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

San Marino Unified School District

Associated Student Body Review

July 2, 2013

Joel D. Montero
Chief Executive Officer

FCMAT
FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

CSIS California School Information Services

July 2, 2013

Julie Boucher, Assistant Superintendent, Business Services
San Marino Unified School District
1665 West Drive
San Marino, CA 91108

Dear Assistant Superintendent Boucher:

In February 2013, the San Marino 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. The agreement was amended on April 30, 2013 so that FCMAT could perform additional work. Specifically, the agreement stated that FCMAT would perform the following:

1. Conduct a management review of the district's procedures, practices, operations and internal controls related to associated student body (ASB) operations at the district's middle and high school, and provide recommendations for improvement and action plans.

2. Work with the district to identify which existing funds should remain in the high school and middle school ASB accounts, versus which should be transferred to the district's donation accounts. The team will visit the middle school, high school and district office to interview staff and review documentation in order to make the appropriate determination.

This report contains the study team's findings and recommendations. FCMAT appreciates the opportunity to serve the San Marino Unified School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,

Joel D. Montero
Chief Executive Officer

FCMAT
Joel D. Montero, Chief Executive Officer
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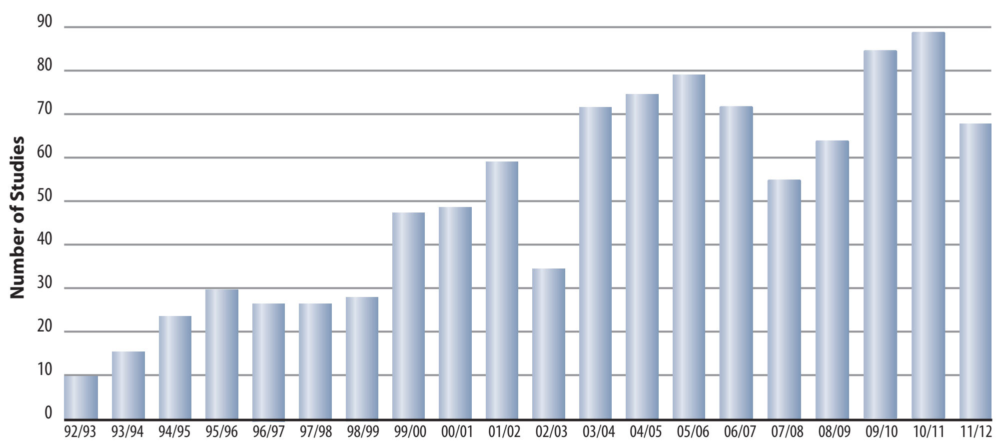
About FCMAT

FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial 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 and efficient operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and share information.

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 local education agency 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.

Studies by Fiscal Year



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help local educational agencies operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) arm of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS) and also maintains DataGate, the FCMAT/CSIS software LEAs use for CSIS services. FCMAT was created by Assembly Bill 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. Assembly Bill 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. Assembly Bill 1115 in 1999 codified CSIS' mission.

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

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

Since 1992, FCMAT has been engaged to perform nearly 850 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 Joel D. Montero, 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 San Marino Unified School District is located in the city of San Marino and serves approximately 3,150 students at one high school, one middle school and two elementary schools.

The district had numerous audit findings in past years related to its student body funds but has devoted time and funds to improving and strengthening its ASB operations in recent years. This included contracting with an outside agency to review its school site operations, providing training to staff, and developing a manual titled *Procedures for Management of Associated Study Body Funds Manual*, which the district adopted in July 2011. However, the district recognized that more work was needed in this area and contracted with FCMAT to provide ASB training in December 2012, to conduct this review in April 2013, and to further help the district comply with requirements in this area.

Study Team

The study team was composed of the following members:

Michelle Plumbtree
FCMAT Chief Management Analyst
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Mike Ammermon, CPA, CFE
FCMAT Consultant
Laguna Niguel, CA

John Lotze
FCMAT Technical Writer
Bakersfield, CA

Study Guidelines

In February 2013, the San Marino Unified School District and FCMAT entered into an agreement for management assistance. The amended study agreement states that FCMAT will perform the following:

1. Conduct a management review of the district's procedures, practices, operations and internal controls related to associated student body (ASB) operations at the district's middle and high school, and provide recommendations for improvement and action plans.

2. Work with the district to identify which existing funds should remain in the high school and middle school ASB accounts, versus which should be transferred to the district's donation accounts. The team will visit the middle school, high school and district office to interview staff and review documentation in order to make the appropriate determination.

The Fiscal Crisis and Management Assistance Team (FCMAT) visited the district office and its middle school and high school, on April 15 and 16, 2013 to conduct interviews with district and site staff, collect data and review documents. This report is the result of those activities and is divided into the following sections:

I. Executive Summary

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Executive Summary

Although the district has adopted board policies, provided training and adopted a policy manual related to its associated student body (ASB) operations, it is not in compliance in a number of areas, and additional attention is needed. Various board policies need updating and clarification, and more thorough oversight is required. The district recognizes these issues, and until recently the accounting office has not had the staffing resources to provide effective oversight. However, during fiscal year 2012-13, the district added staffing to provide oversight. This is a positive change and should serve the district well. Oversight will need to include regular site visits and internal audits. The district should also consider establishing or developing an independent third-party whistleblower hotline and/or Web-based fraud reporting service.

FCMAT's review consisted of the middle and high schools, both of which have organized ASBs, because the students organize their activities around student clubs and a student council. Adults (certificated advisors, principals, assistant principals and district office staff) provide oversight and assistance, but in an organized ASB the students do the work and make decisions.

Only funds raised from approved student club fundraisers should be deposited into an ASB account, and only when the club has the following required elements in place:

- A certificated employee as advisor
- Student officers
- An official constitution
- Students are mainly responsible for their club
- Students hold formal meetings, keep meeting minutes and take actions that demonstrate that the student council or club has followed the ASB organization's procedures, including the following:
    - Having an adopted budget approved and on file
    - Ensuring that students plan and operate fundraisers, decide how the funds will be spent, and preapprove payments

If all of these elements are not in place, then the funds do not belong in an ASB account. The district lacks some of these elements, including constitutions for all approved clubs at the middle school; students approving expenditures prior to purchase at the high school; and budgets for all student clubs (which are either lacking entirely or lack sufficient student participation). In addition, various funds are in the ASB accounts that do not belong in these accounts because of the way they were raised and/or their future use. Some ASB accounts contain donations from families that should instead be deposited into a district account.

Organized ASB organizations and clubs must have an annual budget. This allows the ASB organization to estimate at the beginning of the school year what its financial status will be at the end of the year. Those estimates need to be updated continually throughout the fiscal year. Some of the district's student clubs do not prepare annual budgets, and for some, the students are not participating in budget development; rather, adults are developing the budgets and requesting students to approve them after the fact.

The district's board policies do not include requirements for closing inactive clubs, and some clubs are allowed to have a negative account balance during the fiscal year, and to become inactive while they still have a negative balance. The district should update its board policies to include these requirements, and should not allow clubs to have a negative fund balance at any time.

Monthly ASB financial reports and bank reconciliations should be issued by the ASB accounting technician, reviewed by all ASB clubs, the district's accounting office, school site principal or administrator, and ASB activities director/club advisor. Financial reports and bank reconciliations should be signed and dated when produced as well as when reviewed to ensure formal indication that they have been reviewed and approved.

The district has developed several important forms that contain critical cash and financial control information. The district needs to ensure that the forms remain in the prescribed format and not be modified. The forms should also be designed to produce multiple copies and should be completely filled out. These forms include the following:

- ASB cash count form
- ASB project approval form with estimated revenue information
- Ticket control sheet
- Purchase order
- Check request form

Some fundraisers, particularly at the middle school, are not being approved in advance as required by Education Code 48932 for K-12 organizations, nor are revenue projection forms being prepared consistently. The district should ensure that all ASB fundraisers throughout the district are approved in advance and that they have a revenue projection form so that the student organization will have adequate controls over its fundraising events as well as the ability to evaluate their effectiveness.

The middle school ASB should completely fill out revenue projection forms, obtain approvals, and sign off on all of the current fiscal year's fundraising events. Fundraising includes but is not limited to activities such as the snack shop, dances, and beverage sales.

Various forms related to cash and deposits need to be updated to include additional signature and date fields. It is critical that cash receipts be recounted whenever cash changes hands prior to deposit. At least two witnesses should be present, and each should sign and date a form verifying the amount at each recount. The district also lacks and thus needs to develop an ASB policy that identifies the ASB accounting technician's procedure for handling discrepancies in cash counts of deposits.

When making purchases using ASB funds, the district is required to follow Education Code section 48933, which requires that ASB funds be spent only with the prior approval of three people: an employee or official of the school district designated by the governing board; the ASB advisor (who must be a certificated employee); and a student representative of the ASB organization. The district's high school is not consistently acquiring these approvals, nor are the correct forms being used. The purchase order form needs to be updated to include the appropriate information and consistently used to authorize purchases prior to checks being requested. The district also needs to develop a separate form for journal entries and transfers rather than using the purchase requisition form; this will enable it to differentiate between different types of transactions. The district will also need to instruct all school site administrators and ASB staff that all journal entries and transfers must be approved by the appropriate individual in the district's accounting office before they are entered into the ASB accounting system.

At least one booster club's accounting and funds are commingled with and deposited into the district's ASB account. Student body funds and the funds of nonstudent organizations (booster groups, auxiliary groups, and parent groups) should never be commingled. Student body funds are never to be used to "front" money for nonstudent body fundraising expenses. Nonstudent organizations shall be responsible for the collection of their own money, tickets and other items.

At San Marino High School, officials and referees for sporting events are paid with checks that are generated from the ASB accounts and given to these individuals at the sporting event. To accomplish this, W-9s are collected and 1099 forms are issued through the ASB rather than through the district office. Although the ASB can legally pay the officials, issuing checks on demand at each sporting event creates an undue burden on staff because of the quick turn-around, and it requires processing many checks rather than one larger check to pay for several games worked. It would be more efficient to provide these contractors with a single district check for a given number of services performed.

Findings and Recommendations

ASB Policies, Procedures and Oversight

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

- Comprehensive board policies and administrative regulations regarding ASB operations and funds that provide 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 accounting office.
- Annual training for all staff members and students who work with ASB operations.
- Standard processes and procedures at all sites.

The district has been aware that it needs additional guidelines and controls in this area. In August 2010 the district contracted with an outside consultant to review processes and procedures and provide recommendations to improve ASB operations. The district has also adopted board policies regarding student body funds, a manual that addresses expectations, titled the *San Marino Unified School District Procedures for Management of Associated Study Body Funds Manual*, and procedures, all of which identify the minimum guidelines for administering the district's ASB activities. Staff are also aware of and have access to the 2012 FCMAT *Associated Student Body Accounting Manual, Fraud Prevention Guide, and Desk Reference*, which has the most up-to-date ASB policies and procedures and fraud awareness tools. This manual has also become part of the district's ASB resources.

The district has also provided its staff with both internal and external professional development training. The most recent training was conducted in December 2012, when FCMAT provided ASB training to school site and district office staff, and past trainings have been provided by other agencies. The district plans to provide staff with training annually.

The district's adopted board policies do not indicate that the district has adopted either the FCMAT ASB manual or its own district ASB accounting guide 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 *San Marino Unified School District Procedures for Management of Associated Student Body Funds Manual* as district ASB board policy. If any conflict occurs between the most recent *Associated Student Body Accounting Manual, Fraud Prevention Guide, and Desk Reference* and the *San Marino Unified School District Procedures for Management of Associated Student Body Funds Manual*, the policies and procedures established in the latter document will prevail.

This type of language allows the district to modify the *San Marino Unified School District Procedures for Management of Associated Student Body Funds Manual* to include specific policies and procedures that the district may want to adopt that differ from those in the manual developed by FCMAT.

The district's board policies and its ASB manual lack clear instructions and information regarding capitalization of equipment. Also, although current board policy allows school principals to sign ASB contracts for less than $5,000, assistant principals are approving some ASB contracts.

To ensure successful ASB operations, the district's accounting office staff need to be responsible for general oversight of student body activities. Until recently, the district's accounting office has not had sufficient staffing resources to provide effective fiscal oversight; however, the district recently added staff to provide oversight. This is a positive change that should serve the district well. To provide adequate oversight, the accounting office staff will need to do the following:

- Serve as a resource and answer questions from school site staff.
- Provide training at least annually regarding the district's ASB manual and procedures. This includes providing new staff members and student council members with copies of the manual and training during the year.
- Visit school sites periodically to review the procedures in operation and answer questions. It is a good practice to visit each school quarterly, and more often such as monthly, if the site appears to have problems or continues to have audit findings year after year.
- Obtain and review financial reports from the school sites at least quarterly.
- Review the reconciled bank statements for all ASB accounts at school sites regularly, preferably monthly.
- Work with the school sites' staff to respond to problems noted by the auditors in the annual audit and develop corrective actions to resolve the problems.
- Follow up on all issues regarding the administration of student organizations.
- Develop accounting procedures for recording and controlling the student body organizations' financial transactions.
- Periodically review procedures to ensure that they conform to prescribed accounting procedures. Use input from site staff, student organizations and district auditors, and take this information into consideration when updating policies and procedures.

District office staff often incorrectly perceive the district office's internal ASB audits as an indication that something is wrong with the ASB bookkeeping and club transaction reporting system at the school site. However, an internal ASB audit is a positive measure that helps ensure that ASB policies and procedures are being followed and demonstrates to the district and the public that the district is actively safeguarding its students' funds. An internal audit that has no findings also corroborates the professionalism and abilities of the ASB accounting technician and activities director.

If any audit or review identifies problems with internal controls, the district needs to act as soon as possible to correct any inefficient or problematic procedures. As discussed later in this report, standardization should also not be overlooked: if something works well, it should be used districtwide rather than each school site creating its own procedure. For example, the district uses a variety of forms at different school sites. Standardizing the forms districtwide would allow for consistent reporting and monitoring of procedures and be more effective.

It is important to provide assurance to management that the internal control system is sound. Preparing and maintaining adequate documentation of all procedures to document what is occurring helps provide such assurance. In addition, monitoring (e.g. internal audits) should be performed periodically throughout the fiscal year, and the site administrator, ASB advisor and district accounting office should provide ongoing fiscal oversight. Although the annual independent audit is another monitoring mechanism and helps ensure compliance with state and federal regulations, it is not adequate to ensure that the internal control system is sound; internal audits and documentation are also needed.

Effective internal controls do not eliminate the chance of errors or fraud, but they reduce the risk to an acceptable level. Very few entities have perfect internal controls, so it is imperative that management develop techniques to offset any weaknesses.

At the middle school, sales and use tax is reported to the district office, which then pays both that tax and the tax the district owes from its other operations. However, at the high school, sales and use tax is accounted for and paid directly to the California State Board of Equalization using the high school's sales tax identification number. All sales tax and use tax needs to be reported through the district office using the district's sales and use tax identification number for all school sites and the district. The district office should accumulate all sales and use tax districtwide and remit those funds and the California State Board of Equalization sales and use tax report to the State of California. The high school should not be independently reporting this information and paying the related taxes.

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

Recommendations

The district should:

1. Continue to provide staff with annual professional development training regarding its ASB manual and procedures.

2. Ensure that ASB training includes providing new staff members and student council members with training throughout the year, and with copies of the ASB manual.

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 *San Marino Unified School District Procedures for Management of Associated Student Body Funds Manual* are additional governing board-approved policies and procedures.

4. Amend its board policies to include additional information regarding capitalization of equipment, such as identifying the recommended useful life of various equipment and the type of depreciation method to be used (e.g. straight-line depreciation).

5. Enforce the board policy regarding who is authorized to sign ASB contracts and ensure that assistant principals understand that they are not authorized to execute contracts.

6. Use the recently added staff position to oversee ASB operations, serve as a resource, and answer school site staff members' questions. Ensure that this position also does the following:

   - Obtains and reviews financial reports from the school sites at least quarterly.
   - Reviews the reconciled bank statements for all ASB accounts at school sites regularly, preferably monthly.
   - Works with the school sites' staff to respond to problems noted by the auditors in the annual audit and develop corrective actions to resolve the problems.
   - Reviews procedures periodically to ensure that they conform to prescribed accounting protocol and laws. Uses input from school site staff, student organizations and the district's independent auditors, and takes this into consideration when updating policies and procedures.
   - Visits and/or conducts internal audits of school sites monthly or quarterly to review the procedures in operation and answer questions. Performs these visits and/or internal audits monthly until the district is assured that the ASB is following district ASB policies and procedures.

7. When an ASB internal audit results in no findings or finds full compliance, consider conducting audits quarterly or on another schedule that the district considers acceptable.

8. If problems with internal controls are identified, act as soon as possible to correct any inefficient or problematic processes or procedures.

9. Identify processes and procedures that work effectively and standardize their use districtwide.

10. Request that the San Marino High School ASB close its sales tax account and reimburse the district for all sales tax collected by the ASB and reported in the districtwide sales and use tax report.

11. Continue having the middle school report collected sales and use taxes to the district office for reporting in the districtwide sales and use tax report.

12. Establish a fraud reporting service.

Student Body Accounts

Student organizations in middle 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.

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 administration, ASB accounting technician and club advisor(s) assist and advise.

All clubs need the following to qualify as an official club under an ASB:

- The endorsement of a certificated employee who agrees to serve as the club advisor.
- Student officers.
- 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 a student organization, must be composed entirely of enrolled students. 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 of constitution to the ASB, but for a club to exist it must prepare a constitution and have it approved by the ASB leadership.

Some ASB clubs at Huntington Middle School do not meet these criteria. They lack ASB-approved constitutions, and the middle school ASB accounts are used primarily to receive donations rather than funds generated through ASB activities and fundraisers led and carried out by students. These clubs include ASB Leadership, Jesus For Life (JFL), and Rotary-Mider-Act.

ASB accounts should be established and funded from an ASB club's activities and fundraising, such as dance ticket sales and snack shop sales. Because donations from parents or others are not generated from ASB activities or fundraising, they belong in a district's donation account for a specific school site, not an ASB account.

The district has deposited and accounted for donations in ASB accounts and used these funds from an ASB account to pay for tennis court repairs, uniforms and other such items. These are neither ASB activities nor appropriate ASB expenditures and so should not be accounted for or administered by the ASB. It is best practice to account for donations from parents, students and community members or groups using the school site's district budget accounts and to set them aside in a locally restricted resource so that the funds are segregated.

Similar non-ASB club activities and deposits are occurring in the high school's 23 sports trust accounts that reside in the ASB account; all 23 of these accounts lack ASB-approved constitutions and budgets. For example, sports trust accounts have been used to account for gate receipts at football games. Receipts such as this should not be accounted for in a separate trust account within ASB unless the account belongs to an official club that meets the criteria stated above for an ASB account. Instead, these funds should be deposited into a district donation site account or the ASB general account.

FCMAT also identified that money for ASB cards is charged and collected but not deposited in the general ASB account for use by the student body as a whole; rather, these funds are allocated to other campus organizations without an understanding or allocation method to explain why. FCMAT was not able to determine any specific reasons for the allocation method used for the ASB card money.

The district's ASB accounts contained funds that were deposited for a site administrator's or teacher's discretionary use. An adult's name on an account indicates that the funds will be spent based on the adult's needs and decisions, not the students'. If a site administrator or teacher is deciding how to spend the funds, the account does not qualify as an ASB account. ASB funds are to benefit the students, not to supplement an adult's budget or be spent based on an adult's decision. The students should decide how to spend these funds.

The district's guidelines are not consistently adhered to when ASB bank accounts are opened. ASB bank accounts are opened using the district's federal employer identification number, so district guidelines must be followed. At a minimum, the district's accounting office should be notified when any bank account needs to be opened or closed so that an updated list of the district's bank accounts can be maintained. Best practice is for only the district's accounting office to be authorized to open bank accounts

ASB bank accounts are for the exclusive use of the ASB organization and should always be in the name of the ASB organization rather than in the name of any individual. It is best practice for the school site administrator to establish procedures to ensure that only ASB funds are deposited into these accounts. There must be at least two signatories on each bank account, and these signatories should not include students. Although students need to approve all expenditures in advance using a purchase requisition or approval form, they should not have signatory approval on checks. Most districts, including San Marino USD, have at least one backup signature, often someone in the district office, because school sites usually close during summer and holidays.

The district's ASB financial statements identify numerous accounts that may not be associated with actual student clubs, including memorial accounts. Because students are not conducting activities or fundraisers to generate these funds or making decisions about how to spend these funds, the accounts do not qualify as ASB accounts.

Recommendations

The district should:

1. Ensure that each club has the elements needed to be an ASB club, including a certificated ASB advisor, student officers, an ASB-approved constitution, official meetings, meeting minutes that serve as the record of each meeting and the actions taken during the meeting, and an adopted budget.

2. Certify that all fundraisers and expenditures are approved in advance by students.

3. Ensure that ASB bank accounts are opened using the district's federal employer identification number and that all district guidelines are followed.

4. Confirm that all ASB bank accounts are held in the name of the ASB organization and are for the exclusive use of the ASB organization. Ensure that only ASB funds are deposited into the accounts.

5. Ensure that every ASB club has a formally approved constitution and approval from ASB leadership before it begins any activities.

6. 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.

7. Ensure that any athletic program receipts that are not intended for ASB use and do not have the required elements in place are held at the district as a donation trust account, not accounted for through the ASB.

8. Ensure that donations from parents, students or community members or groups are deposited in the school site's district donation account, not accounted for through the ASB.

9. Use the ASB general account to account for ASB funds raised from gate receipts at athletic events, ASB card sales and other such events. Ensure that the ASB leadership has the responsibility for deciding how these types of funds should be used.

ASB Club Budgets

To qualify as an ASB account, every club 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 organization to estimate at the beginning of the fiscal year what its financial situation will be at the end of the year. Some of the district's student clubs do not prepare annual budgets, and for some of the other clubs, the adults prepare the budget and ask the students to approve it after the fact.

The student council and each individual club need to 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?
- 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 determine if 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 a significant amount of carryover 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 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 costs for each activity so that the club members know how much money they will need to raise. 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 that there is adequate 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 reflect more accurate estimates. Student should do this whenever the estimated revenues or expenses change significantly. The advisor and/or site 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 is a way to 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 helps them 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. If a budget is monitored regularly and revised as needed, this should not occur. Several clubs at San Marino High School had negative balances, including the following;

- Band Trust: ($2,275)
- Literature Club Trust: ($182)
- Boys Tennis Team Trust: January 2013 ($2,679.37); February 2013 ($2,679.37); April 2013 ($1,512.70)

The lack of ongoing financial activity may be an indicator that a club has become inactive. Monitoring club balances can help ensure that a club and its account are closed properly and its balance transferred into the general ASB account so that the funds do not remain unspent. A negative balance and no financial activity are indicators that a club has become inactive after spending more money than it earned. The effect of an inactive club's negative balance on the ASB general account is problematic because when the negative club balance is closed and transferred into the general ASB account, the ASB general student body account subsidizes the inactive club's overspending, which reduces the funds available to the general student body.

The district's ASB accounts include a number of inactive clubs with both positive and negative cash balances. It is best practice to have a district policy regarding what will happen to clubs with inactive balances. The district's board policies regarding ASB, or the ASB constitution and/or bylaws, need to state what is to be done with the funds of a club that has become inactive. 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 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, a club could be deemed inactive if it has had no financial activity for more than 18 months.

The district's current practice is to remove any club that is inactive after two years. It would benefit the district to add this practice to board policy.

Recommendations

The district should:

1. Ensure that all ASB clubs have formally approved budgets, that students have participated in preparing, for the subsequent year by requiring that all such budgets be submitted and approved 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 ASB general account.

6. Establish a board policy regarding inactive clubs, and consider including the following:

> 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. Inactive clubs' cash balances shall be transferred to the general ASB account after there has been no financial activity for 24 months unless the club's constitution or a decision made by students before the club became inactive provides specific instructions to do otherwise.

Financial Reports and Bank Reconciliations

Financial reports are the most important monitoring devices to determine an entity's fiscal position. For site administrators, ASB advisors, and students to understand the ASB's financial position, the ASB accounting technician 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 the detailed transaction activity of 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 leadership 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 accounting technician.

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

The reporting practice for San Marino High School's ASB is for the accounting technician to provide a financial report to a club any time a club makes a deposit. If a club does not make a deposit, it does not receive a report. It is best practice to ensure that all clubs receive a monthly report regardless of account activity; however, the district could reasonably consider a policy that allows clubs with little financial activity to receive a financial report quarterly.

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

Timely and accurate bank account reconciliations and review 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. Establishing internal controls can help ensure that bank reconciliations are performed on time and accurately, and that sufficient separation of duties exists.

The site administrator or ASB advisor needs to ensure that the bank statement is reconciled within two weeks after it arrives. When each month's reconciliation, is completed, the ASB accounting technician 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.

The district requires that bank reconciliations for the previous month be completed by the 15th of the current month, but this does not always occur. Reconciliation procedures are vital to ensuring cash controls. If the bank reconciliation is not completed by the 15th of the month, the activities director, school site principal, and district office should immediately ask why it is late and document this issue and how it is resolved.

A variety of the district's ASB club balances have outstanding bank reconciliations for the current fiscal year, often because research was not completed. It is best practice to complete the reconciliation on time and list outstanding items to be researched rather than delay the reconciliation until research is completed.

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

Recommendations

The district should:

1. Require that monthly ASB financial reports be issued by the ASB accounting technician and reviewed by all ASB club and ASB student leaders as well as the district's accounting office, school principal or site administrator, and ASB activities director.
2. Require that all ASB clubs retain all monthly financial reports, identify in their meeting minutes that the club has received and reviewed the monthly financial report, and approved the report either immediately or after any questions or discrepancies were resolved.
3. Ensure that the ASB accounting technician signs completed monthly ASB financial reports and bank reconciliations and provides copies to the ASB activities director, school site principal or principal's designee, and the district office.
4. Ensure that the ASB activities director, school principal or designee, and district office designee sign and date the monthly ASB financial reports and bank reconciliations when they receive them to indicate their review and approval.
5. Ensure that either all clubs, or all clubs that have financial activity in a given quarter, receive a monthly financial report. If the latter, consider creating a policy that allows clubs that have no financial activity in a given quarter to receive a financial report quarterly.
6. Document late bank reconciliations and their resolution. If the reason given for the late reconciliation is not reasonable, immediately help complete the bank reconciliation. If the reason given is reasonable, clearly state what the deadline is and the ramifications of not meeting it.

Forms

The forms section of the district's *Procedures for Management of Associated Student Body Funds Manual* identifies the district-approved ASB forms. However, this manual lacks a statement indicating that the district has adopted a standard set of ASB forms or indicating that the forms provided are to be used by each student body organization. The manual does not indicate which forms are recommended and which are required, nor does it prohibit any deviation from these forms.

It would benefit the district to require the use of the following standard forms:

- ASB cash count form
- ASB project approval form with estimated revenue information
- Ticket control sheet, also called the report on ticket sales form
- Purchase order
- Check request form

These five forms help provide vital cash controls. In the district's case, these forms are not multi-copy forms, but it is best practice to make these forms multicopy because this helps provide both the club advisor and ASB accounting technician with supporting documentation 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 true:

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

Having a multicopy duplicate does the following:

- Provides both the ASB event advisor and the ASB accounting technician with a complete duplicate record of the deposit information.
- Adds accountability and helps protect both the ASB club advisor and the ASB accounting technician.

Because the five district forms listed above provide critical financial information, they need to remain in the district-prescribed format and not be modified. These forms should be multicopy forms.

These forms are not always filled out completely but should be completed because they are necessary to ASB functions. For example, the ASB cash count form includes a column in which to list the quantity of various currency and coin denominations, but it is not always filled out. This information can help identify and prevent counting discrepancies and errors.

Recommendations

The district should:

1. Identify certain forms as required forms, and provide them to all ASB accounting technicians in multicopy format.
2. Establish a policy requiring that all of these required forms be filled out completely.
3. Ensure that any portion of a form that is not applicable is identified as such by those completing the form rather than left blank.

ASB Fundraisers and Revenue Potential

Fundraising generates most revenue for ASB clubs. California Education Code section 48932 allows the governing board to authorize K-12 student body organizations to conduct fundraising activities. All fundraising events need to be approved and have revenue projections in advance of the event.

Completing an ASB project approval form with estimated revenue information can help student organizations ensure internal controls over their fundraising events and evaluate the cost effectiveness of the events. This form serves as a sales plan that includes expected sales levels, sale prices per unit, expected cost, and net income. Thus it helps an ASB club plan and budget.

Because the Education Code requires that the governing board approve fundraising events, a revenue potential form (which the district calls an ASB project approval form with estimated revenue information) can also be submitted to the board or board designee for approval of the event. In addition, it can serve as an internal control standard because most external auditing firms will indicate audit findings if some form of revenue reconciliation is not performed for each fundraiser. The form can also be used to ensure that the site administrator is informed and approves of all fundraising activity at the site.

None of the fundraising events for Huntington Middle School have been approved, and no revenue projections or estimated revenue information as identified in the district's form have been prepared.

Fundraising revenue projections and approval for all fundraising activities are needed to safeguard student funds. The Huntington Middle School ASB needs to completely fill out the appropriate form, obtain approvals, and sign off on all fundraising events for the current school year. Fundraising includes but is not limited to activities such as the snack shop, dances, and concession stand sales.

Recommendation

The district should:

1. Require that the Huntington Middle School ASB prepare an ASB project approval form with estimated revenue information and obtain approvals for each of the fundraising events held during the current school year and in the future.

Cash Controls

Petty Cash or Startup Change

Although the ASB accounting technician obtains a signature for petty cash received on the report on ticket sales form, neither the district's report on ticket sales form nor its ASB cash count form include a field in which to specify the amount of petty cash received. These forms need a field in which the user can document the amount of petty cash or startup change received and sign for it so that there is an accurate financial record.

Typically, the report on ticket sales form is used and included in a cash box when advance funds are provided for an ASB event. One individual may pick up the cash box, but sometimes a different individual returns it. Having the individual who picks up the cash box initial or sign next to the record of the amount of startup funds counted can help establish accuracy and chain of custody, and eliminate discrepancies and misunderstandings regarding the amount received.

Verification Signature and Date

It is best practice to ensure that all cash receipts are recounted and signed for and dated by a second person or witness whenever cash changes hands before the funds are deposited.

The district's ASB cash count form and report on ticket sales form do not contain a field in which to list who counted the funds when they were received at the club event or who the second witness to the accounting technician's counting of funds was. Both forms also lack multiple signature and accompanying date fields to clearly identify the date of the signatures obtained.

For example, the report on ticket sales form has only one signature field at the bottom of the form, with no associated date field. The funds should be counted at the event with a witness present, but the form has no witness signature field and or associated date field to corroborate the cash counted at the club event.

Similarly, the ASB cash count form is missing the necessary witness signature and date fields, and the form does not distinguish whether the two signatures on it are from witnesses at the club event or from the ASB accounting technician's witness when the accounting technician counts the cash. Depending on the use of the ASB cash count form, additional signature and date field need to be added to ensure that it has fields for two signatures and dates at the club event and two signatures and dates for witnesses at the ASB bookkeeping office.

This same issue applies to the student store or snack shop when the advisor counts funds. The students keep track of sales with a tally sheet, but the district's tally sheet does not include a space for the name of the student responsible for the tally sheet, nor does it indicate that the student has counted the cash in the register and entered it on the tally sheet. While the student store had a cash register, it was not being used.

The advisor counts the student store and snack shop funds, and there is no place for a witness signature on the snack shop tally sheet or the ASB cash count forms that accompany the funds remitted to the ASB accounting technician. A best practice is to have a student be one of the additional signatories on the student store ASB cash count form. This helps students learn how counting funds with a witness and signing and dating the tally sheet and other cash forms is a critical cash control, and it preserves the cash deposit's chain of custody all the way to the ASB accounting technician.

The district has no ASB policy that identifies the ASB accounting technician's procedure for handling cash count discrepancies in deposits. The district's ASB accounting technician is put in an unfavorable situation when a cash count discrepancy exists. In most cases, this occurs when the ASB accounting technician identifies a difference between their cash count and the club's cash count. The ASB accounting technician 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 accounting technician to follow when there is a significant discrepancy between the ASB accounting technician's cash count and that of the club. All discrepancies, regardless of the amount, should be reported immediately to the school site administrator, and the ASB club should also be notified. Good communication is necessary but is not sufficient to protect the ASB accounting technician 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.

Recommendations

The district should:

1. Modify the ASB cash count form to include a field that lists the amount of petty cash or startup change received.

   Add signature and date fields associated with this amount for the individual who obtained the petty cash to sign and date so that this individual is identified and their confirmation of the amount received is recorded.

2. Require that the individual who receives the petty cash or startup change initial and date the report on ticket sales form indicating that they have counted and agree to the amount of the startup change.

3. Modify both the ASB cash count form and the report on ticket sales form to include the amount of funds counted and signature and date fields for a witness to the amount counted.

4. 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.

5. Ensure that the student store or snack shop tally sheet includes the name of the student responsible for counting the snack shop cash from the cash register or cash box and fields for the student to sign and date the tally sheet indicating that he or she has counted the funds.

6. Ensure that the ASB accounting technician has counted the funds in the presence of one or more witnesses who can confirm that the count is accurate.

7. Require that funds always be counted with a witness present and that the witness sign and date the deposit so that there are always two signatures affirming the deposit amount.

8. Emphasize to staff that any ASB representative (including an ASB club advisor, district office ASB accounting technician or school site ASB accounting technician) who counts ASB funds alone or does not obtain

a witness signature for the cash counted can easily become a target of a wrongful accusation that they have misappropriated student funds.

9. Establish an approved minimum 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.

10. Ensure that all discrepancies are reported immediately to the school site administrator and the affected club.

Purchase Orders and Check Requisitions

The district's *Procedures for Management of Associated Student Body Funds Manual* has a district purchase order form; however, this form lacks some of the authorization signature and date fields needed to meet the requirements of Education Code section 48933. This section states that expenditures of ASB funds must be approved in advance by three people: an employee or official of the school district, designated by the governing board; the ASB advisor (must be a certificated employee); and a student representative of the ASB organization.

Much of the district's ASB purchasing is done using the ASB check request form.

The purpose of a purchase order is to obtain approval in advance from the appropriate individuals and to confirm that the approval was obtained before the funds were spent. Unlike purchase orders, check requests are used after the purchase is made, which is too late in the process.

If the correct process and the Education Code requirements are followed, an expenditure is approved in advance by the required individuals using a purchase order, after which the purchase may proceed, and then a check request can be submitted for reimbursement or payment of a vendor. In the district's case, purchase orders were not completed prior to purchase, and some check requests did not show approvals prior to a purchase.

Using the ASB check request form rather than a purchase order has resulted in the ASB leadership approving expenditures in advance using the check request form with a sequential warrant number, which may be considered a purchase order number.

The district needs to develop a purchase order form that includes the proper disclosures, notifications, certifications, and signature approval fields needed for an ASB purchase order, with spaces for approval signatures of the club student representative, certificated club advisor, and site administrator (the board designee).

Journal entries at San Marino High School are prepared using the check request form, also known as the requisition form. This is not an acceptable journal entry form.

Because journal entries and transfers are not common, it is best practice to carefully and accurately document their purpose. Standard accounting practice for all journal entries and transfers is to provide and retain detailed reason for the entry and supporting documentation with the transaction. This is true whether a journal entry is used to transfer resources between clubs, correct an error, or document an extraordinary event such as a theft loss.

Journal entries and transfers should be prepared only with prior written approval from the ASB advisor, site administrator, and/or within the club's minutes. In the case of San Marino High School, journal entries are formally approved, but not always before the entry is made.

Recommendations

The district should:

1, Ensure that it follows the requirements of Education Code section 48933 for purchases.

2, Require use of the purchase order form and process to authorize purchases before any check request is submitted or authorized.

3. Revise its ASB purchase order to include all of the authorization information found on page 187 of the 2012 FCMAT *ASB Accounting Manual, Fraud Prevention Guide, and Desk Reference*, in Chapter 18 – Cash Disbursement Management and Procedures.
4. Develop a separate form specifically for journal entries and transfers to differentiate these accounting entries from day-to-day transactions.
5. Train all school site administrators and ASB staff regarding the need to obtain approval in advance for all journal entries and transfers before they are entered into the ASB accounting system.
6. Consider adding the district office as an approver of journal entries before they are processed.

Nonstudent Organizations

Student body funds and the funds of nonstudent organizations (e.g., booster clubs, auxiliary organizations and parent groups) should never be commingled. Student body funds are never to be used to pay for nonstudent organizations' fundraising expenses. Nonstudent organizations need to be responsible for collecting their own money, tickets and other items, and, per Education Code section 51520, must not solicit funds on behalf of a school or its students during the school day without prior approval by the school board or its designee for each individual fundraising event.

Although students can assist with nonstudent organizations' fundraisers, the student body and nonstudent organizations remain separate entities and their funds shall not be commingled.

FCMAT's review indicated that at least one booster club associated with the district has its accounting and funds commingled with and deposited into the district's ASB account. Because a nonstudent organization's funds were not raised as part of an approved ASB fundraiser, they cannot remain in an ASB account, even if the nonstudent organization desires this.

Nonstudent organizations are legally independent of both the district and its student body organizations. Nonstudent organizations may decide to donate money to an ASB for appropriate ASB activities and/or expenditures, but once they do so all ASB rules and requirements apply to the donated funds and the nonstudent organization relinquishes all control and authority over these funds.

A nonstudent organization's donation to a school's ASB cannot occur until after the funds have been deposited into and accounted for in the nonstudent organization's accounts. Because many nonstudent organizations are organized as 501(c)(3) nonprofit organizations and have their own tax identification number, their operations need to remain separate and distinct from the district and from student organizations, and they may not use the district's tax identification number.

Recommendations

The district should:

1. Identify all booster club and other nonstudent organizations' funds that are part of the ASB accounts.

   When commingled funds are found, give the nonstudent organization(s) the choice of donating the identified funds to the school site donation account or removing the funds from the ASB and returning them to the outside organization's bank account.

2. Ensure that nonstudent organizations' funds do not remain in the ASB account, even if the outside organization wishes them to, and that all involved parties understand the reasons for this.

Independent Contractors

When an ASB organization determines that it will pay someone as a consultant or independent contractor, the appropriate protocol is for the ASB accounting technician to ensure that the independent contractor completes and submits a W-9 taxpayer identification form before they begin work. A good practice is to never pay any consultant or independent contractor for any work performed unless the ASB accounting technician has obtained a W-9 from them.

The Internal Revenue Service (IRS) has many requirements for reporting payments to consultants and independent contractors, but as a general rule ASB organizations are required by law to report student body fund payments by issuing a Form 1099-MISC to any independent contractor or consultant who is paid $600 or more in a tax year. The district issues its own 1099 forms at the end of the calendar year, and it is most efficient for the district's accounting office to do so for the ASBs at the same time because it is able to obtain information from all school sites.

Because 1099 forms must include all payments throughout the entire district, not just at one site, the best way to efficiently coordinate this is through the district's accounting office. The ASB can provide the district's accounting office with information on the independent contractors, and the accounting office can then issue the 1099 forms for all of the ASB's consultants and independent contractors districtwide. This ensures that consultants or independent contractors who have worked at any school site will have their total districtwide earnings accounted for at the district office and properly reported to the IRS.

San Marino High School is paying officials and referees for sporting events by generating checks from the ASB accounts and giving them to the referees at sporting events. In order to do this, W-9 forms are collected and 1099 forms are issued through the ASB rather than through the district office.

Although it is appropriate for the ASB to collect completed W-9 forms from referees and officials before they start working, and to make the payments to these independent contractors, the district office should issue the 1099 forms to these individuals at the end of the calendar year. In addition, although the ASB can legally pay these officials, issuing checks on demand at each sporting event places an undue burden on staff because of the quick turnaround required and the need to process many individual checks rather than one large check for several games worked. A better practice would be to generate a check for the official during the district's regular disbursement process to pay for a given number of services or games worked This would reduce the workload burden and the number of checks issued.

Recommendations

The district should:

1. Ensure that the district office issues IRS Form 1099s at the end of the calendar year rather than the high school issuing them.
2. Consider issuing checks to referees for their services through the district's regular disbursement process, thereby reducing the workload for staff and the total number of checks the district issues.

Electronic Payments

The district has been interested in using PayPal or some type of electronic payment system to provide parents with a convenient way to purchase items without having to write a check. If adequate controls are in place, and if using the system does not commingle the received funds with other district or parent group funds, such electronic systems can be effective.

The San Marino High School ASB has used PayPal in the past. When doing so, the fees charged by PayPal were paid by the ASB rather than by the parents who were using PayPal. This would need to be changed if the ASB resumes using PayPal or uses another such service. The ASB should not subsidize electronic payment fees. If the district or ASB choose to use an electronic payment method, the parent using that payment method should pay any associated fees, just as a credit card user would pay any card fees.

Recommendation

The district should:

1. Require that the ASB not subsidize any electronic payment fees if such a payment method is used.

Concession Sales

FCMAT did not review each account in the district's ASB funds, but the sampling of accounts reviewed included the San Marino High School concession sales, which raised several issues of concern.

Although this activity is currently considered an ASB fundraiser for high school juniors, students are minimally involved in the concession sales. Rather, parents are very involved in the fundraiser because there are usually not enough students to fully staff and operate the concession stand, and the work is fast-paced. Currently, parents shop for items to sell in the concession stand using one of the district's school-issued credit cards, and no official inventory is kept of what is in stock versus what has been purchased.

If this activity is to remain an ASB fundraiser, all aspects of its operation from purchase of items through their sale at the concession stand will have to be changed significantly. This fundraiser cannot continue to be operated the way it is now because there is a lack of internal controls in the method the parents are using a district school-issued credit card to purchase items, the transfer of the items to the high school without validation against the invoice and without being checked in to the existing inventory, the lack of cash controls during the concession sales, and the lack of inventory validation before or after the fundraiser.

The way the fundraiser is being operated makes it difficult to follow ASB procedures and requirements for tracking inventory, being student-led and student-operated, and having students collect the cash and account for the concession stand activity at the end of the event. It also doesn't allow for a clear distinction between parent fundraising and student fundraising.

Recommendations

The district should:

1. Decide whether concession sales will become a parent fundraiser or remain an ASB fundraiser, and make the adjustments needed to align this activity with the decision made.
2. Change all operations from purchasing of items through their sale at the concession stand if the activity remains an ASB fundraiser, including the following:
   - Ensure that parents never use district school-issued credit cards.
   - Ensure that cash controls are established during concession sales.
   - Establish inventory controls from the time items are purchased to after the fundraiser so inventory counts are known at all times.

Bank Deposits

The San Marino High School ASB accounting technician has indicated that ASB funds are transported to the bank by a single person. The bank is within short walking distance, and the employee usually takes different routes to the bank.

However, regardless of how close the bank is to the school and whether or not the accounting technician's path varies, taking money alone is dangerous and places the ASB accounting technician at risk. Even in the best of economic times, it is never advisable for anyone to take a deposit to the bank alone.

Recommendations

The district should:

1. Have another individual accompany depositors to the bank so that the ASB accounting technicians do not take funds to the bank alone.
2. If no individual is available to accompany depositors to the bank, consider hiring a company to pick up the deposits from the school sites rather than having one individual make the deposit.

Expenditure Approvals

The San Marino High School ASB minutes include approvals of expenditures, which is appropriate and required. However, these approvals are made during club meetings using a cash disbursement journal, which is problematic because the journal that is used does not indicate which checks were written; rather, the journal reports what will be bought instead of a record of what was bought.

The journal that is used is a spreadsheet prepared by a student who manually enters all of the transactions, which is time-consuming and increases the risk of error. Because a number of reports can be printed directly from the ASB accounting system, including a cash disbursement journal or a check register, it would serve the ASB better to print and use one of these reports rather than a manually developed report. Doing so would save time and increase the accuracy of the data. To accomplish this, ASB checks can be printed and left unsigned, and then a cash disbursement journal can be generated and printed from the ASB accounting system and included with the agenda and recorded in the minutes for approval by the ASB leadership. Any checks not approved by the ASB leadership can be withheld as unsigned or voided until the reason for withholding or voiding the check is resolved and it can be later approved.

Recommendations

The district should:

1. Ensure that cash disbursements are approved in the ASB minutes using a cash disbursement journal generated by the ASB accounting program rather than a manual spreadsheet.

2. Ensure that ASB checks are not signed until after the ASB leadership has approved the checks in the ASB minutes. Withhold or void checks that are not approved until the reason for this action is resolved.

Appendix A

Study Agreement

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

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
February 1, 2013

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the San Marino 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 school districts and county offices of education upon request. The district has requested that the team assign professionals to study specific aspects of the San Marino Unified School District's operations. These professionals 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.

In keeping with the provisions of Assembly Bill 1200, the county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. **SCOPE OF THE WORK**

A. Scope and Objectives of the Study

The scope and objectives of this study are to:

Conduct a management review of the district's procedures, practices, operations and internal controls related to associated student body (ASB) operations at the district's middle and high school, and provide recommendations for improvements and action plans.

B. Services and Products to be Provided

1. Orientation Meeting - The team will conduct an orientation session at the district to brief district management and accounting personnel on the team's procedures and the purpose and schedule of the study.

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2. On-site Review - The team will conduct an on-site review at the district office and at school sites.

3. Exit Report - The team will hold an exit meeting at the conclusion of the on-site review to inform the district of significant findings and recommendations to that point.

4. Exit Letter – Approximately 10 days after the exit meeting, the team will issue an exit letter briefly summarizing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.

5. Draft Reports - Electronic copies of a preliminary draft report will be delivered to the district's administration for review and comment.

6. Final Report - Electronic copies of the final report will be delivered to the district's administration and to the county superintendent following completion of the review. Up to ten (10) printed copies of the report will be provided upon request.

7. Follow-Up Support – If requested, FCMAT will return to the district at no cost six months after completion of the study to assess the district's progress in implementing the recommendations included in the report. Progress in implementing the recommendations will be documented to the district in a FCMAT management letter.

3. <u>PROJECT PERSONNEL</u>

The study team will be supervised by Anthony L. Bridges, CFE, Deputy Executive Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

A. Michelle Plumbtree	FCMAT Chief Management Analyst, Project Leader
B. Mike Ammermon	FCMAT Consultant

Other equally qualified staff or consultants will be substituted in the event one of the above individuals is unable to participate in the study.

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4. **PROJECT COSTS**

The cost for studies requested pursuant to E.C. 42127.8(d)(1) shall be as follows:

A. $500.00 per day for each team member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings. The cost of independent consultants will be billed at the actual daily rate based on the provisions of Education Code section 84041.

B. All out-of-pocket expenses, including travel, meals and lodging.

C. The district will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon the district's acceptance of the final report.

Based on the elements noted in section 2 A, the total estimated cost of the study will be $5,700.

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

Payments for FCMAT's services are payable to Kern County Superintendent of Schools - Administrative Agent.

5. **RESPONSIBILITIES OF THE DISTRICT**

A. The district will provide office and conference room space during on-site reviews.

B. The district will provide the following if requested:

1. A map of the local area.
2. Existing policies, regulations and prior reports that address the study scope.
3. Current or proposed organizational charts.
4. Current and two (2) prior years' audit reports.
5. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
6. Documents should be provided in advance of field work; any delay in the receipt of the requested documents may affect the start date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, to which the district shall upload all requested documents. If the district does not upload the documents to SharePoint in advance of field work, hard copies shall be sent to FCMAT prior to field work in time for FCMAT staff to upload the information to SharePoint on behalf of the district.

C. The district's administration will review a preliminary draft of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.

Pursuant to 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 following schedule outlines the planned completion dates for different phases of the study:

Orientation:	***April 15, 2013***
Staff Interviews:	***April 15-16, 2013***
Exit Meeting:	***April 16, 2013***
Preliminary Report Submitted:	***May 31, 2013***
Final Report Submitted:	***to be determined***
Board Presentation:	***to be determined, if requested***
Follow-Up Support:	***if requested***

7. CONTACT PERSON

Name of contact person: Vangie Lingat, Director of Accounting

Telephone: (626) 299-7004 x327 FAX: (626) 293-1221

E-Mail: jboucher626@smusd.us

Julie Boucher 2/4/13
Julie Boucher Date
Assistant Superintendent, Business Services
San Marino Unified School District

Anthony L. Bridges February 1, 2013
Anthony L. Bridges, CFE Date
Deputy Executive Officer
Fiscal Crisis and Management Assistance Team

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