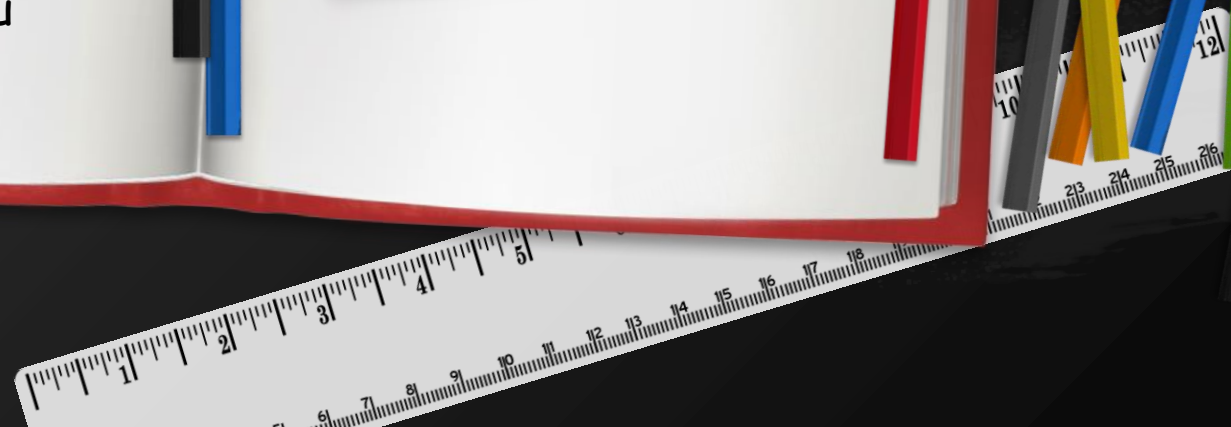


SO Monitoring



- ❖ Ask for and review regular financial information, including annual 990.
- ❖ Make sure they are in good standing with secretary of state (ask them to send you verification)

Ask occasional question so they know you are paying attention



Monitoring and Financial Reporting



Past cases

- PTO saving up for playground
- Bookkeeper buying food for district office meals
- Bookkeeper reconciling the card and paying it off
- Booster club having no money for Florida trip

Common issues:

- Lost tax-exempt status (not filing 990 to IRS)
- Lost ability to operate in SC (not filing registration and financial reports with SOS)
- Lost monies-lack of segregation of duties/properly reviewing bank reconciliations and financial reports have caused:
 - Funds used for personal expenses
 - Cash transferred to personal accounts

The Facts

- A new fundraising theft happens in the US every week
- 95% of embezzlers have no prior record
- Check fraud and pocketing cash are the most common embezzlements
- Don't forget the fraud triangle

