FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

McFarland Unified School District

ASB Review

November 14, 2019

Michael H. Fine
Chief Executive Officer

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

November 14, 2019

Mr. Samuel Resendez, Interim Superintendent
McFarland Unified School District
601 2nd Street
McFarland, CA 93250

Dear Interim Superintendent Resendez:

In April 2019, the McFarland Unified School District and the Fiscal Crisis and Management Assistance Team (FC-MAT) entered into an agreement for FCMAT to conduct a review of the district's associated student body (ASB) operations. Fieldwork and site visits were planned for August 2019. The agreement stated that FCMAT would perform the following:

1. Conduct on-site technical assistance for the McFarland Unified SchoolDistrict, evaluating the district's associated study body operations, which would include policies, processes and procedures, such as forms, used at the district office and school sites. At the conclusion of fieldwork, a management letter will be provided with written findings and recommendations.

2. In addition, conduct a 3.5-hour ASB workshop for the district during the visit. Attendees should include district office staff providing oversight to ASB, site principals, vice principals, activity directors, athletic directors, bookkeepers, and members of the student council.

This final report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve the McFarland Unified School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,

Michael H. Fine
Chief Executive Officer

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About FCMAT

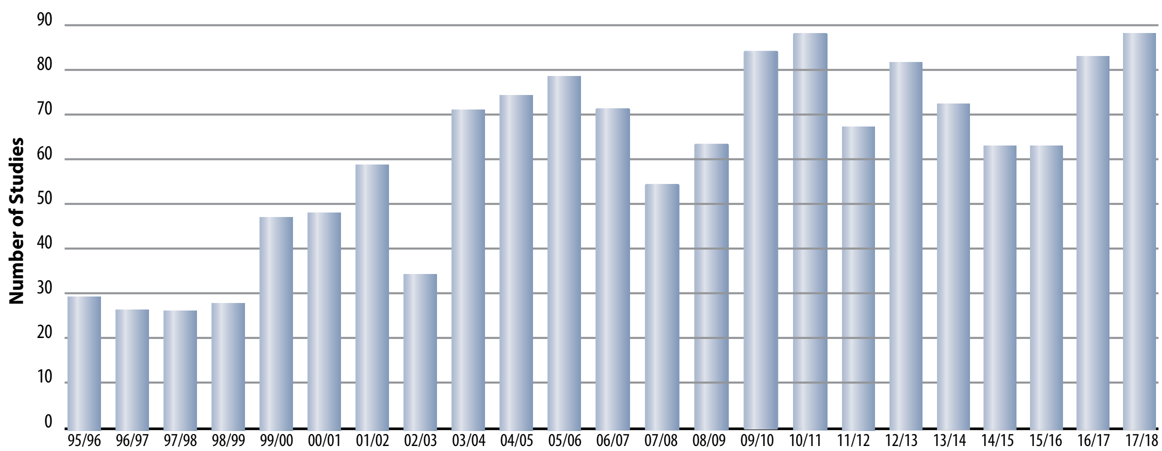
FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state Superintendent of Public Instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms.FCMAT also develops and provides numer-

Studies by Fiscal Year



ous publications, software tools, workshops and professional development opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

On September 17, 2018 AB 1840 was signed into law. This legislation changed the how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control, and providing new responsibilities to FCMAT associated with the process.

Since 1992, FCMAT has been engaged to perform more than 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

The McFarland Unified School District is located in the city of McFarland and serves approximately 3,533 students at one comprehensive high school, one continuation high school, one junior high school and three elementary schools.

The district is working to improve its operations and procedures related to associated student body (ASB) funds. As a result of self-evaluation, the district recognized that more work is needed in this area and contracted with FCMAT to review its ASB operations.

Three of the most important items needed for any district's ASB operations are board policies, administrative regulations, and detailed operating manuals.

Page five of the FCMAT *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* (FCMAT ASB Manual) states,

- The governing board of the school district, charter school or community college is ultimately responsible for everything that happens in the district, including the activities of student organizations. Under Education Code section 48930 for K-12, and section 76060 for community colleges, the governing board has the authority to approve the formation of a student body organization within the district. This means that governing boards are not required to allow student body organizations to exist. Many districts have chosen to stop student fundraising and organizations as a last resort because of continual and severe non-compliance issues, including fraud.
- **In assuming the authority the Education Code gives them, governing boards establishes parameters for district operations through board policies and regulations. These policies and regulations must specify how the student body organization will be established, how the organization's activities will be supervised, and how the organization's finances will be operated and managed. The district's administration is responsible for establishing and monitoring the procedures to carry out the policies and regulations adopted by the governing board.**
- Students are raising funds for their own benefit and are able to make decisions about the funds (with co-approval from an administrator); however, when there is a conflict, governing board policies and regulations override ASB decisions because ultimately the funds are under the governing board's authority.
- A comprehensive board policy is the cornerstone of sound practices in student organizations. **This is most effectively achieved by establishing a comprehensive district ASB manual for all student organizations to follow, and referencing it in board policy that requires all staff to follow the manual's guidance**...

[Emphasis added]

Page 15 of the FCMAT ASB Manual states the following in its discussion of governing board policy and administrative regulations:

> Because most ASB operations relate directly to business management functions, the district's chief business official should take a lead role in ensuring that the district has appropriate board

> policies and administrative regulations regarding the operation and management of the organization's finances. In addition, all individuals involved with the ASB should receive training at least every two years on ASB laws, policies, regulations, internal controls and good business practices. The district's business office should take the lead in ensuring that this training is provided. **ASBs must be made aware that district policy applies to them, and people involved in ASB must understand that district board policies and regulations are an additional set of laws that ASB organizations must follow. All district board policies that apply to general district operations apply to ASB as well, unless there is a policy stating otherwise**.
>
> [emphasis added]

In addition to board policies that apply to ASB operations, districts must ensure they follow each ASB club's constitution and bylaws.

Study Team

The study team was composed of the following members:

Michael Ammermon, CPA, CFE, CRFAC, DABFA
FCMAT Intervention Specialist

Paul S. Horvat, CPA, CFE, MBA
FCMAT Consultant

John Lotze
FCMAT Technical Writer

Study Guidelines

In April 2019, the McFarland Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a review of the district's associated student body (ASB) operations. Fieldwork and site visits were planned for August 2019. The agreement stated that FCMAT would perform the following:

1. Conduct on-site technical assistance for the McFarland Unified School District, evaluating the district's associated study body operations, which would include policies, processes and procedures, such as forms, used at the district office and school sites. At the conclusion of fieldwork, a management letter will be provided with written findings andrecommendations.
2. In addition, conduct a 3.5-hour ASB workshop for the district during thevisit. Attendees should include district office staff providing oversight to ASB, site principals, vice principals, activity directors, athletic directors, bookkeepers, and members of the student council.

FCMAT visited the district office and two school sites on August 20-22, 2019 to conduct interviews with district and school staff, collect data, review documents, and conduct an ASB workshop. Based on fieldwork conducted, FCMAT determined that the findings and recommendations presented in this report are applicable to all school sites and that each school would benefit from implementing the recommendations.

Executive Summary

Although the district has adopted board policies and provided some training in the past related to its ASB operations, many procedures and practices can be improved. The district recognizes the issues discussed in this report, attended a districtwide ASB workshop conducted by FCMAT, and is receptive to improving ASB internal controls, policies and procedures. The following is a summary of ASB-related practices and procedures that the district and FCMAT have found need improvement:

- Various ASB-related governing board policies need to be updated and clarified. The board should consider adopting as part of its board policies and administrative regulations the FCMAT ASB Manual, as well as a supplemental district ASB manual, guide or list of allowable and prohibited activities. This would help define and communicate which ASB-related practices and activities are allowable and which are prohibited.
- Board policy needs to specifically identify the title of the individual(s) the board has selected as designee(s) to approve fundraisers, such as the school principal(s).
- The district needs to continue to improve internal controls related to ASB, and should implement annual ASB training. Internal controls are needed for fundraisers, forms, purchasing and preapproval, counting and transport of funds with a witness, keeping control of cash, secure custody of cash, and securing funds in a safe. These measures will improve the integrity of ASB processes and procedures.
- A whistleblower hotline is always recommended as a way for individuals to report concerns about possible fraud.
- The district should correct its QuickBooks ASB accounting software chart of accounts structure and having a QuickBooks professional individually train the bookkeeper at each school in its use.
- All ASB trust accounts need to be evaluated to determine if the club each belongs to meets the criteria and requirements for being part of ASB. Accounts or trusts for clubs that do not meet the criteria should be removed from the ASB and accounted for in other accounts approved by the district's business office.
- Club budgets, inactive clubs, and large and negative club cash balances need to be evaluated. All clubs are required to have a budget and should not spend any funds until a budget is in place. Inactive clubs should be closed, and any club with a large or negative cash balance should be evaluated to determine whether it should continue as a club and what the disposition of its cash balance should be if it does not.
- The appropriate administrator(s) need to review and sign all financial reports and bank reconciliations.
- All schools need to use the same forms and use the same type of chart of accounts in the accounting software. Consistent accounting and the use of multicopy forms will strengthen documentation and authorizations and should improve accountability and internal controls.
- Scholarships, volunteer recognition, raffles, independent contractor 1099 reporting, and meeting minutes are also important aspect of ASB and need to be evaluated for applicability and completeness. Scholarships, recognition or awards of any kind, and raffles all need specific board policies that address how they are to be conducted and what the district will allow.

Findings and Recommendations

ASB Policies and Procedures, Board Designee, Board Policies, and Internal Controls

To ensure successful ASB operations, school entities need the following:

- Comprehensive board policies and administrative regulations for ASB operations and funds; these should include guidance that goes beyond what is in the law, including procedures, best practices and internal controls.
- A comprehensive and user-friendly ASB manual that provides guidance for all individuals involved in day-to-day ASB activities.
- A significant level of oversight and support from the district's business office.
- Annual training (internal or external) for all staff members and students who work with ASB operations.
- Standard processes, procedures and forms at all schools.

ASB Policies, Procedures and Manual(s)

The district is aware that it needs additional guidelines and controls in this area. The district has some board policies regarding ASB funds, but is using an older 2009 version of the FCMAT *Associated Student Body Accounting Manual, Fraud Prevention Guide, and Desk Reference* (FCMAT ASB Manual). The current version of the FCMAT ASB Manual is the 2015 edition, which has the most up-to-date ASB policies, procedures and fraud awareness tools.

In addition, although the district's board policies reference the FCMAT ASB Manual, they do not indicate that the district has adopted it or created its own ASB accounting manual, guide, handbook, or list of allowable and prohibited activities as part of its policies and procedures. Updating board policy to include this specificity would give staff more direction about which resources to rely on when questions arise. Suggested board policy language is as follows:

> The governing board adopts, on an ongoing basis, the most recent Fiscal Crisis and Management Assistance Team (FCMAT) *Associated Student Body Accounting Manual, Fraud Prevention Guide, and Desk Reference* and the *McFarland Unified School District ASB Manual* as district ASB board policy. If any conflict occurs between the most recent FCMAT *Associated Student Body Accounting Manual, Fraud Prevention Guide, and Desk Reference* and the *McFarland Unified School District ASB Manual*, the policies and procedures established in the latter document will prevail.

This type of language would allow the district to modify its own ASB manual, guide, handbook, or list of allowable and prohibited activities to include specific policies and procedures that may differ from those in the FCMAT ASB Manual.

Board Policy and Designee

The FCMAT ASB Manual consistently discusses use of a board designee. A board designee for ASB is the person the board designates to approve ASB fundraisers and activities on behalf of the board.

The district's board policies lack clear instructions and information regarding who its board designee is for ASB purposes. The district needs board policy that identifies a designee or designees for approving fundraisers and activities. Without such a designee or designees, the board is responsible for approving all fundraisers for the ASB, boosters, foundations, and all other district- or school-connected organizations. Typically, a board will designate each school principal to approve ASB fundraisers and activities because the principal is most familiar with the activities and school-connected organizations at their school. Once a school principal is identified as a board designee for ASB purposes, approval and oversight become the principal's responsibility; he or she should not further delegate that authority.

Education Code Section 48932 requires that the governing board approve fundraising events as follows:

> The governing board of any school district may authorize any organization composed entirely of pupils attending the schools of the district to maintain such activities, including fund-raising activities, as may be approved by the governing board.
>
> The governing board of any school district may, by resolution, authorize any student body organization to conduct fund-raising activities on school property during school hours provided that the governing board has determined that such activities will not interfere with the normal conduct of the schools.

Education Code Section 51521, Fundraising Projects, states that the governing board of the district, or the board's designee, is responsible for approving all fundraising:

> No person shall solicit any other person to contribute to any fund or to purchase any item of personal property, upon the representation that the money received is to be used wholly or in part for the benefit of any public school or the student body of any public school, unless such person obtains the prior written approval of either the governing board of the school district in which such solicitation is to be made or the governing board of the school district having jurisdiction over the school or student body represented to be benefited by such solicitation, **or the designee of either of such boards**.
> [emphasis added]

Board policies apply to ASB; therefore, policies and administrative regulations already in place regarding awards, purchasing, travel, reimbursements and other items apply to ASB. Policies that apply to ASB should be identified and included in any ASB manual, guide, handbook, or list.

Internal Controls

Comprehensive board policies, ASB manuals, training, and oversight are all components of a strong ASB internal control system. Internal controls begin with gaining an understanding of how processes and procedures are operating, and evaluating them for improvement. This report identifies processes, procedures, forms and practices that need improvement.

Annual Training

Annual ASB training is a best practice. Those trained should include administrators, activities directors, club advisors, coaches, athletic directors, bookkeepers, student council members and other student leaders. Those trained may also include members of school-connected organizations such as booster clubs, parent-teacher associations, and parent-teacher organizations. Annual training is an opportunity to identify weaknesses and practices that need improving, and for schools to keep practices aligned with one another.

Whistleblower Hotline

The district does not have an independent third-party whistleblower hotline or web-based fraud reporting service. Having such hotline or service can benefit any ASB and is essential to both detecting fraud and establishing the perception that it is likely to be detected. Fraud prevention experts believe that people are less likely to commit fraud when they perceive a greater probability of detection.

Recommendations

The district should:

1. Amend its board policies to identify a board designee or designees for approving ASB fundraisers and activities, or stipulate in board policy that the board will approval all fundraisers. If the board selects a designee or designees to approve fundraisers and activities, board policy should identify each designee by title, such as school principal.
2. Develop a districtwide ASB manual, guide, handbook, or list of allowable and prohibited ASB activities, and ensure that this document includes as an additional resource all district board policies and administrative regulations that apply to ASB.
3. Amend its board policies to indicate that the most recent FCMAT *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* and the *McFarland Unified School District ASB Manual* (or equivalent local document) are additional governing board-approved policies and procedures.
4. Continue to provide staff with annual training regarding its ASB manual and procedures. And, ensure that each ASB has obtained from the FCMAT website at least a PDF copy of the FCMAT ASB Manual.
5. Ensure that new staff members and student council members are provided with ASB training throughout the year, and with copies of the district's and FCMAT's ASB manuals.
6. Establish a fraud reporting service.

ASB Accounting Software

The district is using QuickBooks accounting software to account for ASB transactions. QuickBooks is sufficient to perform ASB accounting; however, how the software is used and the way transactions are processed are vital to producing accurate financial reporting. FCMAT examined accounting transactions in QuickBooks and found accounts incorrectly set up and used. At one school, the ASB accounting was originally set up correctly; however, according to the ASB bookkeeper, she was informed that the trust accounts were set up incorrectly, and the chart of accounts was subsequently modified to differ from what the ASB bookkeeper thought was correct. These modifications sometimes included establishing new accounts, but the club trust balances were not fully moved to the new accounts, leaving many accounts incomplete. The end result was that the bookkeeper was left with inaccurate books and confusion regarding what is the right way to account for ASB funds.

According to the ASB bookkeeper, she was instructed to record customer's deposits in accounts used for vendors. In QuickBooks, customers are individuals or entities the ASB invoices and/or receives money from, and it records each of these transactions as a deposit. By contrast, a vendor is someone the ASB pays for services, supplies, reimbursements, or other items. Customer and vendor accounts should not be combined.

The ASB bookkeepers are not formally trained accountants; they need a simple set of ASB accounting books that are in balance along with clear instruction on the proper use of accounts. The simplest form of ASB trust fund accounting is to set up each club as a liability trust account. Using this method, the bookkeeper records all deposit and disbursement transactions in each individual club's account. The ASB general account may use other accounts such as revenue and expense accounts to record specialized transactions, but until the accounting records are corrected the simplest and most efficient club accounting method would to use liability accounts.

Recommendations

The district should:

1. Arrange for a QuickBooks professional to train each of the ASB bookkeepers at their respective school.
2. As part of the training for ASB bookkeepers, have the QuickBooks professional help the bookkeepers correct the ASB chart of accounts, customer and vendor accounts and all other potential errors to ensure proper accounting of ASB club trust funds and proper recording of all balances.
3. Ensure that the correction of the ASB records and the individual training for ASB bookkeepers are scheduled at times that cause the least possible disruption to ASB operations.

Student Body Accounts

Student organizations in middle schools and high schools are called organized ASBs because the students organize their activities through student clubs and a student council. Adults (certificated advisors, principals, assistant principals, and district office staff) provide oversight and assistance, but the students do the work and make the decisions.

Club and Trust Criteria

Each club in an organized ASB should have its own focus and organizational requirements. Students in organized ASBs are responsible for their organizations: the student council and student club leaders hold formal meetings, develop budgets, plan fundraisers, decide how the funds will be spent, and approve payments. The school administrators, ASB bookkeeper and club advisor(s) assist and advise.

Every clubs needs the following to qualify as an official club under an ASB:

- A club advisor. This person must be a certificated employee who has a valid teaching credential, has agreed to serve as the club advisor, and is named in the club application.
- Student officers
- A formal application to form a club
- A constitution
- Official meetings
- Meeting minutes that serve as the record of each meeting and the actions taken, demonstrating that the student council or club has followed the ASB organization's policies and procedures.
- An adopted budget

To become a recognized part of the student body organization, a club, like the ASB itself, must be composed entirely of students enrolled at the school. In addition, for fundraising and expenditures to be legitimate, students must be the primary authority on both, with adults co-approving. If all of these elements are not in place, then the funds do not belong in an ASB account.

All clubs need to follow the regulations in the ASB constitution regarding club formation. Any group of students may apply for permission to form a club by submitting a proposed charter or application to the ASB; however, for a club to exist, it must prepare a constitution and have it approved by the ASB leadership. Club bylaws are also important because they provide additional rules the club will follow; these should also be approved along with the constitution.

Most ASB clubs at the district's schools lack ASB-approved applications, constitutions, or bylaws. Some accounts kept as ASB accounts are used primarily as a convenience, or it is not known if the account is for a club; the students do not decide whether to have fundraisers or how funds in these accounts are spent. Until the correct forms are approved, any group of students who operate as a club within the ASB are not an official club and should not be accounted for within the ASB. Even ASB leadership or student council, if it lacks the proper applications and approvals, is not an ASB club.

Other clubs FCMAT reviewed are considered rolled-up or under ASB leadership and are considered quasi-clubs. According to the district, these quasi-clubs are clubs in name only. Although the students are involved, there are no formal club organizing and governance documents, an advisor is not named in an application, and purchases and fundraisers are approved by ASB leadership rather than at the individual club level.

ASB accounts should be established and funded from ASB club activities and fundraising, such as dance ticket sales, snack shop sales, or yearbook sales if there is a yearbook club. Students should be the primary decision makers regarding ASB funds. If the students are not the primary decision makers (i.e., adults are making the decisions), or if the club advisor is not a certificated instructor (e.g., a walk on coach, classified staff member, or volunteer), or of there is no club constitution, then that club's funds do not belong in the ASB and should be moved to a district business office-approved school budget account.

Any donations from parents or others that were not generated from ASB activities or fundraising belong in a district's donation account for a specific school, not an ASB account. It is best practice to use the school's district budget accounts for these types of donations from parents, students and community members or groups, and to set them aside in a locally restricted resource so the funds are segregated. Only donations that are a result of club activity and/or fundraising may be accounted for in the ASB accounting records.

Athletics

The district pays for referees by reimbursing the ASB for its payments to referees. Athletic activities may be operated as part of the ASB, with funds deposited into the ASB bank account. Keep in mind that all funds deposited into the ASB account are under the control of the students, who decide how funds are spent. If the ASB only holds money for the athletics or sports trust accounts, then not all aspects of athletics belong in ASB. For athletics or sports trust accounts to be part of ASB, they must have the following:

- ASB-approved constitutions and budgets
- Minutes
- A certificated instructor as the club advisor who is present at all games, practices and events (this is an Education Code Section 48933(b) requirement for an ASB club)
- Students making the decisions for all activities, purchases and fundraising
- Preapproved purchases for all expenditures, signed by the student representative of the club, the club advisor, and the principal

All funds deposited into the ASB accounts are under the control and direction of the ASB; adult administrators co-advise, but students make the decisions. If all the rules for trust fund accounting of ASB funds cannot be followed, those funds, including for payments to referees, should be moved to another district-approved non-ASB account. If athletics is not operated as club or clubs that meet the ASB criteria, the following options are available:

Option 1

Remove athletics from ASB and operate it from a district-operated school budget account. This means the deposits for gate receipts and other revenue should be taken to the district office, and checks should be written through the district's warrant system. The accounting could still be processed by the ASB bookkeeper but would use the district's accounting system.

If this option is selected, it is best practice to develop an athletics manual or guide that specifies how funds will be accounted for, the approval processes, and all other procedures that athletics should follow. For example, purchases should always be preapproved, a budget should be prepared and approved, and funds should be counted only with a witness present. If revenue is to be shared between athletics and ASB, develop agreements, contracts or memoranda of understanding that describe in detail all arrangements, and ensure that these are approved by the district's business office and agreed to and signed by both athletics and ASB. These measures help provide good business practices and internal controls that are essential to effective management of funds and accounts.

Option 2

Remove athletics from ASB and operate it from its own district-approved school bank account, separate from ASB, and with its own separate accounting books. The accounting could still be done by the ASB bookkeeper using the same ASB accounting software, but athletics would have its own company file and chart of accounts. Deposits for gate receipts would be placed in this new bank checking account, which could be considered a separate trust account but not an ASB club account, and which would be subject to audit by the district's auditor.

If Option 2 is selected, the district should follow the same best practices specified in the second paragraph under Option 1 above.

Option 3

Leave athletics in ASB, follow all the rules and criteria for ASB clubs, and determine how athletics should be organized. Athletics in ASB may be organized as one athletics club for all sports or as multiple clubs, one for each individual sport.

Athletics Club

Chapter 4 of the FCMAT ASB Manual states:

> For any sports revenues and expenditures to be accounted for and part of the ASB account, the sport must meet the same ASB club requirements. Each sport may be a separate club with its own constitution, certificated advisor, budget and other required elements, or multiple sports can be organized as one athletics club, with each sport having representation in the club. The athletics club must be led by enrolled students. Each sport in the athletics club should elect at least one delegate or commissioner to be a member of the club's student leadership, thus ensuring that each sport receives representation. Each sport represented in the athletics club may then be accounted for in the ASB accounting record as a sub-account of the athletics club.
>
> If the athletic director of the school is a certificated employee of the district, the athletic director may serve as club advisor.

Organizing as an athletics club means that there is one athletics club, and all sports are subcomponents of that club. Each sport should have a representative in the athletics club leadership. Each sport should account for its funds separately but as a component of the total club budget. The athletics club would have one constitution and one set of bylaws, at least one budget, and one set of minutes. Students would make the decisions, including preapproving purchases for the club and for each sport, and the club would have at least one certificated club advisor. However, because the club advisor must be at all activities, including all games and practices, it is acceptable to name more than one certificated club advisor in the club application and constitution to ensure a club advisor is always present. Volunteers, walk-on coaches, and other district-approved individual are allowed to assist, but they cannot be the club advisor and cannot be left alone with students; an official club advisor must be present.

Clubs for Individual Sports

If athletics is organized using a club for each sport, each sport must have its own constitution and bylaws, budget, and minutes. Students must make the decisions, including preapproving purchases, and the club must have at least one certificated advisor. A club advisor must be at all activities, including games and practices so it is acceptable to name more certificated advisors in the club application and constitution to ensure an advisor is always present. Volunteers, walk-on coaches, and other district-approved individuals are allowed to assist, but they cannot be considered the club advisor and cannot be left alone with students; an official club advisor must be present.

Other Non-ASB Accounts

FCMAT examined many but not all of the accounts held in ASB; it is possible that the district has accounts that do not belong in the ASB, such as accounts for school administrators' or teachers' discretionary use (e.g., staff appreciation, staff coffee funds, non-ASB field trips, computers, caps and gowns, plaques for teachers, exam test fees, library fines, and other such items). These types of accounts are for convenience and are considered pass-through accounts; they do not belong under ASB. The only accounts that belong in ASB are club accounts, class accounts (such as class of 2021 or senior class), and ASB-approved scholarship accounts.

If a school administrator or teacher is deciding how to spend funds, the account does not qualify as an ASB account. ASB funds are to benefit the students, not to supplement a class or adult's budget, nor to be spent based on an adult's decision. The students should decide how to spend these funds.

Because students are neither conducting activities or fundraisers to generate these funds nor making decisions about how to spend these funds, the accounts do not qualify as ASB accounts. These funds should be closed out of the ASB, and the account(s) should be removed or made inactive. If some of these accounts are meant to be clubs, proper club applications, constitutions and bylaws should be prepared and approved to establish a club.

Recommendations

The district should:

1. Ensure that each club meets the criteria required to be an ASB club.
2. Ensure that each club has a set of bylaws to provide additional rules the club will follow.
3. Certify that all fundraisers and expenditures are approved in advance by students in each club.
4. Ensure that every ASB club has a formally-approved application and a constitution approved by ASB leadership before it begins any activities.
5. Transfer all non-ASB club accounts, including but not limited to pass-through type accounts, into another district donation account, and discontinue accounting for non-ASB activities in the ASB financial records.
6. Determine how athletics will be operated and function. If athletics will be removed from ASB, establish all of its operating details, policies and procedures. If athletics will remain part of ASB, ensure that it has all the elements required to be part of ASB.
7. Ensure that any athletic program receipts that are not intended for ASB use and that do not have the required elements in place are held at the district as a donation trust account or other approved account, not accounted for using the ASB.
8. Ensure that non-ASB donations from parents, students or community members or groups are deposited in the appropriate school's district donation account, not accounted for through the ASB.

ASB Club Budgets, Inactive Clubs, Large Club Balances, and Negative Balances

Budgets

The district's student clubs, including ASB general/student leadership, do not prepare annual budgets. To qualify as an ASB account, every club, including the main ASB club through the student council, must have an annual budget that is monitored and updated as the year proceeds. A budget is a financial plan for a specific period of time; it allows the ASB to estimate at the beginning of the fiscal year what its financial situation will be at the end of the year.

The student council and each individual club should develop a budget for each fiscal year. The budget document should include the club's or council's annual goals and a plan for achieving those goals by deciding the following:

- Estimated revenues: What fundraisers will the club or council have and how much revenue are they expected to produce?
- Estimated expenses: What will the fundraisers cost to hold?
- Estimated ending balance and club carryover: Is there enough left over to accomplish the goals outlined?

A budget allows students to estimate whether they will raise enough funds during the year to cover their anticipated expenses. One of the benefits of an ASB organization is that it gives students an opportunity to learn about business operations, including preparing a budget.

During budget development, the club advisor should ensure that the students prepare a balanced budget. If the club had significant carryover of funds from the prior fiscal year, it is acceptable for the expenses to exceed the revenues by the amount of the prior year's carryover. Funds should be carried over only when there is a defined plan and purpose for their use, such as long-term projects or events that span multiple years, or events that occur early in the next fiscal year.

The budget for the next year's activities may be prepared before the end of the current fiscal year or at the beginning of the new fiscal year. Budgeting can be as simple as the students deciding what they want to do next year and developing estimated revenues and costs for each activity so the club members know how much money they need to raise to cover their estimated costs. The students should prepare the budget with the guidance of the club advisor and activities director. Basing a budget for the subsequent year on the previous year's actual accounting information is also a good way for students to learn budgeting. The budget process does not have to be perfect; students should prepare each club's budget and learn from their budget estimates. The guiding principle is that students are to do these tasks, not adults.

After the budget is adopted and the year begins, more accurate information will be obtained. Because budgets change, they need to be monitored continually throughout the year. Monitoring involves comparing the budget to the actual revenues and expenses at a point in time to determine whether revenues are coming in as projected and whether expenses are within the amounts authorized in the budget. The students and the advisor should monitor the budget at least monthly so there is enough time to adjust plans if the budget is not realistic or if the planned goals will not be met because of lower-than-projected revenue or higher-than-projected expenses.

If budget monitoring detects variances in revenues or expenses, the students can revise the budget to include more accurate estimates. Students should do this whenever the estimated revenues or expenses change significantly. The advisor and/or school administrator should review and approve all revisions to the budget.

Many school districts formally prohibit a club from spending any funds until there is an approved budget in place. This helps ensure that all clubs have established budgets, and it would benefit the district to adopt such a policy.

Effective budget monitoring can help clubs ensure that balances are not too high or too low, and thus avoid a large carryover balance or a negative balance. ASB club balances can sometimes be negative for a short time because of the timing of planned fundraisers, deposits and check disbursements; however, if a budget is monitored regularly and revised as needed, this should not occur often.

Inactive Clubs

A lack of ongoing financial activity may be an indicator that a club has become inactive. Furthermore, as described above, because the accounting for club balances and activities needs to be evaluated, FCMAT cannot determine if certain clubs may be considered inactive. Nevertheless, monitoring club balances can help ensure that a club and its account are closed properly and its remaining balance transferred into the general ASB account so the funds do not remain unspent.

A negative balance combined with no financial activity indicates that a club has become inactive after spending more money than it earned. This can be problematic because when a negative club balance is closed and transferred into the general ASB account, the general ASB student body account subsidizes the inactive club's overspending, which reduces the funds available to the general student body.

It is best practice to have a district policy that states what is to be done with clubs that have inactive accounts. This can be defined in board policy, or in the ASB constitution and/or bylaws. For example, one or more of these documents could state that, because all trust accounts are part of the general ASB, if a club becomes inactive or all students in the club graduate, the club's funds will be transferred to the general ASB account unless the club's constitution, bylaws, or a decision made by students before the club became inactive provides other instruction.

The ASB bylaws or guidelines in the constitution should also contain a definition of an inactive club. For example, as the FCMAT ASB Manual discusses, a club could be deemed inactive if it has had no financial activity for more than 18 months.

Large Club Balances

Cash balances that carry forward from year to year without any plan for their use mean that students have been fundraising without a defined purpose. The purpose of fundraising in any ASB organization is to benefit students by providing funds to spend on extras and fun activities or for other needs they may have. Furthermore, as described above, because the accounting for club balances and activities needs to be evaluated, FCMAT cannot determine if certain clubs' balances are artificially large. Nevertheless, once the accounting software training and chart of accounts issues are resolved, it is possible large club balances exist and should be addressed.

Chapter 6 of the FCMAT ASB Manual states the following regarding carryover:

> The governing board should include a limit on carryover in its ASB board policy. Some districts include this limit in their own district-generated ASB manual or request that it be included in the clubs' constitutions. If a district has already provided guidance about this issue, that guidance should be followed. However, if a district's board and/or administration has not included language regarding carryover balances, it is suggested that this issue be brought to their attention. A good rule of thumb guideline could be something like the following: "No student club or organization may carry over more than 20 percent of the total amount raised in a given school year without a spending plan that has been approved by the district's business office." Under this rule, for exam-

ple, if the total club revenues were $4,000 in a given year, the club could carry over up to $800 without an approved plan.

There may be circumstances in which it would be appropriate for a club to carry over more than 20 percent of the funds raised that year. For example, if the club wants to participate in a band competition and parade festival overseas, it could take them two years or more to raise the funds. If the club has voted for this project, and the advisor and the school principal or other administrator have approved it, it may be appropriate for the business office to approve the carryover of funds.

The Budget Carryover Request form is the form that the student club (organized ASB) or school principal or other administrator (unorganized ASB) should submit to the district business office in April or May of each school year to request approval to carry over more than the allowed district amount (e.g. 20 percent).

Negative Balances

As described above, because the accounting for club balances and activities still needs to be evaluated, FCMAT cannot determine if certain clubs' balances are legitimately negative. Nevertheless, discussion of negative balances is appropriate because negative balances may be confirmed when the accounting software is corrected.

When accounts are negative, it means club accounts, ASB general, or other accounts may end up subsidizing the account that has been allowed to become negative. The monthly financial reporting package review process should identify negative balances, and immediate research and reconciliation should be performed to correct any negative accounts.

Chapter 6 of the FCMAT ASB Manual states the following regarding negative balances:

> A budget should never be approved with a negative ending fund balance. The student council or club (depending on whose budget it is) should vote on the budget and include that vote in their meeting minutes before submitting the budget to the student council/leadership class. The student council/leadership class should approve all submitted budgets for each club.

Recommendations

The district should:

1. Require all ASB clubs to have formally-approved budgets for the upcoming school year that students have participated in preparing, and to submit and have these budgets approved by the student representative and advisor by the end of May of the current school year.
2. Prohibit any ASB club from spending any funds until its budget has been completed and approved.
3. Ensure that each club's budget document includes the club's annual goals and a plan for achieving those goals.
4. Ensure that clubs monitor and revise their budgets as needed by comparing estimates to actual receipts and expenditures.
5. Identify all inactive clubs with account balances, close these clubs and their associated accounts, and transfer these fund balances to the general ASB account.

6. Establish a board policy regarding inactive clubs; consider including in it the following language:

    The district governing board policy regarding inactive ASB clubs is that if an ASB club has no financial activity for more than 18 months, the club is considered inactive. An inactive club's cash balances shall be transferred to the general ASB account as soon as it has been determined that the club is inactive, with no financial activity for 18 months, unless the club's constitution or a decision made by students before the club became inactive provides specific instructions to do otherwise.

7. When the QuickBooks chart of accounts and balances have been corrected and reconciled, review all ASB account balances for large balance and negative amounts, and have the students develop a plan to spend any such excess funds and correct negative balances.

8. Establish a board policy that limits carryover of funds, or ensure that each club's bylaws set a limit on carryover, stated as either a dollar amount or a percentage of annual expenditures (e.g., 20%) depending on each club's circumstances and financial needs.

Financial Reports and Bank Reconciliations

Financial Reports

Financial reports are the most effective instruments for monitoring and determining an entity's fiscal position. For school administrators, ASB advisors and students to understand the ASB's financial position, the ASB bookkeeper must prepare periodic financial statements.

The type and frequency of financial reports often depend on the size of an ASB's operations and the students' grade level, and are sometimes determined by governing board policy. For organized ASBs, it is best practice to review the financial status monthly; in no case should it be reviewed less than quarterly. A monthly reporting requirement is most common.

Issuing monthly financial reports that identify detailed transaction activity for each ASB club is critical to ensuring proper internal controls. It is best practice to provide such a report to each club monthly, and for the club advisor and club leaders to review the report. The school principal or assistant principal, and the district office, should also receive monthly financial reports, bank statements and bank statement reconciliations from the ASB bookkeeper.

Even if an ASB club advisor insists that the club does not need a financial report, the ASB bookkeeper should provide the report so that no club can later claim it was not aware of its own account transactions. It is best practice for the ASB club, ASB student leadership team, school principal or administrator, club advisor, ASB activities director, and district business office staff to be responsible for reviewing detailed monthly ASB financial reports.

The district does not require signatures or dates on club financial reports. It is best practice however to require that reports be signed and dated when they are produced and reviewed.

Bank Reconciliations

Timely and accurate bank account reconciliations and reviews are prudent and necessary. For all accounts maintained by student organizations, it is best practice to reconcile the financial institution's account balance with the student organization's records for every period for which a statement is received. It is also important to make sure the bank statement includes copies of cancelled checks. Establishing internal controls can help ensure that bank reconciliations are performed on time and accurately, and that sufficient separation of duties exists.

The school administrator or ASB advisor needs to ensure that each bank statement is reconciled within two weeks after it arrives. When each month's reconciliation is completed, the ASB bookkeeper should sign and date it. The activities director, the school principal or designee, and the district office should review the monthly ASB financial statement, bank reconciliation and any accompanying report, and sign and date these documents to indicate their review and approval.

Reconciliation procedures are vital to ensuring cash controls. If the bank reconciliation is not completed within two weeks of receipt, the activities director, school principal and district office should immediately ask why it is late and document this issue and how it is resolved.

District bank reconciliations are prepared using the QuickBooks accounting software, but the printed reconciliations are missing reviewers' signatures and dates. It is best practice to require that bank reconciliations be signed and dated when they are produced and by each reviewer.

The financial reports and bank reconciliations should be combined as one financial report, signed and dated by the appropriate preparer and reviewers as indicated above.

Recommendations

The district should:

1. Require that the ASB bookkeeper issue monthly ASB financial reports, and that they be reviewed by all ASB club and ASB student leaders as well as by the district's business office, school principal, and ASB activities director.
2. Require that all ASB clubs retain monthly financial reports, identify in their meeting minutes that the club has received and reviewed the monthly financial report, and approve the report either immediately or after any questions or discrepancies are resolved.
3. Ensure that the ASB bookkeeper signs completed monthly ASB financial reports and bank reconciliations and provides copies to the ASB activities director, school principal or principal's designee, and the district office.
4. Ensure that the ASB activities director, school principal or principal's designee, and district office sign and date the monthly ASB financial reports and bank reconciliations when they receive them to indicate their review and approval.
5. Ensure that all clubs that have financial activity in a given quarter receive a monthly financial report. For any club that has no financial activity in a given quarter, consider creating a policy that allows them to receive a financial report quarterly rather than monthly.
6. Document late bank reconciliations and their resolution.

Forms

The district's schools do not use the same forms districtwide. Some forms are missing important signature lines and other information, and the number of forms used at each location varies.

This is because over time, the district's schools have added forms, combined the content of some forms such as the coin and currency count form and the financial report for cash box, or altered, combined or split the items on many forms, including the required signatures to approve a transaction. As a result, the forms used are incomplete. The district does not have a list that identifies which forms are recommended and which are required.

It would benefit the district to standardize and require the use of the following ASB forms:

- Cash count form, which includes startup cash (multicopy)
- Fundraiser approval form (multicopy)
- Revenue potential (multicopy)
- Ticket control form, also called the report on ticket sales form (multicopy)
- Purchase order (multicopy, or two copies printed from accounting software or at least copied when the signatures are obtained)

These five forms help provide vital cash controls. One of the district's schools uses multicopy forms, but the forms are missing important components; another school does not use multicopy forms, and its forms also lack important components. It is best practice to make the forms described above multicopy because this helps give both the club advisor and ASB bookkeeper supporting documents and chain of custody protection in the event of a discrepancy.

For example, a multicopy ASB cash count form offers the best chain of custody protection for documenting deposits. Without a copy of this form, the following are likely to occur:

- The ASB bookkeeper retains the final and only ASB cash count form.
- The only evidence the ASB advisor has of an ASB club's deposit is the ASB cash count form for the deposit, which the advisor submits to the ASB accounting bookkeeper. Thus, all control and risk of the deposit rests with the ASB bookkeeper.
- If the security of the ASB office or ASB accounting software is compromised, or if the ASB bookkeeper or other another individual removes the only cash count form from the office, the ASB clubs have no backup documents that would allow them to reconstruct a club's revenue-producing activities.
- Because the club advisor has no duplicate form, there is no way to prove that the ASB bookkeeper did not alter the deposit amounts for personal gain.

Having multicopy forms does the following:

- Gives both the ASB club advisor and the ASB bookkeeper identical and complete records of the deposit information.
- Provides accountability and helps protect both the ASB club advisor and the ASB bookkeeper.

The district does not fully use the five forms above, which provide critical financial information. It is best practice to ensure that these forms remain in a district-prescribed and multicopy format and not be modified. These forms should always be filled out completely because they are necessary to ASB functions.

The FCMAT ASB Manual and the FCMAT website at (www.fcmat.org) contain numerous sample and editable forms that the district can use to update its current forms and identify other forms that will help improve internal controls.

Suggested improvements to individual forms are discussed further below.

Recommendations

The district should:

1. Adopt a standard set of ASB forms and indicate that these forms are to be used by each student body organization.
2. Identify certain forms as required, and provide them to all ASB accounting technicians in multicopy format.
3. Establish a policy that requires that all of these forms be filled out completely.
4. Ensure that any portion of a form that is not applicable is identified as such by the individual or individuals completing the form rather than left blank.
5. Compare all existing district forms with the FCMAT ASB Manual forms, and add forms as needed.
6. Ensure that all forms have the required signatures as indicated on the FCMAT ASB Manual forms.

ASB Fundraisers and Revenue Potential

Fundraising generates most revenue for ASB clubs. California Education Code Section 48932 allows a school district's governing board to authorize K-12 student body organizations to conduct fundraising activities. All fundraising activities need to be approved and need to have revenue projections in advance of the event. A fundraiser approval form should describe the fundraiser, its purpose and any necessary background information, and will have the proper signature approvals. The revenue potential form is a financial document that is used from the beginning to the end of a fundraiser. The revenue potential document has three columns — budget, actual, and difference — and thus helps compare the estimated or budgeted revenue and expenses to the actual results of the fundraiser.

Completing ASB fundraiser approval and revenue potential forms with estimated revenue and expense information can help student organizations have internal controls over their fundraising events and evaluate the cost effectiveness of the events. The fundraiser approval form describes the event, and the revenue potential form is a projection or estimate that serves as a sales plan that includes expected sales levels, sale prices per unit, expected cost, and net income. This is then compared to the actual results of the fundraiser. These forms help an ASB club plan, budget, and compare the actual results of the fundraiser to learn how it performed.

Because the Education Code requires that a district's governing board approve fundraising events, a fundraiser approval form and revenue potential form can also be submitted to the board or the board's designee for approval of the event.

The district does not use a revenue potential form. The district's fundraiser approval form has fields for estimates of revenue and attempts to include the information usually found on a revenue potential form; however, it lacks many elements needed to be a comprehensive combined form. The FCMAT ASB Manual and website have several fundraising and revenue projection forms that can be used to meet the district's needs. The FCMAT Request for Fundraiser Approval form includes a check box indicating whether a revenue potential form has been completed. All of these forms are designed to be flexible while still having the required signature fields.

A revenue projection form can also serve as an internal control standard for revenue reconciliation, because most external auditing firms will indicate audit findings if some form of revenue reconciliation is not performed for each fundraiser. This form can also be used to ensure that the school administrator is informed of and has approved a fundraising activity at the school.

The district's fundraising forms vary, and they do not include fields for all of the necessary information, including in some cases signature fields, and others may have signature fields but are sometimes not signed by all of the correct individuals. Principals are correctly signing some fundraiser forms even though the forms lack a signature field for this.

Fundraisers that involve food sales need additional review and approval because of the many school nutrition rules. FCMAT reviewed a fundraiser that included selling cups of noodles, hot Cheetos, and chips with cheese. Because this fundraiser included selling food, even though FCMAT was told that the principal or school nutrition office had been notified and had allowed the activity, it would be best practice to have food services also approve these types of fundraisers. Similarly, if a fundraiser were requesting to purchase assets to be donated to the school, approvals from risk management, facilities, or other departments are also best practice to ensure that these specialty activities and their outcomes are known by the respective district departments.

Fundraising revenue projections and approvals for all fundraising activities are needed to safeguard student funds. It is acceptable to combine fundraiser approval and revenue projection into one form; however, the combined form needs to include all elements of both forms. Chapter 8 of the FCMAT ASB Manual discusses fundraising events in detail and includes many examples of fundraising approval and tracking forms.

Recommendations

The district should:

1. Create, adopt and require the use of a standard fundraising approval form and revenue projection form, or one form that combines these two. Ensure that any form or the form(s) adopted are multicopy and contain all required signature fields and other elements.

2. Determine if any other forms currently used may be of value as supplemental forms.

ASB Purchase Process and Preapproval

The district had many ASB purchases that occurred before approval was received, which means the purchases were not preapproved. Education Code Section 48933(b) requires that all ASB purchases be reviewed and approved before any spending takes place. Preapproval requires the signatures of the student representative, club advisor, and principal. Regardless of the title of the form used for preapproval of an expenditure (e.g., Purchase Order or Check Request), only a purchase order form that includes all the required signatures meets the requirements for authorizing an ASB purchase.

The district's schools use different forms to document purchases, including a Purchase Order form and a Purchase Requisition Disbursement Authorization/Check Request form. A purchase order may be printed using QuickBooks, or a multicopy purchase order can be completed. The QuickBooks purchase order lacks the required signature line for the principal, and the multicopy purchase order lacks a signature line for the student representative and principal.

The simplest way for the district to improve its purchasing process would be to have a single purchase order form for preapproval of purchases. This form can be modeled after the FCMAT ASB Manual example purchase order, which contains all of the correct fields for authorizing signatures and other necessary information.

If an ASB purchase order has been preapproved and the district prefers to require additional authorization to issue a check, a check request form is allowable. However, under no circumstances should a check request or similar form be used without, or in place of, an ASB purchase order.

Chapter 6 of the FCMAT ASB Manual describes the Education Code requirement for preapproval of ASB purchases as follows:

> All club members, teachers, advisors and other staff must understand that they cannot obligate ASB funds until a purchase order is prepared and approved by the student club representative, a certificated employee of the district (who is the advisor), and a school principal or other administrator or other board designee before the purchase is made. These three required signatures are listed in Education Code section 48933(b) for K-12 and section 76063 for community colleges, and they must be obtained for an expenditure to be considered preapproved. The only way to prove that this Education Code is followed is by having a purchase order or other expenditure approval form containing all three signatures.

Chapter 18 of the FCMAT ASB Manual describes 23 steps in the internal controls disbursement process for organized ASBs (that is, ASBs in which the students make the decisions, typically those in middle schools or high schools) as follows:

> The operations of the ASBs at secondary schools and community colleges are usually more complex and therefore require more elaborate internal controls. At high schools and community colleges, the ASB bookkeeper will be responsible for keeping records for several different clubs. For instance, the ASB bookkeeper at a large high school could maintain the records for more than 50 clubs, writing checks for each club and ensuring that the amount is recorded as a deduction from the appropriate club account. <u>It is important to remember that the ASB is not obligated to pay for an expenditure ordered by a teacher, other staff member, student or other person who has not received approval using a purchase order prior to purchase</u>.
>
> The following are good internal controls for schools with organized ASBs:
>
> 1. <u>The principal/school administrator needs to ensure that all club members, teachers and advisors understand that they cannot obligate ASB funds until a purchase order is prepared and approved by the student club representative, advisor, and principal/school</u>

administrator or other board designee prior to the purchase. For example, if a teacher places an order or goes shopping for materials without a purchase order that has the appropriate signatures, the teacher is responsible for paying for the goods.

2. Each school should have a purchase order form for use when ordering goods for the various clubs and for employees who use their own funds to purchase items and then request reimbursement. The purchase order form demonstrates that the proposed purchase has been approved by all of the appropriate staff members and students. A sample purchase order form is provided at the end of this chapter. Some districts use an expenditure approval form rather than a purchase order. This is acceptable if it has the correct preapproval signatures in compliance with the Education Code. A sample Expenditure Approval form is included at the end of this chapter.

3. When the purchase orders are printed, they should be numbered or assigned a sequential number that is recorded in a purchase order log to track each document and transaction. Multiple copies of each purchase order should be printed and distributed as follows:

   - The first copy is retained by the club requesting the goods.
   - The second copy is for the club or advisor to acknowledge the receipt of the goods. Whoever will physically receive the goods should keep this copy and upon receipt confirm its accuracy, note the date/time the goods were received, sign the copy, and forward it to the ASB bookkeeper.
   - The third copy is sent to the vendor (if applicable).
   - The fourth copy is retained by the ASB bookkeeper and attached to the receiving report when the ordered items are received.

4. At a minimum, the purchase order should include the following:

   - The name of the student club or organization requesting the materials. This is the group that the ASB bookkeeper will charge for the goods.
   - The name and address of the vendor, or of the employee making the purchase with their own money.
   - The quantity of goods, including a description and the cost. The requestor should also estimate the sales tax and shipping charges.
   - Three required signatures. These three signatures meet the requirements for approval in Education Code section 48933(b) for K-12 and section 76063 for community colleges. These signatures must include a student representative, a board designee (principal/school administrator) and a certificated advisor. Because the purchase order has the three required approvals, the check only needs to have two signatures.

5. Before any club makes a commitment to purchase goods, it must prepare a purchase order and obtain all of the required approvals. This is the proof that appropriate prior approval was obtained.

6. If the vendor will not take a purchase order but requires payment by check, the purchase order form should be used as part of the process to request a check and to obtain and document prior approval. A check request is not the same as a purchase order; most check requests are completed after the purchase, not before. The ASB bookkeeper could

maintain a pending purchases file as a reminder to obtain an original receipt after payment is made.

7. The students submit the completed purchase order to the ASB bookkeeper after all of the approvals are obtained.
8. The students record the issuance and approval of the purchase order in the club's minutes. This approval can be given after the purchase or before depending on the district's requirements. The Education Code does not require the club's approval prior to purchase but does require the approval of the three individuals mentioned in the fourth bullet under item 4 above.
9. The students retain two copies of the purchase order. One copy is saved as a permanent record of the order and the other copy is used as a receiving copy.
10. The ASB bookkeeper verifies that the club has sufficient funds to pay for the goods before the order is sent to the vendor or to the employee who will purchase the goods with their own money and subsequently request reimbursement. If the club does not have sufficient funds, the bookkeeper should return the purchase order to the club with a request for a budget revision or a plan for how the item will be paid for.
11. Depending on the policy at the school, the ASB bookkeeper or the club advisor may open and formally receive the goods.
12. The designated receiver (this could be either the ASB bookkeeper or the club advisor) will open the shipment and compare the shipped items to the packing slip.
13. After all of the items have been compared to the packing slip, the receiver will sign the receiving copy of the purchase order.
14. If the advisor is receiving the goods, the advisor should provide the ASB bookkeeper with the signed receiving report (copy of the purchase order) and the packing slip.
15. <u>When the ASB bookkeeper is ready to pay bills, usually once a week, the bookkeeper matches the original purchase order to the invoice and the receiving copy of the purchase order. When all three documents are matched, the ASB bookkeeper will prepare a check to pay the invoice</u>.
16. Two signatures are required on all checks written from ASB funds. One signature is usually the principal/school administrator or designee and the other is a staff member from the school (e.g., the student council advisor) or from the district office. Students should never sign checks.
17. <u>When the checks are presented for signatures, the ASB bookkeeper should also provide all of the documents for review. This allows the signers to review the invoices and purchase orders before signing the check</u>.
18. <u>After the check has both signatures, the ASB bookkeeper mails the check</u>.
19. The check is then recorded in the accounting records for the club.
20. The invoice is marked paid and the check number is written on the invoice.
21. The ASB bookkeeper stores the paid invoices with the receiving report.

22. The invoice may be slightly higher or lower than the original purchase order. The district should have a policy regarding the amount by which a purchase order may be exceeded and still be paid without further approval. For example, if the invoice exceeds the original purchase order by more than 10%, the ASB bookkeeper should obtain approval from the three individuals who approved the original purchase order.

23. The ASB bookkeeper should maintain a list or log of all purchase orders issued and the dates when the goods or services were received and the invoices were paid. This allows the bookkeeper to determine easily at any time whether there are goods that have been ordered and not received, or goods that have been delivered but not processed for payment. Some financial information systems create such a log automatically.

[emphasis added]

The 23-step process described above does not require a check request because the purchase order is the formal required approval for the purchase. A check request may be used as a supplemental form or additional layer of authorization. However, under no circumstances should a check request or other nonconforming purchasing form be used as a substitute for an ASB purchase order.

It is best and common practice to use a single, uniform, multicopy purchase order form that includes the proper disclosures, notifications, certifications, and fields for required approval signatures (club student representative, certificated club advisor, and school administrator/board designee). The district could streamline its process by adopting this practice.

FCMAT's review included examination of a purchase order prepared for a single vendor for referees. The individual referees were not named in the purchase order, nor was a purchase order prepared for each payee or referee. Each referee is only identified when a check is issued. All referees need to be identified on a purchase order before they are paid. As indicated earlier, the district's business office reimburses the ASB for payments to referees, which means the ASB is used as a convenience to pay the referees. However, because the payments to referees are paid through the ASB, the ASB process for preapproval via purchase order needs to be followed. The district could benefit from using a referee payment service, which would be responsible for paying the referee and issuing IRS form 1099's.

The purpose of a purchase order is to obtain approval in advance from the appropriate individuals and thus to confirm that approval was obtained before the funds were spent. Check requests do not accomplish this because they are completed after a purchase has been made.

Any and all purchases, expenditures, or other methods used to obtain goods or services, including reimbursement of an individual, need to go through the preapproval process and be documented using an ASB purchase order.

Check Request

An ASB purchase order's purpose is to document preapproval of ASB expenditures. Even though the purchase order is the governing document that authorizes spending, many districts also use a check request as part of their additional procedures. This is allowable as long as a purchase order has been completed to provide preapproval. However, under no circumstances should a check request or similar form be used as a substitute for an ASB purchase order.

An ASB purchase order documents that a proposed ASB expenditure has been preapproved by the student representative, club advisor, and school administrator or principal. If one of these required signatures is missing from the purchase order, even if it is shown on another form such as a check request, the ASB purchase is not considered preapproved.

Recommendations

The district should:

1. Ensure that it follows the requirements of Education Code Section 48933(b) for purchases.
2. Require use of a purchase order form and the proper process to authorize purchases before any check is processed or any order is placed. Train all school administrators and ASB staff regarding the need for this approval in advance.
3. Design, approve and use a single, uniform, multicopy ASB purchase order form that meets all purchase preapproval requirements. If the QuickBooks form will continue to be used, ensure that it contains all required elements.
4. Ensure referees are individually identified in purchase order preapproval, or consider using a referee payment service.

Cash Controls

Cash Counts and Verification

In any school district, cash counting is one of the points at which internal controls are most needed. To record ASB cash counting, the district uses three types of cash count forms: a cash count form, a financial report for cash box form, and a coin and currency count form that show checks and cash. According to the district, the actual cash count form is used when there is no startup cash involved. If there is startup cash issued, the Financial Report for Cash Box form is used as the cash count form. In other instances, such as a robotics club deposit reviewed, a Tally Sheet is used as the cash count form; however, this form does not identify separately the cash denominations or the checks received, and is missing the signature lines needed to identify all those who help count the funds.

All of the district's cash count type forms need additional signature and date lines to identify all individuals who count funds at the fundraiser and when funds are turned in to the bookkeeper. This process documents the chain of custody of cash from beginning to end. FCMAT reviewed the district's forms and found that those counting funds at the event and at the bookkeeping office are not signing and dating the cash count form as witnesses. All funds need to be dual counted at the event and again when delivered to the bookkeeper. No funds of any kind, including checks, should be counted by only one person. The purpose of having a witness is to attest that all funds, regardless of type or form, have been properly and accurately received, counted, and presented to the bank. Chapter 13 of the FCMAT ASB Manual includes a good example of a two-page cash count form that contains all the elements needed; the manual also lists the supporting documentation that must accompany the multicopy form.

The most important component of the cash process is dual counting (in ASB, the term 'cash' includes cash, checks, coins, and any other form of payment). This means always counting all cash with a witness present throughout, and ensuring that both individuals sign the form indicating that the amount of the funds matches their count. Subsequently, when the funds are returned to the bookkeeper, they are once again counted by two individuals and the form is signed by both. The two signers who counted the funds initially at the fundraiser can also subsequently count the funds with the bookkeeper, or the bookkeeper can be one of the counters and can sign. The important internal control element is that there are always at least two or more witnesses who also sign. A student can also help count money and can be one of the two or more signers of the cash count form.

It is best practice to ensure that all cash receipts are counted twice and signed for and dated by two individuals so there is a witness and a record whenever cash changes hands before the funds are deposited. This includes counting cash when tickets are sold. Some of the district's schools use a ticket tally sheet, but there is no evidence that the funds are counted by two individuals at the fundraiser and again when submitted to the bookkeeper. Although the tally sheet has signature lines for the person who prepared the report, the club advisor, and the administrator, there are no preprinted signature lines on the form to identify the signatures for those who count and witness the funds. Chapter 13 of the FCMAT ASB Manual includes a good example of ticket sales form that includes all necessary signature lines.

In other instances, the bookkeeper signs tally sheets or other count forms to help the process along, but again signatures and dates are missing for all those counting funds within the chain of custody.

The district has no ASB policy that identifies the ASB bookkeeper's procedure for handling discrepancies in cash counts when making deposits. The bookkeeper is put in an unfavorable situation when a cash count discrepancy exists. In most cases, this occurs when the bookkeeper identifies a difference between the bookkeeping office's cash count and the club's cash count. The ASB bookkeeper is often able to resolve the difference with the witness present at the time of the cash counting; however, the outcome depends on the size of the discrepancy: some discrepancies may require further examination.

The district needs to establish a procedure for the ASB bookkeeper to follow when there is a significant discrepancy between the ASB bookkeeping office's cash count and that of a club. All discrepancies, regardless of amount, should be reported immediately to the school administrator, and the ASB club should also be notified. Good communication is necessary but is not in itself sufficient to protect the ASB bookkeeper from being accused of removing cash if a shortage is identified. This is another reason it is vital to ensure that a witness is present whenever money is counted.

Startup Cash and Cash or Change Boxes

Startup cash is needed to make change at events. At the district, the startup cash is often not counted, and there is no form with signatures indicating that the amount received matches the amount in the startup cash box.

Whenever cash is issued or received (including startup cash and cash returned from an event), the cash should be dual counted and both parties should sign the appropriate form. For example, if $200 is put into the cash box as startup cash, the bookkeeper should sign and date the form, indicating that the startup funds counted are $200. When the cash box is received, the individual(s) who obtained the box should recount the cash and also sign and date the form. The startup cash count form can be separate or can be included as a line item on the cash count form as long as it has fields for the startup cash amount, signatures of at least two individuals who counted it, and date.

The district's financial report for cash box and ticket sales forms include a field for a cash box amount titled "Less Cash Box," but no accompanying fields for verification signatures and dates. Because dual counting and documentation should take place when tickets are sold, the forms need these fields.

Regardless of the specific form used, dual counting of startup cash is necessary and is a vital internal control.

Chapter 19 of the FCMAT ASB Manual describes startup cash as one of the processes that can create vulnerabilities if sufficient internal controls are not in place:

> Some events require a cash box containing startup cash to make change.
>
> For example, if the ASB bookkeeper has the person sign a form that acknowledges receipt of the startup cash for change and that states the amount (e.g. $400) but does not require them to count the money at that time in their presence, the person could end up with less money than stated on the form (e.g. $300), and as a result be held accountable (i.e. be blamed) for the difference.
>
> If the bookkeeper places startup money in the cash box but fails to document it with a cash count form signed by both parties and cash is subsequently stolen or miscounted for any reason, or the individual receiving the startup funds incorrectly identifies a smaller amount than was actually provided, the club will receive less revenue than expected.
>
> Some ASB bookkeepers keep a startup cash log and require everyone who receives startup cash to sign it signifying that they have counted the startup cash together with the ASB bookkeeper and that they agree regarding the amount. Failure to keep such a log creates the potential for simple errors that can result in allegations of wrongdoing.
>
> **Recommended Preventive Measures**: Always have both the ASB bookkeeper and the person receiving the startup cash count the money, and document this count with signatures signifying agreement regarding the amount.

Cash Custody: Tamper-Proof Bank Bags and Transporting Cash

Tamper-Proof Bank Bags

At the district, fundraising money is often returned in zipper bags or envelopes. Zipper bags, even locking zipper bags are not as secure as plastic tamper-proof bank bags, which once sealed cannot be opened without cutting or mutilating the bag. This means the funds are secure in the bag and cannot be removed without detection unless the bag is replaced. Tamper-proof plastic bank bags should be used at every stage in the cash handling process. This means sealing cash in the bag at the fundraiser and sealing cash in a new bag when counted by the bookkeeper. Many banks will provide these bags free of charge.

Transporting Cash and Bank Deposits

The district's practices do not always include taking money to the bank with a witness. Just as cash should not be counted alone, cash should not be transported to the bank alone, not only for security but because if a car accident or other mishap occurs and the funds are taken, there is no witness to the event. According to the district, money is most likely to be taken to the bank with a witness in the evening because the bookkeeper is less confident about their security than in the day. However, regardless of the time of day, all funds should be transported with a witness.

Bank Deposit Book Tickets

FCMAT examined the dates of fundraisers and ticket sales compared to the dates of the deposit and found that the deposits were made in a timely manner.

The district's bank deposit book tickets have both a white and yellow copy. The yellow copy is currently retained in the bank deposit book. A better best practice is to attach the yellow copy to the cash count form. This way, the amount on the yellow deposit slip can easily be seen to reconcile with the cash count form amount and receipt from the bank.

Recommendations

The district should:

1. Require that funds always be dual counted and that both individuals counting sign and date the deposit so there are always two signatures affirming the deposit amount.
2. Emphasize to staff that any ASB representative (including an ASB club advisor, district office ASB bookkeeper, or school ASB accounting technician) who counts ASB funds alone or does not obtain a witness signature for the cash counted can easily become a target for wrongful accusations that they have misappropriated student funds.
3. Review all district ASB forms that have to do with receiving funds, and ensure that each of them includes fields for additional witness signatures and dates.
4. Ensure that the ASB bookkeeper counts any cash received in the presence of one or more witnesses who can confirm that the count is accurate.
5. Establish an approved ASB cash count discrepancy amount (such as $5, $25, $50 or even $100), at or above which a second count with a witness is required.
6. Ensure that all discrepancies are reported immediately to the school administrator and the affected club.

7. Change its ASB cash count form to include fields for the amount of startup cash received, the signatures of the ASB bookkeeper and the individual who receives the startup cash, and the dates of each individual's count.
8. Require that the individual who receives startup cash sign and date the ticket sales form or cash count form to indicate that they have counted and agree regarding the amount of the startup cash.
9. Review and compare the FCMAT ASB Manual cash count form, ticket count form, and all other cash handling forms to those of the district, and either update the forms or replace them with those prepared by FCMAT. If updating an existing form, include signature and date fields for two individuals at the fundraiser and when submitted to the bookkeeper so there is a witness to the amount counted.
10. Use tamper-proof bank bags at every stage to transport funds for deposit.
11. Remind all staff that ASB funds should be taken to the bank by two individuals to ensure there is a witness.
12. If no individual is available to accompany a depositor to the bank, consider hiring a company to pick up the deposits from the schools rather than having one individual make the deposit.
13. Attach the yellow bank deposit book ticket to the cash count form.

Student Store

A student store presents an opportunity for students to learn more about running a business. The district's high school student store's cash register is not user-friendly and is not a point-of-sale system most students are familiar with in their daily lives. A more current and user friendly electronic point-of-sale system with a cash register would provide improved learning opportunities.

Student Store inventory is not taken regularly. Taking inventory is one way students. learn about running a business. Inventory needs to be performed by the students monthly, or based on a board policy; this can be monthly, quarterly, semiannually, or annually depending on what the district's business office considers appropriate.

Recommendations

The district should:

1. Consider upgrading the student store to a more current and user-friendly electronic point-of-sale system.
2. Perform student store inventory at the intervals specified in district board policy.

Dance Tickets

The district uses a ticket control form, and controls are in place to track the number of tickets sold. Dance tickets collected upon entrance to an activity are retained, placed in an envelope, and attached to the cash count form. The number of tickets issued is reconciled against the number sold. Currently, the tickets are kept for seven or more years. FCMAT believes keeping tickets for approximately two years is usually sufficient, though this depends on district policy or its auditor's preference. Because used tickets can be bulky and difficult to store, having a ticket retention policy is advisable.

Chapter 13 of the FCMAT ASB Manual describes 11 steps for using prenumbered tickets:

1. The ASB bookkeeper (or other person/position responsible for bookkeeping) at the school is responsible for purchasing prenumbered tickets and storing them in a safe place. Only the bookkeeper and the principal/school administrator (or designee) should have access to the inventory of ticket rolls.

2. The ASB bookkeeper must maintain a record of the number of rolls of tickets in inventory and the beginning and ending ticket numbers on each ticket roll. The Ticket Inventory form (presented later in this chapter) was designed for the bookkeeper to use for this purpose. When a roll of tickets is given to an advisor for a fundraising event, the beginning number is recorded on the form when the roll is issued, and the ending number is recorded when the roll is returned to the bookkeeper.

3. At the fundraising event, this cash control procedure involves two people. One person collects the money and issues the prenumbered ticket as proof of purchase. A second person collects the prenumbered ticket when the person enters the event.

4. At the end of the fundraising event, the total number of tickets issued is counted and recorded on the Report of Ticket Sales form. A second person should count the tickets that were collected to verify the accuracy of the count.

5. At the end of the fundraising event, at least two people should independently count the cash and checks collected. They should use the ASB Cash Count form to help with this.

6. The students then enter the amount of the total cash counted on the Report of Ticket Sales form.

7. If the number of tickets sold does not equal the amount of cash collected, the students and the advisor should determine the reason for the cash overage or shortage immediately after the event.

8. At the end of the event, the advisor should see that the following items are stored in a safe place: cash and checks, Report of Ticket Sales form, ASB Cash Count form, and the unsold tickets. Each school must establish after-hours cash security procedures so that cash and checks can be stored in a locked bag in the school safe until the amounts can be counted and verified with the school bookkeeper.

9. The next school day, the advisor should provide the ASB bookkeeper with the Report of Ticket Sales form, the ASB Cash Count form, and the remaining tickets. The cash and checks should already be in the school safe. When the cash and checks are retrieved from the safe, the bookkeeper should issue a receipt for the cash and checks, but only after the two individuals (the advisor and the bookkeeper) have counted the dollar amount together and recorded that amount on the receipt. If the advisor is not able to count the funds with

the bookkeeper, another individual must do so; the bookkeeper should never count funds alone.

10. For events that have tickets of different prices, the students should use different colored tickets for each price. The students must account for each roll of tickets separately, but they may use the same cash count and ticket sales forms.

11. Event tickets should be kept at least until after the annual audit of the ASB is complete, but not for more than two years. Some auditors will audit tickets and cash receipts before the end of the fiscal year, but other auditors will not audit these until October of the following fiscal year.

[emphasis added]

Recommendation

The district should:

1. Adopt a district policy for how long used tickets are kept.

Scholarships

FCMAT examined the district's practice of selling graduation caps and gowns as a fundraiser for student scholarships. Discussion about the fundraiser revealed that the fundraiser was not the students' idea, but that of the counselors or adults at the school. Even though the scholarships may be for students, and a noble endeavor, if the activity is not the students' will or idea and not an ASB function, this particular type of fundraiser would be better managed outside of the ASB and approved as a school activity. If the fundraiser is approved as an ASB activity, is the students' idea, and meets all of the other fundraising and scholarship rules, then the activity may be an ASB fundraiser.

Chapter 14 of the FCMAT ASB Manual describes scholarships as follows:

> As discussed in Chapter 8, the student council may accept scholarships and trusts from outside donors (individuals or organizations) with the approval of the governing board or authorized designee. The acceptance should be made in writing and should clearly describe all the conditions the donor is requesting. These funds should be accounted for separately in a trust account within ASB and used specifically for scholarships. If the donor does not establish criteria for award of the scholarship, the principal/school administrator should work with a committee that includes at least one student representative to determine the criteria for the scholarship. A donor may not donate toward a specific student's scholarship. If a donor wishes to fund a specific student's higher education, the donor should transact directly with the student; such donations are not tax-deductible.
>
> Scholarships paid from student body fundraisers rather than from outside donations are normally not allowable because they do not benefit a group of students. School district governing boards may sometimes approve fundraisers specifically to raise scholarship funds, or may approve a club whose sole purpose is to raise scholarship funds. If governing board approval has been received, a separate trust account should be opened within the ASB specifically for these donations, with board approval, and then closed after the scholarship(s) are paid. It is critical to ensure that the board approves this fundraising and to clearly document that the only funds raised for scholarships are those that were fundraised and paid out for that specific purpose. No funds from other clubs or accounts should be used for scholarships.
>
> If scholarships are to be allowed, the district should set guidelines regarding how many will be allowed annually. There should be established selection criteria for all scholarships. Cash awards are not allowed; rather, scholarship checks should be made payable to an institution of higher learning or a college bookstore, to be used toward tuition or books and supplies.
>
> The normal rules regarding prior approval also apply to scholarship disbursements: as is the case with all ASB expenditures, the approval should be documented on the expenditure approval form by the signatures of the student representative, advisor and principal/school administrator, and noted in the club meeting minutes.

Recommendation

The district should:

1. Add district policy about scholarships, how scholarships will be administered, and the requirements and procedures needed to receive a scholarship.

Raffles

The district has conducted raffles for fundraisers. Raffles are not allowed under any circumstances in a school district, and ASBs are part of a district and so are included in this prohibition. Raffles are considered gambling. Even if a vendor or supplier donates items to be raffled, a raffle cannot be conducted by a school district or any part thereof. Raffles can be conducted by legally organized 501(c)(3) nonprofit organizations such as booster clubs, parent-teacher associations, parent-teacher organizations, foundations, and community organizations such as Elks Club or Kiwanis.

Recommendation

The district should:

1. Establish board policy to ensure that raffles are not conducted by the schools or ASB.

Reporting Payments to Independent Contractors

An ASB's federal identification number is the same as that of its school district. This means that any independent contractor who performs services for any school should receive an IRS Form 1099 from the district office. The IRS requires this form for any independent contractor who is paid $600 or more in any year. This minimum is applied districtwide, not school by school. Bookkeepers at each school are requested to provide the district office with a list of independent contractors who have been paid more than $600. This does not result in accurate accounting on a districtwide basis; bookkeepers need to provide the district office with a list of all independent contractors paid, regardless of amount. This way, the district office can aggregate all payments to an independent contractor from all schools to determine if a contractor has met or exceeded the $600 threshold for issuing a Form 1099.

Recommendation

The district should:

1. Require all payments to independent contractors, regardless of amount, to be reported to the district business office.

Awards to Individual Students for Work

The district rewards the efforts of students who help at the concession stands or at the gates during events by giving them a free yearbook, cap and gown, paid senior event, or other recognition. Students who help track their hours worked during the year using a student helper sign-in sheet.

Rewarding students for this labor has several issues. There may be a labor issue because the recognition is a form of compensation; however, no payroll taxes are withheld, and the students complete no employment documents. The recognition is to an individual and thus could be considered a gift of public funds, especially if the compensation or award is provided through the ASB.

These items of recognition cannot be considered awards because awards are for excellence while these recognitions are for volunteering with the promise of some form of compensation. In addition, helping with concession stands and at gates during events should be a voluntary activity, not compensated. Because not all students will be able to help with these activities (due to scheduling, family, other activities or numerous other factors), providing compensation creates a situation in which not all students have the same opportunity, including those students who are less fortunate and may have more need for the awarded items.

Recommendation

The district should:

1. Discontinue compensating students for any ASB activities.
2. Review its awards policy to ensure that it defines what constitutes recognition and that it prohibits recognition for volunteer efforts.

Meeting Minutes

ASB club minutes are kept and approved in during a meeting; however, these minutes are not formally approved in the subsequent meeting. The minutes are signed by the student secretary but not by the club advisor. The club minutes form also lacks important financial details such as purchase orders approved or submitted and invoices paid.

Chapter four of the FCMAT ASB Manual describes in detail good practices for meeting minutes and provides a sample format for student council or club meeting minutes that includes the appropriate signature lines for the secretary and club advisor.

Recommendations

The district should:

1. Revise and update its ASB meeting minutes form, or adopt the FCMAT ASB Manual form for this.
2. Ensure that both the club secretary and club advisor sign minutes.
3. Ensure that the previous meeting's minutes are approved in the subsequent meeting, and that this is recorded in the current meeting's minutes.
4. Ensure that meeting minutes list and show approvals for all important financial transactions, such as purchase orders and invoices.

ASB Safe

The middle school does not have a safe in which to keep ASB funds, tickets and other items that should be secured. Cash and other important items are kept in a back room that is locked and is reportedly difficult to gain entry to because only a few keys are available. There is a floor safe in the back room, but reportedly no one has been able to open or access the safe for many years, and FCMAT found that even if accessed it would be too small and difficult to use daily.

Recommendation

The district should:

1. Obtain a large safe for the middle school, anchor it to the floor, use it to store ASB funds and other items that need to be secured, and limit access to only those who need it.

Appendix

Study Agreement

FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
CSIS California School Information Services

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
March 15, 2019

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the McFarland Unified School District, hereinafter referred to as the district, mutually agree as follows:

1. **BASIS OF AGREEMENT**

The team provides a variety of services to local education agencies (LEAs). The district has requested that the team provide on-site technical assistance to study specific aspects of the district's operations. The professionals engaged for this assistance may include staff of the team, county offices of education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

2. **SCOPE OF THE WORK**

A. Scope and Objectives of the Study

1. Conduct on-site technical assistance for the McFarland Unified School District, evaluating the district's associated study body operations, which would include policies, processes and procedures, such as forms, used at the district office and school sites. At the conclusion of fieldwork, a management letter will be provided with written findings and recommendations.

2. In addition, conduct a 3.5-hour ASB workshop for the district during the visit. Attendees should include district office staff providing oversight to ASB, site principals, vice principals, activity directors, athletic directors, bookkeepers, and members of the student council.

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B. Services and Products to be Provided

1. FCMAT will coordinate dates for technical assistance with the district

2. At the conclusion of technical assistance, FCMAT will provide a management letter documenting that the requested services are completed.

3. **PROJECT PERSONNEL**

Technical assistance services will be provided by Michael Ammermon, CPA, CFE, CRFAC, DABFA, FCMAT Intervention Specialist.

4. **PROJECT COSTS**

The cost for technical assistance services shall be as follows:

A. $800 per day for each staff team member, while on site, conducting fieldwork at other locations, presenting reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.

B. All out-of-pocket expenses, including travel, meals, and lodging. The district will be invoiced at actual costs.

Based on the elements noted in section 2A, the total not-to-exceed cost of the services is $7,500.

C. Any change to the scope of services will affect the estimate of total cost.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools – Administrative Agent located at 1300 17th Street, City Centre, Bakersfield, CA 93301.

5. **RESPONSIBILITIES OF THE DISTRICT**

The district will provide office and conference room space while on-site reviews are in progress.

Pursuant to Education Code (EC) 45125.1(c), representatives of FCMAT will have limited contact with pupils. The district shall take appropriate steps to comply with EC 45125.1(c).

6. **PROJECT SCHEDULE**

The schedule of services will be the week of August 19 (final dates to be determined jointly by FCMAT and the district).

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7. **COMMENCEMENT, TERMINATION AND COMPLETION OF WORK**

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its management letter, subject to the cooperation of the district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a preliminary draft management letter and a final management letter. Prior to completion of fieldwork, the district may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the district does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its management letter and the district will be responsible for the full costs. The district understands and agrees that FCMAT is a state agency and all FCMAT management letters are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a management letter once fieldwork has been completed, and the district shall not request that it do so.

8. **INDEPENDENT CONTRACTOR**

FCMAT is an independent contractor and is not an employee or engaged in any manner with the district. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the district in any manner without prior express written authorization from an officer of the district.

9. **INSURANCE**

During the term of this agreement, FCMAT shall maintain liability insurance of not less than $1 million unless otherwise agreed upon in writing by the district, automobile liability insurance in the amount required under California state law, and workers' compensation as required under California state law. FCMAT shall provide certificates of insurance, with McFarland Unified School District named as additional insured, indicating applicable insurance coverages upon request prior to the commencement of on-site work.

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10. **HOLD HARMLESS**

FCMAT shall hold the district, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the district shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

11. **CONTACT PERSON**

Name: Ambelisa Garcia Duran, M.B.A.
Superintendent CBO
Telephone: (661) 792-3081
E-Mail: amgarcia@mcfarland.k12.ca.us

4/9/19

Mr. Samuel Resendez, ~~Interim~~ Superintendent Date
McFarland Unified School District

March 15, 2019

Michael H. Fine Date
Chief Executive Officer
Fiscal Crisis and Management Assistance Team

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