

**RULES FOR THE SAFEGUARDING,  
ACCOUNTING, AND AUDITING  
OF EXTRACLASSROOM ACTIVITY  
FUNDS**



**BUFFALO PUBLIC SCHOOLS  
V 8.26.2014**

## **General**

There are certain principles and procedures that should be followed in establishing an adequate accounting system for extraclassroom activity funds. These rules are taken from the New York State Education Department document Finance Pamphlet 2. Relevant documents are available at the following webpage: <http://www.buffaloschools.org/Finance.cfm?subpage=36173>. This document shall be updated at least annually and issued to the schools and posted to the website.

The following basic devices are essential to the proper management of such funds:

## **Basic Principles**

- A. Two separate and independent sets of records of receipts and expenditures shall be maintained. One by the central treasurer and one by the student treasurer
- B. The authority to expend monies shall be distinct and separate from the custody of these monies.
- C. At least two individuals shall take part in each act of disbursing money. There will be two signers on every check.
- D. The District Auditor shall report to the board of education or its designated representative regularly and independently at intervals.
- E. All accounts shall be audited at least annually.
- F. The accounting system shall be such that it will yield the largest possible educational return to students without sacrificing the safety of funds or exposing students to undue responsibility or unnecessary routine.

## **Appointment of Officers**

The Board of Education shall appoint, on the recommendation of the Superintendent, the building principal, district auditor and independent auditor. Building Principal shall assign members of the regular faculty and clerical staff to fill the following positions:

- 1) Central Treasurer
- 2) Faculty Adviser
- 3) Activity Treasurers – on recommendation of club members

Each extraclassroom activity shall elect an activity president, secretary, and treasurer (students).

## **Function and Duties of Officers**

- 1) CENTRAL TREASURER (appointed by the building principal)

It shall be the duty of the central treasurer to have custody of all funds. All disbursements of funds shall be by means of pre-numbered check signed by the building principal and the central treasurer (two signers on the checks) upon receipt of a Cash Disbursement Order Form signed by the activity treasurer, faculty adviser and building principal (three signers on the disbursement form). Principals sign the Cash Disbursement Form to approve or reject the transaction, in addition to signing the check. The central treasurer shall have no part in the approval of payments but shall disburse funds only on the presentation of a properly signed Cash Disbursement Order Form providing, of course, that there are sufficient funds available in the account. The completed check will be sent to the vendor after posting.

The central treasurer shall sign a duplicate receipt and the Cash Receipt Form for all funds placed in his/her custody and he/she shall deposit these funds promptly in a bank designated by the board of education. The central treasurer shall provide the activity treasurer with the original cash receipt and a copy of the Cash Disbursement Form.

Once each month, the central treasurer shall receive and reconcile his/her bank statements and once each quarter prepare reports for presentation to the district auditor and the board of education. These *Central Treasurer Reports* and *Reconciliation of Bank Balances* to the board should show beginning balances, receipts for the month, disbursements for the month, and the ending balances for each organization, as well as a copy of the bank reconciliation.

2) DISTRICT AUDITOR (appointed by the board of education)

The function of the auditor shall be distinct and separate from the duties of the other officers. The person appointed as auditor shall have no part in the approval of payments, the planning of income, or in the keeping of records and forms. This policy prohibits the appointment of a building principal as auditor inasmuch as the building principal would have general supervision of the entire system and would be responsible for the decisions of the faculty advisers.

In order to establish the responsibility of the auditor and to make available to this office adequate evidence of all financial transactions, the auditor shall receive once each quarter from the central treasurer, a complete statement of the accounts showing the balance for each activity and the total balance for all accounts. In addition, the auditor will call in the ledgers kept by the activity treasurers once a year in order to compare the balance as shown on the central treasurer's report with the balance recorded in the ledger of the activity treasurer. He/she should also examine various transactions and paperwork to determine if correct procedures are being used. He/she shall certify on these pages as to the accuracy of the entries posted and the available balances listed.

In the event that the ledgers of the activity treasurer do not agree with the ledger kept by the central treasurer, the auditor shall base his/her investigation on the supporting evidence kept by the activity treasurer and the central treasurer in the form of audited receipt statements, signed deposit slips, original audited bills, signed pay orders, canceled checks, and bank statements. The entries in the central treasurer's books and activity treasurer's ledgers are in the final analysis, based on forms, bearing not only the signature of the activity treasurer, but also the counter signature of the faculty adviser.

### 3) BUILDING PRINCIPAL

It shall be the duty of this officer to coordinate the financial planning of all projects of the various pupil organizations in his/her building; to consult with the faculty advisers; to appoint a faculty adviser for each activity in his/her building on a year-to-year basis; and approve all new activity organizations initiated by the students. He/she shall investigate all problems and disputes concerning the student organizations under his/her jurisdiction and shall effect action that will enable these problems and disputes to be resolved. Principals sign the Cash Disbursement Form to approve or reject transaction, in addition to signing the check

### 4) FACULTY ADVISER (appointed by the Building Principal)

It shall be the duty of these officers to guide and advise the pupil officers in planning extraclassroom activities and the planning of financial budgets. The adviser shall guide the student treasurer in posting his/her account ledger and from time to time shall check the balancing of the activity treasurer's accounts and the completeness of their supporting evidence. The faculty adviser shall supervise expenditures by insuring that funds are available before approving each proposed purchase and by signing all pay Cash Disbursement Order Forms drawn on the central treasurer for disbursement of funds. The faculty advisor is responsible for determining which of the activities of his/her organization are subject to sales tax and for taking steps to see that all tax information is accurately recorded and sent to the central treasurer. The faculty adviser shall constantly work toward the goal of insuring the largest educational return from the activities participated in by the pupils.

Each faculty adviser shall receive a copy of board policy governing the conduct and operation of extraclassroom activity funds and shall sign a declaration that they have received, read, and understand said policy and declare that the activities of the club shall be conducted in accordance with said board policy prior to appointment.

### 5) ACTIVITY TREASURER (elected by the pupils of each organization)

The activity treasurer shall receive all monies raised by his/her activity and shall immediately deposit such funds with the central treasurer. A Cash Receipt Form shall be made out and signed by both the adviser and activity treasurer.

The activity treasurer shall pay all bills by issuing Cash Disbursement Order Form signed by himself/herself and the faculty adviser initially. This form is an order on the central treasurer to issue a check for payment of the invoice which shall be attached to the Cash Disbursement Order Form. The central treasurer shall sign the form and obtain the signature of the building principal for final approval. The central treasurer will return a copy of the Cash Disbursement Order Form to the activity treasurer. The central treasurer will then send the check to the vendor involved after posting.

The activity treasurer shall keep a ledger showing all receipts and expenditures and indicating a daily running balance. He/she shall file all supporting data, chronologically, as evidence for the entries made in the ledger.

#### 6) INDEPENDENT AUDITOR

The independent auditor is appointed by the Board of Education to make an annual audit of all School District finances and is required to include the extraclassroom activity fund as a part of his/her annual audit. This audit should include a statement of receipts, disbursements, and balances for each activity together with a reconciliation of cash.

### **PROCEDURES IN HANDLING FUNDS**

#### **PREAUDIT OF RECEIPTS**

Confusion and sometimes loss of funds can be traced more often to a lax checkup and recording of money taken in than to any other single cause. For this reason, every possible precaution should be taken to protect the individual concerned and the money collected. Consequently, the most important functions are the prompt checking, recording, and depositing of receipts.

Extraclassroom activities funds are derived from a number of sources such as admissions, membership dues, sales and campaigns, and donations. The procedures used in collecting and pre-auditing (checking) these several types of receipts will naturally vary. So far as possible, devices should be used which will make it possible to determine in advance the amounts which should be received.

To facilitate the pre-audit and recording of receipts, statements should be made by those collecting money. The Operations Approval and Budget Form should, on the face of it, give all the essential data for a complete check and audit of the receipts. The form shall be completed at the beginning each school year and any time a new activity starts up during the school year. The form may be modified to incorporate changes made by the activity. Each individual event listed on the Operation Approval and Budget Form shall be identified by an event code (fundraiser code). The event code (fundraising code) shall be required to post receipts into the Activity Fund Accounting System.

The central treasurer will enter the Operations Approval and Budget Form into the Activity Fund system. As transactions are posted they will be compared to their corresponding event noted in the Operations Approval and Budget Form. An Individual Project Profit or Loss Statement shall be printed enable those collecting money to verify the money turned over to the treasurer. In addition, it will afford protection for those handling funds, facilitate a check and serve as documentary evidence that can be used for accounting purposes. A pre-audit of receipts should make only reasonable allowances for errors in making change.

#### **ADMISSIONS**

Pre-numbered tickets shall be used so that the auditor may by reference to the beginning and ending numbers determine the amount that should be collected. A different color should be used for each occasion, thus making it difficult for anyone to use old tickets, and ticket collectors shall

destroy each ticket by tearing it in two, giving one part to the customer and retaining one.

### **RECEIPTS FROM SALES, CAMPAIGNS, ETC**

Pupils collecting monies should, whenever possible, issue pre-numbered receipts in duplicate, the original to be given to the purchaser and the duplicate to the pupil treasurer of the activity after the audit has been completed. In those cases where receipts are not practical, for example, a candy sale, the activity treasurer with the assistance of the adviser should prepare a statement (attached) whereby the exact amount to be realized by the sale is determined in advance. Each salesman should be given a statement showing the amount he is to receive. After the sale, each salesman should then turn in that amount in cash and unsold goods. Salesman, on an Inventory Control Sheet shall log inventory distributed for sale and returned.

### **INVENTORY**

Inventory items held for resale must be adequately safeguarded in a secure location and properly accounted for, including an accounting of and reconciliation of amounts on hand at all times.

### **DONATIONS**

Gifts or donations are usually made in lump sums. The activity treasurer should issue a receipt and deposit the gift with the central treasurer.

### **RECEIPT OF MONEYS**

Upon receiving money, the activity treasurer will take the following steps:

- 1) Ensure that if the money received is from a fundraising event, that the correct event code (fundraising code) is posted on the Cash Receipt Form so the Central Treasurer can properly indentify receipts to the event when posting the transaction into the activity fund system. All event code transaction will be grouped into their respective Profit & Loss Statements. The Central Treasurer will be able to print the Profit & Loss Statements.
- 2) Count the money received along with the faculty advisor. Prepare the Cash Receipt Form, obtain the signature of the faculty adviser on the Cash Receipt Form following his/her review, and deposit the funds with the central treasurer. No activity money should be taken home by anyone.
- 3) Return all funds used for making change.
- 4) Receive the original central treasurer cash receipt and a copy of Cash Receipt Form signed by the central treasurer.
- 5) Enter the amount of the deposit in the activity fund register indicating the source from which the funds were received.

- 6) File chronologically the supporting data consisting of the duplicate deposit slip, and, if applicable, the profit or loss statement. These forms provide the evidence for the entries made in the activity treasurer's books.

## **PAYMENTS**

When merchandise is to be purchased, the adviser is responsible for being sure the purchase is proper in all respects. When the goods are received and the bill arrives, the activity treasurer, under the faculty adviser's supervision, checks the goods and bill to see that there are no discrepancies. When it is determined that the bill is correct, the following steps are taken:

- 1) The Cash Disbursement Order Form is prepared and signed by both the activity treasurer and faculty adviser.
- 2) The final audited bill is attached to the original Cash Disbursement Order Form and both are given to the central treasurer.
- 3) The central treasurer secures the signature of the building principal and records the consecutive check number on the forms and prepares the check.
- 4) The central treasurer makes the entries in his/her books and files both the original pay order and the bill as evidence for the entries.
- 5) A copy of the Cash Disbursement Order Form will be sent to the activity treasurer.
- 6) The activity treasurer makes the necessary entry in his/her books indicating to whom the check is made out and the reason. The central treasurer then sends the check to the vendor. The central treasurer to give evidence for the entry files the Cash Disbursement Order Form.

## **ADVANCES**

To provide the necessary cash for student organization to finance certain types of activities which do not lend themselves to the usual procedures. The activity treasurer of the group will draw a payment order in the same manner as when paying for a purchase except that in explaining the payment he will state that the check is to be drawn to the individual that will be responsible for making the cash disbursement, listing the anticipated cash disbursement to be incurred. Such a payment order should be pre-audited and approved the same as any other payment order. After audit and approval, the central treasurer will draw the necessary check. The individual responsible for making the cash disbursements will cash the check and secure the cash. After the making the purchases, the activity treasurer shall file with the central treasurer a detailed statement along with the cash sales receipts of actual expenditures and turn over any balance not accounted for. The statement should, of course, be audited and approved by the faculty adviser.

The use of the “advance” procedure shall be very carefully limited and closely supervised. The device should be used only in case of real need, and not merely for convenience.

### **TRANSFER OF FUNDS FROM ONE ACTIVITY TO ANOTHER**

It may be necessary or desirable occasionally to transfer funds from one activity to another. This may be done by the use of a Cash Disbursement Order Form. The treasurer of the activity managing the donation will upon proper authorization draw a Cash Disbursement Order Form stating all essential facts. The central treasurer will then affect the necessary transfer in his accounts, and no money will actually change hands.

### **BONDING OF THE CENTRAL TREASURER**

District is self insured. However, the District’s risk management function will periodically obtain price quotes for an insurance policy and if the cost benefit warrants, central treasurers may be bonded.

### **INVESTING EXTRACLASSROOM ACTIVITY ACCOUNT MONIES**

Only scholarship funds maybe deposited into a certificate of deposit or savings account. All other funds are maintained in the designated checking account for the school.

### **CLOSING OUT OF INACTIVE ACCOUNTS**

Prior to the termination of a student organization, all funds will remain in the custody of the Central Treasurer for six months and then disposed of in one of the following ways:

- 1) Expended by vote of the organization controlling these funds as provided for in the bylaws.
- 2) Transferred to the general student organization or student council.
- 3) An account that is inactive for two years should be terminated with the monies transferred to the activity representing the general student organization or student council.

### **GRADUATING CLASS ACCOUNTS**

Upon graduation, all funds in the Senior Class Treasury will be disposed of in one of the following ways:

- 1) Expended by vote of the organization controlling these funds as provided for in the bylaws.
- 2) Transferred to the general student organization or student council.
- 3) Transferred to the next Senior Class

## **SALES TAX**

A school district is not exempt from the provisions of the Sales Tax Law whenever it becomes the vendor of services or property ordinarily sold by private persons. Each faculty adviser should know which of the activities his organization undertakes are subject to sales tax and take steps to see that all sales tax information is accurately recorded and sent to the central treasurer. Below are selected events (not all inclusive) and their taxability status:

### **ACCOUNTING RECORDS AND THEIR USE**

- A. The central treasurer should keep the following records:
1. **Register of Receipts** - The Central treasurer's receipt book functions the school's register of receipts
  2. **Register of Disbursements** - The Central Treasurer's check stubs functions as the school's register of disbursements. The District's software program requires a receipt # to enter a deposit and a check # to disburse funds.
  3. **Central Treasurer's Activity Ledger.** There shall be a separate account for each activity. Postings shall include: date, person to whom payment is made, or from whom money is received, and receipt or voucher number. One column is used for recording receipts, one for payments and one for balances. The central treasurer will keep such an account for each activity.
  4. **Central Treasurer's Receipt.** The central treasurer's receipt form shall be pre-numbered and made up in duplicate, the original to the activity treasurer and the copy retained by the central treasurer. Every cent taken in by the central treasurer shall be accounted for in this manner. In addition to serving as a deposit slip, this will also furnish the auditor with information needed for checking receipts.
  5. **Check.** This document should be pre-numbered check. Two signatures need to be on the original check. The check stub should be in sufficient detail to clearly identify and describe the payment. It is to be used for posting purposes.
  6. **Inter-organization Transfers.** On occasion, one organization will want to transfer funds to another organization for services rendered or the general student organization may make appropriations to various activity organizations of the school. It is recommended that transfers of this kind follow the customary procedure for making withdrawals through preparation of a payment order.

After making the necessary entries in his/her books, the central treasurer instead of writing a check would use a Cash Disbursement Order Form and complete Part II. The original would be given to the activity treasurer whose organization will receive the funds and the duplicate copy would be sent to the organization paying the funds.

When the activity treasurer receives the form, he should make the necessary entries in the books and file the transfer form as evidence to support the form.

7. **Central Treasurer's Report on Extraclassroom Activity Accounts** - Each quarter (Sept., Dec., Mar., and June) the District Auditor shall call for the bank reconciliations along with a copy of the corresponding bank statement from each school's central treasurer. The central treasurer will reconcile the extraclassroom activity fund with the bank statement. After reconciling, the central treasurer will call for the activity treasurer's ledger from each activity; The central treasurer will document the receipts of the activity treasurer's ledger by noting the activity treasurer ledger balance on the bank reconciliation. Once a balance for each activity has been entered, the central treasurer will be able print the reconciliation. (note: the central treasurer shall record zero for activities that did not submit their ledger) The Central Treasurer will forward the bank reconciliation along with the bank statement.

The district auditor shall compile a report showing the beginning balance for each school, total receipts and total disbursement collected as of the period ending date of the report, and the ending balance as of the period ending date of the report. At least once per year a list of all activities by school will be provided on this report. This list will not include the balances of the individual activities.

B. The student activity treasurer should keep the following records:

1. **Operation Approval Request Form and Budget** - The various extraclassroom activity organizations should prepare an Operations Approval Request Form and Budget. The Form will document estimates of their needed income and expenses under the guidance and with the assistance of their faculty advisers. The final drafts of these budgets shall be filed with the central treasurer-and a copy shall be retained by the activity treasurer.

The central treasurer will enter the budget for each Extraclassroom activity into the Extraclassroom Activity Fund Accounting Program. Each fundraising event or source of funds will be assigned an event code (fundraising code).

2. **Activity Treasurer's Ledger** - The activity treasurer shall keep a ledger showing all receipts and expenditures and indicating a daily running balance which shall be on a form prescribed by the Activity Fund Auditor. The faculty adviser shall supervise the posting of the activity treasurer's ledger transactions. All supporting data for the entries made in the ledger shall be filed chronologically.

At the following intervals: September, December, March and June, the activity treasurers shall balance their ledgers and present them for the examination of the faculty advisor and central treasurer. The faculty advisor along with the central treasurer shall reconcile their corresponding ledgers and correct any discrepancies. At the end of the school year, the activity treasurer's ledgers shall be turned over to the faculty advisor after completion of the final audit be placed on file for the inspection and guidance of succeeding officers

The central treasurer will document the receipts of the activity treasurer's ledger by noting the balance on the bank reconciliation in the software system.

At the year-end, the activity ledger shall be turned over to the central treasurer and made available for audit by the district's auditor. After the completion of the final audit the student activity ledger should be returned to the activity and be placed on file for the inspection and guidance of succeeding officers.

3. **Cash Receipt Form** - The Cash Receipt Form shall be prepared by the activity treasurer. The activity treasurer should be sure to enter the event code(fundraising code) along with a description of the source of the funds on the Cash Receipt Form. The Original Cash Receipt Form should be filed with the central treasurer. The central treasurer shall acknowledge the receipt of these funds by completing a pre numbered cash receipt and entering the cash receipt number on the Cash Receipt Form. The original cash receipt along with a copy of the Cash Receipt Form shall be returned and filed with the activity treasurer.
4. **Activity Treasurer's Receipt** - The activity treasurer's receipt should be a pre-numbered form used by the treasurer of the activity for acknowledging receipt of money. If possible, these forms should be stamped with the name of the activity before the blanks are issued to the activity treasurer. This receipt and some other documentary evidence, such as a statement of admissions, shall together account for all the money taken in by the activity.
5. **Cash Disbursement Order Form** - The activity treasurer shall prepare the Cash Disbursement Order Form whenever a payment or withdrawal is to be made. The activity treasurer shall secure the signature of the faculty adviser as recording approval of the contemplated expenditure.

The faculty adviser shall certify the amount of the balance available. This information shall be recorded on the payment order for the guidance of the central auditor when the transactions are being audited and for the purpose of confirming the proper posting of the activity treasurer's records. If the

balance recorded does not agree with the balance shown on the central treasurer's ledger, the issuance of the check may be held up until the faculty adviser can determine the cause of the discrepancy-

The activity treasurer, after securing the approval of the faculty adviser, shall present the Cash Disbursement Order Form to the central treasurer. All Cash Disbursement Order Forms shall be accompanied by a final audited bill, which shall be filed with the central treasurer. The central treasurer shall acknowledge receipt of the Cash Disbursement Order Form by signing the form attesting the activity had a sufficient balance to cover the disbursement, securing the building principals signature indicating the disbursement has been approved by entering the number of the check on the form. The activity treasurer shall retain a copy. The central treasurer will forward the check to the vendor.

#### **PART IV-RULES AND REGULATIONS FOR THE SAFEGUARDING, ACCOUNTING, AND AUDITING OF FUNDS OTHER THAN EXTRACLASSROOM FUNDS.**

##### **A. DEFINITION**

Schools shall be allowed to commingle within their Extraclassroom Accounts funds which are not properly classified as Extraclassroom Activity Funds.

Such funds shall be those normally collected within or remitted to a school for a specific purpose on a one time or continuing basis and for which safeguarding, accounting, and auditing procedures should be in place.

1. Funds collected by schools which are to be remitted to the board of education such as money collected from the sale of tickets for a sporting event, fines collected for overdue library books, fees collected for musical instrument rental, money collected for personal long distance phone calls made by employees, and etc.
2. Any other funds collected within a school for a purpose that is not properly classified as an Extraclassroom Activity.
3. Funds collected in elementary schools where the students are too young to be organized into Extraclassroom activities for such items as class activities, school picnics and award ceremonies, etc.

For the purpose of this section, such funds shall be known as General Funds.

##### **B. FINANCIAL PROCEDURES**

All general funds shall be handled in accordance with the preceding procedures

described for Extraclassroom funds with the following exceptions.

### **1. Custodian**

The custodian of general funds shall be the staff member appointed by the building principal to be responsible for the collection and disbursement of such funds for each specific purpose.

### **2. Statement of Purpose**

The custodian shall place on file with the building principal a document stating the purpose for which specific funds are collected. This document shall also give specific name to the funds being collected.

### **3. Collection of Funds**

The custodian shall follow the same procedures in collecting and depositing funds as those followed by a student treasurer. The custodian shall have the building principal countersign the deposit slips, and statements of admission before depositing the funds with the central treasurer. The custodian shall keep a ledger, and supporting documentation for revenues and disbursements must be kept.

### **4. Withdrawal of Funds**

The custodian is responsible to ensure that funds will be withdrawn only for purposes consistent with the statement of purpose. Purchase orders need not be issued, but must be accompanied by either an audited invoice completely describing the service rendered or merchandise received or an signed statement describing the reason for the payment and naming the payee. The Cash Disbursement Order payment order and the signed statement must be co-signed by the building principal as approved.

The central treasurer will notate the check number on the Cash Disbursement Order Form and return a copy to the custodian. The central treasurer will send the check to the vendor. The custodian shall keep the same supporting documentation for payments as the student treasurer.

### **5. Undistributed Funds**

The provisions of this section do not apply to funds remitted to the schools by the board of education as postage allowance or for the purpose of operating the principal's or teachers' petty cash funds.

Should all of the funds collected for a specific purpose not be expended, every effort will be made to return the funds to the individuals from whom they were received. If this is not possible or if the amount of money involved is small and returning it would be highly impractical, these funds may be:

- a. Transferred to a specific student activity account at the discretion of the custodian and with the approval of the building principal.
- b. Divided equally among the active student accounts at the discretion of the custodian and with the approval of the building principal.
- c. In the case of an elementary school where the students are too young to be organized into Extraclassroom Activities, these funds may stay in the general fund to be used at the discretion of the custodian and with the approval of the building principal for school service purposes.