FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Associated Student Body Workshop for TK-12 Organizations

November 9, 2026

© Fiscal Crisis & Management Assistance Team

The FCMAT ASB Manual

- The “2015 FCMAT ASB Accounting Manual, Fraud Prevention Guide and Desk Reference” is now called The FCMAT ASB Manual.
- The manual can be downloaded for free from FCMAT’s website at www.fcmat.org, under “Publications & Reports.”
- It has been updated for 2024 with additional content, based primarily on ASB questions received by FCMAT, including issues encountered during the pandemic.
- The rumor is true – the manual has been split in two, with one for TK-12 school districts and one for community colleges.

Updated FCMAT ASB Manual – What's New?

- The largest revision to the manual involved the separation of TK-12 school districts and community college districts.
- The updated manual includes new or expanded operational guidance on the following topics:
  - Virtual ASB/club meetings.
  - Disposal of ASB equipment.
  - Transferring scholarship funds.
  - Delivery of goods to ASB.
  - IRS disclosure requirements for tax-exempt entities.
  - Sales and use tax.

Updated FCMAT ASB Manual – What's New? (cont.)

- The updated manual includes new or expanded operational guidance on the following topics:
  - Sample board policies and administrative regulations.
  - Requirement that ASB advisors be certificated.
  - Role of classified employees in ASB.
  - Middle and early college ASBs.
  - Independent study students and ASB.
  - Athletics – operating within versus outside of ASB.
  - Inactive clubs, merging clubs, and club closure and dissolution.
  - ASB closure and school closure.

Updated FCMAT ASB Manual – What's New? (cont.)

- The updated manual includes new or expanded guidance on the following topics related to fundraising:
  - Unapproved/disapproved fundraisers.
  - Shared/joint fundraisers.
  - Online fundraising (e.g., GoFundMe).
  - Issuing refunds.
  - Accepting electronic or online payments/donations (e.g., Venmo, PayPal).

Updated FCMAT ASB Manual – What's New? (cont.)

- The updated manual includes new or expanded guidance on the following topics related to expenditures:
  - Reimbursement of gratuities.
  - Repurposing ASB Funds.
  - Prepaid transactions.
  - Use of district funds to support ASB.
  - Credit card surcharge fees.
  - Internal controls.
  - Donation of gift cards and use of gift cards as payment.
  - Reimbursement of unapproved purchases.
  - Use of personal bank accounts for ASB transactions.
  - Cash advances to clubs.

Governing Board Policy and Regulations

- Governing board policies and administrative regulations govern all operations of an LEA, including ASB.



and



- Board policies and administrative regulations ensure a common understanding and consistent application of allowable fundraisers, expenditures, transactions, etc.
  - **Governing board policy is how to get to "yes."**

What is Allowable & Prohibited?

- What fundraisers are allowed?
  - How can ASB and its clubs spend their funds?
  - How do we account for ASB and club transactions?
  - What are the various roles and responsibilities of those involved in ASB operations?
- **Remember:** Every school district and charter school, and its governing board, is different.
- The vast majority of ASB questions are resolved by what the governing board allows and prohibits specific to each local education agency (LEA).

Importance of Local Guidance

- The governing board has final authority over everything that occurs in the LEA, including ASB operations.
- Because only a limited number of laws and regulations in the Education Code, Penal Code, California Constitution and California Code of Regulations identify parameters for ASB operations, a significant amount of **local definition** is needed.

Importance of Local Guidance (cont.)

- This includes the authority to decide whether ASB organizations may exist at the LEA. If allowed, robust board policies and administrative regulations should outline the operational parameters for ASB, including the fundraisers, expenditures, etc., that are permitted and which are prohibited.
- The district's business office must ensure that clear guidelines and processes are developed and communicated districtwide, ensuring ASB organizations operate efficiently, effectively and consistently for the benefit of the students.

Board Policy and Business Office Responsibilities

- The LEA's chief business official should take the lead role in ensuring that the LEA has appropriate board policies and administrative regulations regarding the operation and management of ASB finances.
- The business office should develop an ASB manual, handbook, or list of allowable and prohibited purchases, transactions, fundraisers, activities, etc., for staff, students and participants to follow.
- **With help from the district's business office, the governing board should approve comprehensive board policies and administrative regulations.**

Business Office Responsibilities

- All ASB questions should be directed to the LEA's central business office.
- If board policy does not address a question, the business office should develop procedures or guidelines to resolve the issue. If the business office does not know the answer, or the issue cannot be answered in either the LEA's or FCMAT's ASB manual, then:
  - The business office may enlist assistance from the LEA's external auditors.
  - The business office can search the FCMAT Knowledge Base (www.fcmat.org), which has answers for the majority of ASB questions.

Business Office Responsibilities (cont.)

- The CBO or their designee may submit their questions to the FCMAT Help Desk. (This ensures that the answer will be shared with all sites, not just the one that originally asked the question.)

Governing Board Policies and Administrative Regulations

- Board policies and administrative regulations should address the:
  - Establishment of the student body organization.
  - Supervision of the organization's activities and direct approvals by a board designee (often the school principal).
  - Operation and management of the organization's finances.
- It is important that ASB is aware of relevant board policies.
  - The governing board's policies and the ASB's policies should be consistent (e.g., the district should not have two differing policies for travel reimbursements or facility usage).
  - **Board policies and regulations are additional rules that ASBs must follow.**

Governing Board Policies and Administrative Regulations (cont.)

- Students are raising funds for their own benefit and can make decisions about those funds, with approval from a board-designated administrator and an ASB advisor.
- However, when there is a conflict, **robust board policies and administrative regulations are the final determinant because the funds are ultimately under the governing board's authority.**

Governing Board Policies and Administrative Regulations (cont.)

- If the LEA's governing board has determined that a particular type of expenditure serves a public purpose, courts **will usually defer to the governing board's decision *if*** it has adopted a board policy stating the specific items that are allowable (e.g., scholarships or donations).
- The LEA's administration is responsible for establishing and monitoring how the ASB operates and how its funds are raised and spent.
- The central business office must establish procedures and internal controls that align with board policy and conduct proper oversight to ensure issues are resolved consistently and effectively.
  - This includes responding to ASB questions from schools.

Governing Board Policies and Administrative Regulations (cont.)

- A comprehensive and current ASB manual for student organizations is critical to ensure that sound practices, fiscal and otherwise, are followed.
  - **Board policy should reference the district's own ASB manual and/or *The FCMAT ASB Manual*** to ensure that staff understand how important it is to follow the manual's guidance.
- *The FCMAT ASB Manual* may also be adopted to supplement an LEA's board policies, administrative regulations, or procedures regarding student and auxiliary organizations.
  - Board policy should include language to provide clarity and the flexibility to follow the LEA's policies and procedures when they differ from those in the FCMAT manual.

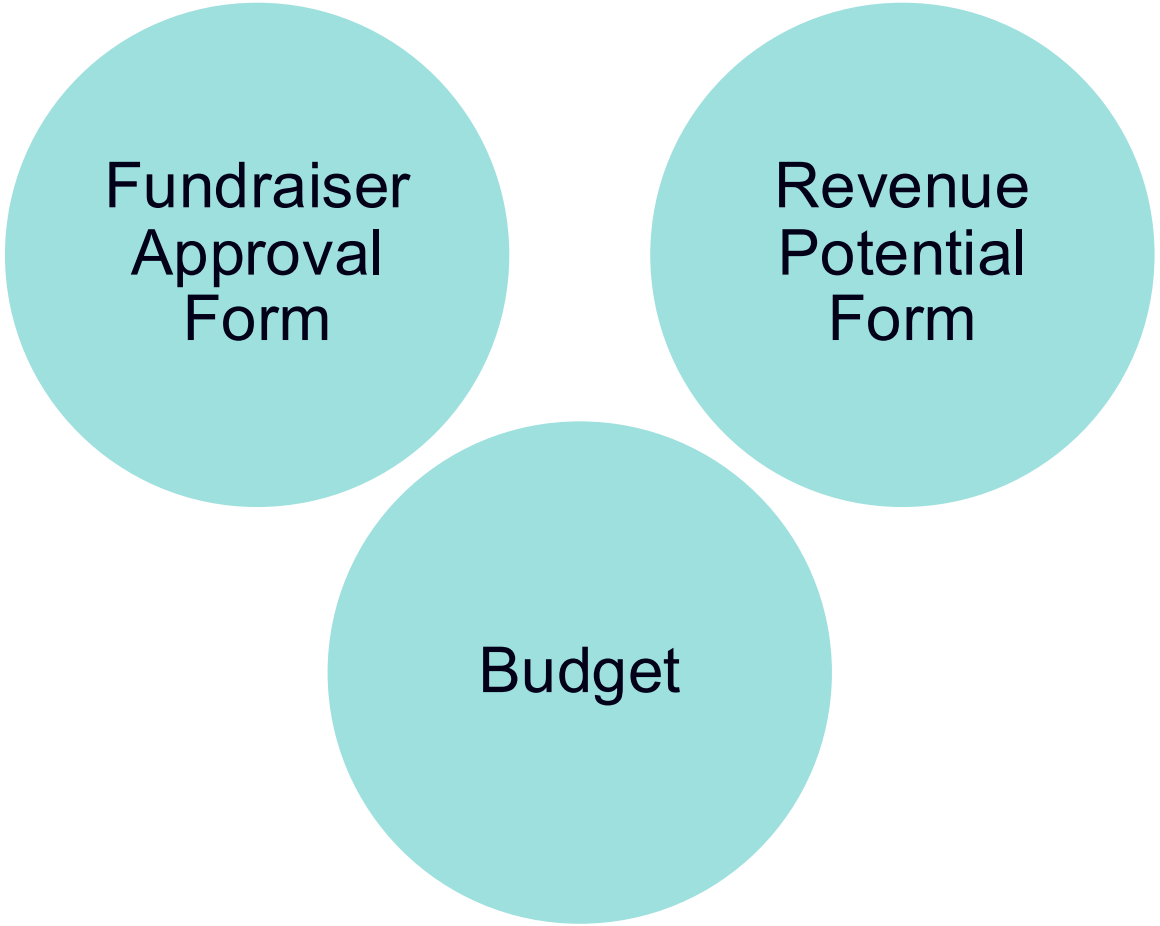
Adopting *The FCMAT ASB Manual*

- Sample board policy language to adopt the FCMAT Manual:

  The governing board adopts on an ongoing basis the most recent Fiscal Crisis and Management Assistance Team (FCMAT) ASB Manual as the _____ District's/Charter School's own ASB Manual, and as an extension of the _____ District's/Charter School's ASB governing board policies and administrative regulations.

  In the event of a conflict between the most recent FCMAT ASB Manual and the _____ District's/Charter School's ASB policies and procedures, the policies and procedures established in the _____ District's/Charter School's ASB Manual or governing board policies will prevail.

ASB Essentials – Overview



ASB Essentials – Always Use Purchase Orders

- Education Code (EC) 48933(b) requires both organized and unorganized ASBs to preapprove all expenditures.
  - For an organized ASB, EC 48933(b) requires three approval signatures prior to funds being spent.
  - For an unorganized ASB, EC 48938 allows the governing board to appoint an employee or official (often the principal) to act as trustee for student body funds and to preapprove ASB expenditures.
- Even if a vendor does not take purchase orders, prepare one anyway as evidence of preapproval.
  - Think of the purchase order (PO) as the preapproval form.
- Prepare a PO for employee reimbursements.
  - The PO payee is the check payee.

ASB Types – Unorganized

- Elementary, TK-8 and combined TK-12 schools are unorganized ASB activities.
  - This can also include adult education, special education, regional occupation programs, and continuation schools.
- In EC 48938 the governing board delegates the authority to oversee the raising and spending of funds to a trustee/designee (often the school principal/administrator).
- The students do not govern themselves — typically, there is no student council or student clubs, though they may be permitted.

ASB Types – Unorganized (cont.)

- There is limited student decision-making in unorganized ASBs – the school principal/administrator oversees the raising and spending of funds and **can** make all decisions.
  - **Note:** Although the principal/administrator can make these decisions, this does not change the rules governing how and why ASB funds are raised and spent.
- Some requirements are not as strict.

ASB Types – Organized

- Middle, junior and high schools (including high school early college and middle college programs) and community colleges must be organized ASBs.
- These ASB activities are organized around student clubs, class groups, and the student council.
- Students retain primary authority over decision-making.

ASB Types – Organized (cont.)

- Organized ASBs have more requirements about involving the students, including:
  - Holding formal meetings.
  - Developing budgets.
  - Planning fundraisers.
  - Determining how ASB/club funds will be spent.
  - Approving payments.
- Advisors and the school principal/administrator provide assistance, advice, oversight and additional approvals.

ASB Clubs

- All clubs, including activity clubs, must be approved.
  - This is necessary to comply with ASB constitution and bylaws, as well as for liability reasons.
- Each club must have a certificated club advisor, and only that advisor can additionally approve expenditures and activities.
  - **Tip:** Require that the club's application and/or constitution and bylaws identify an alternate or substitute advisor to ensure coverage and compliance.

ASB Clubs (cont.)

- A formal ASB club application should be completed that includes the:
  - Titles, powers and duties of the club officers and the manner of their election.
  - Scope of proposed activities.
  - Name of the organization or club.
  - Name of, and endorsement from, a certificated club advisor.
- New clubs must be approved by the:
  - Student council.*
  - Principal/administrator.

*Applicable to organized ASBs.

Class Groups as ASB Clubs

- Class groups in organized ASB (e.g., Freshman Class, Class of 2028) **must operate like a club** and adhere to the same requirements and internal controls, including:
  - Having a certificated instructor/teacher serve as the club advisor.
  - Holding formal meetings.
  - Developing budgets.
  - Planning fundraisers.
  - Deciding how funds will be spent.
  - Approving payments.
  - Obtaining preapprovals for fundraising and expenditures, etc.
  - Operating under the direction of the student council.
- Students hold the primary authority over decision-making.

What it Means to be Part of ASB

It is All About the Students

- ASB includes:
  - Fundraising.
  - Participating.
  - Doing.
  - Learning.
  - Experiencing.
  - Making decisions (if an organized ASB).
- **ASB exists because of students, and students must be involved every step of the way.**

Student Club and Trust Accounts

- A **club** (trust account) is:
  - Composed of students currently enrolled at that **specific school**.
  - Formed by students to fulfill a specific purpose (which is stated in the club's constitution*).
  - Administered by an advisor who is a certificated employee of the school district.
- Students **must** play a major role in the club.
- Students are the primary authority when making decisions.*

*Optional if an unorganized ASB.

Student Club and Trust Accounts (cont.)

- Each club must have:
  - An approved constitution and bylaws.*
  - Elected officers.*
  - An approved budget.*
  - Regular formal meetings.*
  - Minutes of meetings.*
- Clubs report to the student council.*
- All club expenditures must be approved in advance.

*Optional if an unorganized ASB.

Student Club and Trust Accounts (cont.)

- These funds are held in trust by student council (trust funds).
- The ASB constitution or bylaws should define an **inactive** club (e.g., no activity for 18 months) and specify what happens to the funds.
  - If the constitution or bylaws are silent, the funds will revert to the general ASB account (e.g., student council or leadership class).
  - **Note:** The length of inactivity is not specified in Education Code. It is best to establish this in the ASB/club constitution or bylaws.
- The ASB should try to spend the funds for same reason it was raised.

Trust Accounts and Fiduciary Duty

- What is “fiduciary” responsibility?
  - Fiduciary responsibility, more commonly referred to as fiduciary duty, is the legal obligation to act solely in another party’s interests. This duty requires individuals to act with care, competence, and diligence. It is the strictest duty of care recognized by the US legal system.
- All school staff involved with ASB, regardless of their role, have a fiduciary responsibility to act in the best interests of the students. This responsibility includes:
  - Securing and monitoring student funds on behalf of the students.
  - Maintaining appropriate internal controls to ensure that student funds are protected at all times.

Parent Groups, Booster Clubs, and School-Connected Organizations

- Parent, booster or auxiliary group (nonstudent) funds **cannot** be commingled with LEA or ASB funds.
  - Nonstudent groups cannot deposit funds into ASB accounts unless the funds are being donated to ASB.
  - Once donated, only student organizations control how the funds will be used (in accordance with board policies and ASB guidelines).
  - Parent, booster, auxiliary groups and student groups must keep their funds and activities separate.
  - **For more guidance on school-connected organizations, refer to Chapter 21 of *The FCMAT ASB Manual*.**

ASB Accounts

- ASB accounts should not be used as pass-through or clearing accounts.
- Only the following should be deposited into ASB accounts:
  - Funds raised by ASB, clubs, or class groups.
  - Donations made to ASB or its clubs or class groups.
- Commingling non-ASB funds with ASB funds should be strictly prohibited because it creates significant issues:
  - It can appear as fraud or negligence.
  - It complicates the tracking and reconciliation of ASB funds.

Funds that Do Not Belong in ASB

- Non-ASB funds, including but not limited to pass-through or clearing funds, should be transferred to an LEA-approved, non-ASB account (e.g., using a local resource, 9000). This may include a local school or donation account.
- Donations from parents, students or community members/groups should be deposited into the non-ASB school account, and not accounted for or through ASB, **unless the funds are truly intended for the ASB and its clubs**.
- Locally collected funds, such as library fines or testing fees, should not be deposited in the ASB account unless they are part of ASB fundraising efforts and intended to support ASB or its clubs.
- If non-ASB funds are deposited in error, they must be removed out of the ASB account. Only ASB trust funds belong in the ASB account.

Roles and Responsibilities

School Principal | ASB Advisors | ASB Bookkeeper



Responsible for Enforcing and Communicating

All Applicable Laws, Policies and Procedures

School Principal

- The school principal:
  - Works with the LEA/central business office.
  - Approves fundraising events.
  - Approves expenditures alongside students and the ASB advisor.
    - May be the sole approver for an unorganized ASB (acts as trustee).
  - Appoints advisors for ASB and its clubs.
  - Supervises the ASB bookkeeper and ASB advisors.
  - **Enforces and communicates all applicable laws, policies and procedures.**
  - Ensures a student council is established and approves club constitutions.*

*Optional if an unorganized ASB.

School Principal (cont.)

- The school principal:
  - Ensures proper cash control procedures are established and followed.
  - Works with ASB to develop methods for securing cash, especially cash collected after hours and on nonschool days.
  - Ensures meeting minutes are kept for all ASB and club meetings.*
  - Receives and reviews bank statements **monthly**.
  - Reviews budgets and financial reports **monthly**.

*Optional if an unorganized ASB.

ASB Advisor

- The ASB advisor:
  - Acts as a critical link among the principal, ASB bookkeeper, and students.
    - Often serves as the principal's designee for day-to-day ASB functions.
  - Must be a **certificated** district employee, in accordance with EC 48933(b) and 5 CCR § 5531.
  - Must supervise **each** club and student council/leadership class, including all ASB/club activities.
  - Works directly with students on a day-to-day basis.
  - Ensures that adequate internal controls are in place.

ASB Advisor (cont.)

- The ASB advisor:
  - Helps students in preparing the annual budget* and revenue projection estimates for fundraisers.
  - Approves expenditures alongside students and the board designee (often the school principal).*
  - Ensures clubs meet regularly and keep meeting minutes.*
  - Reviews all budgets,* financial reports and transactions with students.
  - **Ensures all applicable laws, policies and procedures are followed.**

*Optional if an unorganized ASB.

Principal and Advisor Role – Denial of Activity

- The principal/school administrator and ASB advisor should understand that the will of the students should come first unless there is a specific conflict with laws or regulations, governing board policy, student safety, district liability, the educational process, school culture, or other specific reason **to deny an event, expenditure or other student council or club decision**.
- A student council or club decision should not be denied because the principal/school administrator or ASB advisor dislikes or disagrees with a decision made by the students.
  - Any denial must be supported by a valid reason.

ASB Bookkeeper

- The ASB bookkeeper is responsible for safeguarding ASB and club money held at the school and:
  - Ensuring funds get to the ASB bank account in a timely manner.
  - Managing receipts from the ASB advisor until they are deposited.
  - Preparing proper financial records of financial transactions (e.g., club reports, check registers, deposit registers) in accordance with established procedures and policies.
  - Providing necessary materials to ASB advisors for fundraisers, and keeping stock on hand (e.g., change boxes, receipt books, prenumbered tickets).
  - Processing purchase orders, payments, and invoices.
  - Preparing bank reconciliations monthly.

ASB Bookkeeper (cont.)

- The ASB bookkeeper:
  - **Ensures compliance with applicable laws, ASB procedures and policies.**
  - Works with the principal, activities director, bookkeeper, and LEA's central business office to complete and review all operational checklists.

Student Council*

- The student council:
  - Represents the students.
  - Is mandatory for all organized ASBs.
  - Holds primary authority over decisions regarding the use of student-raised funds.
    - Approves all general ASB expenditures alongside the ASB advisor and board designee.*
  - Develops and approves the annual budget for the student council and leadership class.*
  - Must approve its own expenditures before any spending occurs.

*Optional if an unorganized ASB.

Student Council (cont.)

- In some LEAs, the student council approves club expenditures **before** the purchase order/preapproval form is signed and authorized by the club.
- In others, it approves club expenditures **after** the purchase order/preapproval form is signed and authorized by the club.
- In some cases, the student council does not approve club expenditures but is kept informed of them.
- The student council must preapprove its own expenditures before any spending occurs.

Student Council (cont.)

- The student council is responsible for authorizing **all**:
  - Student clubs.
  - Student club budgets.
- It is also responsible for reviewing **all**:
  - Student club fundraising events.
  - Student fund purchases and expenditures.
  - Student club financial reports.
  - Student club reconciliations.
  - Any additional matters it chooses to review.

Club Budgets

- Every student council, club, and class group must have a budget if part of an organized ASB.
  - For unorganized ASBs, budgets are not mandatory.
- A budget is only an **estimate**.
  - If the budget goes off track or circumstances change during the year, it can be revised.
- Budgets typically cover one year.
  - **Prepare next year's budget early,** do not wait.
    - A budget is needed to conduct business.
  - Next year's budget can be as simple as using the current year actual revenue and expenditures.

Club Budgets (cont.)

- Students need to participate in the budgeting process.
- ASBs should require that a budget be in place and approved **before** a club enters into any spending commitments.
  - **No Budget = No Spending!**
- While annual carryover of unspent funds is generally allowable, students should be strongly encouraged to spend all funds raised before the end of the school year.
  - If necessary, the following are acceptable:
    - Seed money for the next year.
    - Reasonable carryover balances.
    - Preapproved multiyear projects.

Club Budgets (cont.)

- Ideally, board policy should set a maximum allowable carryover amount or percentage. However, a waiver form could allow students to carry over funds beyond the set limit under certain circumstances.

What Happens When a Class Graduates?

- ASB funds can only be spent on **current** students.
- If a class is graduating, any remaining funds should be:
  - Spent before graduation;
  - Gifted to another ASB club at the same school; or
  - Gifted to the general ASB at the same school.
- Balances cannot follow students who graduate from elementary or middle school or who transfer to another school.
  - Funds must remain at the school where they were raised.
- If a class graduates without deciding how to spend its remaining funds, the balance will typically revert to the general ASB unless board policy or the club's constitution or bylaws state otherwise.

Fundraising Essentials

- Education Code 48932 requires student organizations to obtain approval from the governing board/designee **before** any fundraiser takes place.
  - **Best Practice:** ASB fundraising events should be approved at the beginning of the school year by the board or its designated representative. The governing board should also establish policies and administrative regulations that delineate allowable and prohibited fundraising activities.
- Parent organizations should coordinate the timing of their fundraisers with ASB to avoid competing with ASB events.

Revenue Potential

- Complete a Revenue Potential Form for each fundraiser.
  - This form is an internal control requirement and will be cited as a finding in the LEA's independent audits if not in existence.
  - A Revenue Potential Form is **not** the same as a fundraiser approval, unless both activities/actions are documented on the same form.
- Revenue Potential Forms will include an **estimate**, **actual results**, and **the difference**.
- A Revenue Potential Form **can** also serve as the document to:
  - Ensure the school administrator is informed of and approves all fundraising activities at the school.
  - Notify the bookkeeper of an upcoming deposit.
  - **Plan!**

Fundraising for Specific Students

- Students should participate and make contributions to fundraising events voluntarily.
- Students cannot be excluded from an activity funded by ASB because they did not participate in fundraising.
- Fundraising proceeds should not be attributable to specific students based on the amount they raised.
  - All funds are raised to benefit the entire club or student group, not individual students.
- **Student fundraising is always optional!**

Fundraising Parameters – Do Not Forget…

- An ASB fundraiser must be preapproved and consist of students raising money to purchase “extras” for their educational experience.
- Charging students a fee is not considered a fundraiser.
- It is illegal for staff to raise funds (e.g., to increase specific classroom budgets) using the LEA’s tax identification (ID) number.
  - While the ASB is permitted to use the LEA’s tax ID number for fundraising, individual staff members are not.
- If staff members conduct fundraising and deposit the proceeds into an LEA or ASB account, it becomes a donation from the staff member. In such cases, the funds are considered taxable income for the individual who raised them.

Fundraising Parameters – Refunds

- When funds are received as donations, nonprofit IRS guidelines apply.
  - Occasionally, donors may request a refund of their donation.
    - To help with this issue, add language in a board policy stating that money received by ASB through ASB fundraising is nonrefundable. Alternatively, implement board policies that define the LEA's refund parameters and conditions.
- **Tip:** Include a statement in fundraising announcements, such as:

  ASB fundraising donations are nonrefundable. If the fundraising activity does not raise sufficient funds for the intended purpose, the funds may be used for other "similar" ASB-approved activities.

Shared Fundraisers

- Shared fundraising activities between clubs are typically allowable when properly approved; however, a shared fundraising form or agreement should be developed.
- The form should outline the revenue sharing arrangement, participation rules, operational parameters, and all other applicable aspects of the shared/combined fundraiser.
- Each club involved with the shared fundraiser should:
  - Approve the fundraiser.
  - Agree to its conditions.
  - Ensure the fundraising form is signed.
  - Record its acceptance and approval in the meeting minutes.

Fundraisers – Unreturned Items

- Students cannot be compelled to return or pay for unsold items unless:
  - Both the student and their parent/guardian have signed an acknowledgement accepting responsibility for any unsold items and cash associated with the fundraiser.
  - Board policy describes the rules regarding returning unsold items from student fundraisers.

Typically Unallowable Fundraisers and Fees

- The following activities are typically unallowable:
  - Raffles, bingo, and other games of chance (per Penal Code 319, 320, 320.5, & 326.5).
  - Activities that pose liability, safety or risk concerns.
    - Will the LEA's liability policy cover injuries at the proposed event?
  - Rental of LEA property (equipment or facilities) to outside groups.
    - **Remember:** The LEA owns this property!
  - Fees not authorized by the Education Code.
    - If a fee is not allowed by the Education Code, do not charge it!

Raffles and Games of Chance

- Raffles include any instance where:
  - Money is paid for a ticket or chance to win.
  - A ticket is offered with the purchase of another item, such as a T-shirt.
  - A ticket is offered in exchange for a donation.
  - A ticket is given away without a fee or payment.
- Even if tickets are given away or without a fee or payment, this is still a chance drawing and is therefore considered a raffle. The Penal Code requires that everyone must receive a ticket to be compliant, which is usually impossible. Individuals who do not attend the event or meet certain conditions could claim they were denied a chance to win, even though they were not present and did not participate.

Silent Auctions

- Silent auctions are generally allowable and are not considered a game of chance. Bidders do not pay for a chance to win an item.
- Bidders bid an amount to purchase an item based on its perceived market value.
- Only the highest bidder pays, making it a purchase transaction rather than a game of chance.

Accepting Donations

- ASB can gladly accept donations of money or property if the donation is for appropriate ASB expenditures.
- However, donations cannot be:
  - Required or mandatory.
  - A prerequisite for participation in any program or activity.
- All ASB rules and guidelines apply to any received donations.
- Be sure to review the governing board's policy on donations for any special provisions or instructions on how ASB donations are to be acknowledged or accepted, and by whom.

Generally Allowable ASB Expenses

- ASB expenses must:
  - Comply with the law and local board policy.
  - Promote students' general welfare, morale and educational experience.
  - Be directly linked to the students' benefit.
  - Be preapproved.
  - Fall outside the scope of what the LEA should provide, or has provided in past, from its own general funding sources.
  - Benefit a group of students (with few exceptions).
  - Be something "extra" that the students really want.

Gift of Public Funds

- Expenditures of school funds must serve a direct and primary public purpose to avoid constituting a gift of public funds.
  - Private individuals may benefit only “incidentally.”
  - The approved public purpose must be within the scope of the LEA’s jurisdiction and purpose.
- Expenditures that directly and tangibly benefit students’ education are more likely to be justified.
  - Expenditures driven by personal motives are not justified, even if they reflect a long-standing custom or benevolent intent.

Gift of Public Funds (cont.)

- To justify the expenditure of public funds, the governing board must determine that the expenditure will benefit the education of its students.
- Courts will typically defer to the board's determination if it formally designates an expenditure as serving a public purpose — so **include it in board policy**!
- The following can be considered gifts of public funds unless specifically addressed in board policy:
  - Scholarships.
  - Donations to charity.
  - Flowers.

Examples of Generally Allowable ASB Expenses

- Examples of expenditures that enhance students' educational experience include:
  - Student magazines and newspaper subscriptions.
  - Supplemental equipment for student use not provided by the school (e.g., 3-D printers, telescopes).
  - Field trips, excursions, outdoor education camps.
  - Social events for students.
  - Student awards for excellence (if permitted by board policy).
  - Substitute teacher coverage when a teacher is absent for an authorized ASB event.
  - Transportation costs.

Typically Unallowable ASB Expenses

- Ask these questions:
  - Does the expense directly promote the general welfare, morale or educational experience of the students?
  - Does the expense benefit students as a group?
  - Are you certain the expense would not be considered a gift of public funds?
- If the answer to any question is "**no**," the expense is likely unallowable from ASB.
- Also, consider whether the expense is an appropriate ASB or club expenditure. If students chose not to fundraise, would the district still need to cover the expense? If so, it is almost certainly not an appropriate ASB or club expenditure and should be paid by the district.

Typically Unallowable ASB Expenses (cont.)

- **Remember:** Students are the primary decisionmakers in an organized ASB. School staff cannot pressure or compel students to spend their funds in a certain manner. Additionally, **school staff cannot spend ASB funds for any reason without preapproval from the students!**
- Typically unallowable ASB expenses include:
  - School furniture, supplies and equipment.
  - Teacher and staff salaries and benefits.
  - Instructional materials and classroom supplies.
  - Repair and maintenance of school equipment or facilities.
  - Faculty meeting costs,
  - Employee clothing or attire (e.g., coaches' uniforms).

Typically Unallowable ASB Expenses (cont.)

- Typically unallowable ASB expenses include:
  - Employee appreciation meals.
  - Caps and gowns for graduation ceremonies.
  - Flowers or decorations for a district awards ceremony or commemorative event.
  - Transportation for students living in outlying parts of the district.
  - Presents or gifts to anyone, including employees, volunteers or students.

Typically Unallowable ASB Expenses (cont.)

- Uniforms (e.g., for band or athletics) should typically be paid for by the LEA.
  - Uniforms are owned by the LEA.
  - Uniforms must be returned to the LEA
  - If a uniform is lost or damaged, the student can be charged for its replacement.
  - Students may purchase their own uniforms, but these must match the LEA-approved uniform.

Typically Unallowable ASB Expenses (cont.)

- ASB fundraising for uniforms may be allowable in certain cases, such as when:
  - The uniform is custom-fitted to each individual student (e.g., cheerleading).
  - The uniform includes the student's name.
  - The uniform is something the students want to fundraise for through their approved club.
- In such instances, the fundraising and expenditure must receive the proper approvals, and all club members must be provided with the same uniform.

Grad Night – Class Trips

- If grad night or class trips are promoted or funded through ASB or the LEA in any way, they must adhere to the guideline that every student who wants to attend should be allowed to do so, provided there are no administrative or disciplinary issues prohibiting their participation.
  - While parents can be asked to pay a “donation” or fee for their child to attend, if they do not pay — and the event is part of ASB or the LEA:
    - The student cannot be barred from attending.
    - Additional funds from other sources will need to be obtained if the event is to continue.
  - Students cannot be required to fundraise to attend such events.

Fundraising Surpluses and Deficits

- When a club raises funds, there must be a clear purpose in mind, and that purpose should be stated and approved on the fundraising approval form.
- Accordingly, when funds are raised for a specific reason, even if there is surplus, the money cannot be used for just anything.
  - The surplus must still be used for the stated purpose whenever possible.
- If a fundraiser does not raise the intended proceeds, the club should hold another fundraiser to cover the deficit.
- Other clubs should not use their unspent balances to cover another club's shortfall.
  - This practice is unfair and inappropriate because the students in the donating club raised the money without receiving any benefit in return.

Awards

- Each LEA's governing board is required to adopt rules and regulations regarding allowable awards.
  - If no policy or regulations have been adopted, no awards are allowed, even for students.
- Education Code 44015 authorizes awards for employees who make exceptional contributions and for students who demonstrate "excellence."
  - "Excellence" is not defined in the Education Code, so each LEA determines its own criteria.
- Only student awards — not employee awards — should be purchased using ASB funds.

Awards (cont.)

- Board policy should specify:
  - Which student awards are allowable.
  - The criteria for receiving them.
  - The maximum value of each award.
- Allowable student awards may include trophies, homecoming flowers, plaques, certificates, shirts and similar items.
  - **Tip:** The more robust the list of allowable awards, the more likely students, parents and the community understand what is permitted.
- Awards cannot exceed $200 in value unless board policy specifically permits a higher amount.

Awards (cont.)

- ASB funds cannot be used to provide awards to community members, parents, or volunteers.
- Awards for employees who make exceptional contributions are allowed if the employee:
  - Proposes procedures or ideas that are adopted and result in eliminating or reducing LEA expenditures or improving operations.
  - Performs special acts or services in the public interest.
  - Makes exceptional contributions to the efficiency, economy or other improvement in the LEA's operations.
- Such awards must be paid from LEA funds, **not** ASB.
- **Simply put – never use ASB funds to purchase awards for adults!**

Gifts

- If an item is purchased for a specific student or employee and is not an allowable award, it is considered a gift.
- **Gifts are unallowable**, regardless of their value.
- There is a common misconception that “de minimis” or trivial gifts (e.g., under $20 per person) are allowable. This is incorrect: a small gift is still a gift!
- Gift certificates and gift cards are ordinarily characterized as gifts of public funds, even when purchased for an event with a public purpose, because they confer a tangible private benefit to an individual.
  - **Tip:** To avoid making a gift of public funds, ask merchants or individuals to donate gift certificates.
- If students want to give gifts, they should use private funds, not public funds.

Donations to Charities and Other Organizations

- Donations to charities of student funds are generally considered a “gift of public funds” because the funds have been raised under the LEA’s nontaxable status.
- Students may organize fundraisers to support specific charities, provided the fundraiser approval form clearly identifies the fundraising purpose.
  - Ideally, the checks should be written directly to the nonprofit organization or charity.
    - An exception is possible only if the governing board or its designee approves a special fundraising event, with the funds clearly segregated within the ASB account.
- Charitable donations are not allowed for individual students or families in need. A legal foundation must be established separate from the LEA.

Scholarships to Colleges

- Scholarships are allowed if:
  - The governing board or an authorized designee approves the donation.
  - Acceptance of the donation, along with any conditions attached to the donation as prescribed by the donor, is documented in writing.
  - A statement is included outlining the disposition of any remaining or unused balances.
- Donations for scholarships cannot be designated for specific student(s).
- Each scholarship and trust account must be established separately.
- Students may organize fundraisers to raise money for scholarships if:
  - The governing board approves a special fundraising event; and
  - The funds are clearly segregated within the ASB account.

Scholarships to Colleges (cont.)

- For scholarships to be allowable using ASB funds, the following conditions must be met:
  - An unbiased committee selects the recipients.
  - The selection criteria is determined before any fundraising or donation acceptance begins.
  - The scholarship checks are made payable directly to the college.
    - If checks are issued directly to students, there must be a board policy — fully vetted by the LEA's legal counsel — that expressly allows the action. However, **FCMAT does not recommend making checks payable directly to students**.

Employee Appreciation Meals

- Employee appreciation meals are never allowable:
  - They do not qualify as awards.
  - They do not provide a direct or substantial purpose for students and are therefore considered a gift of public funds.
- Adults cannot receive any form of financial or “in-kind” recognition from ASB trust funds and would be considered an illegal gift of public funds. Appreciation meals are a form of in-kind recognition. ASB student funds and resources cannot be used to provide appreciation to adults.

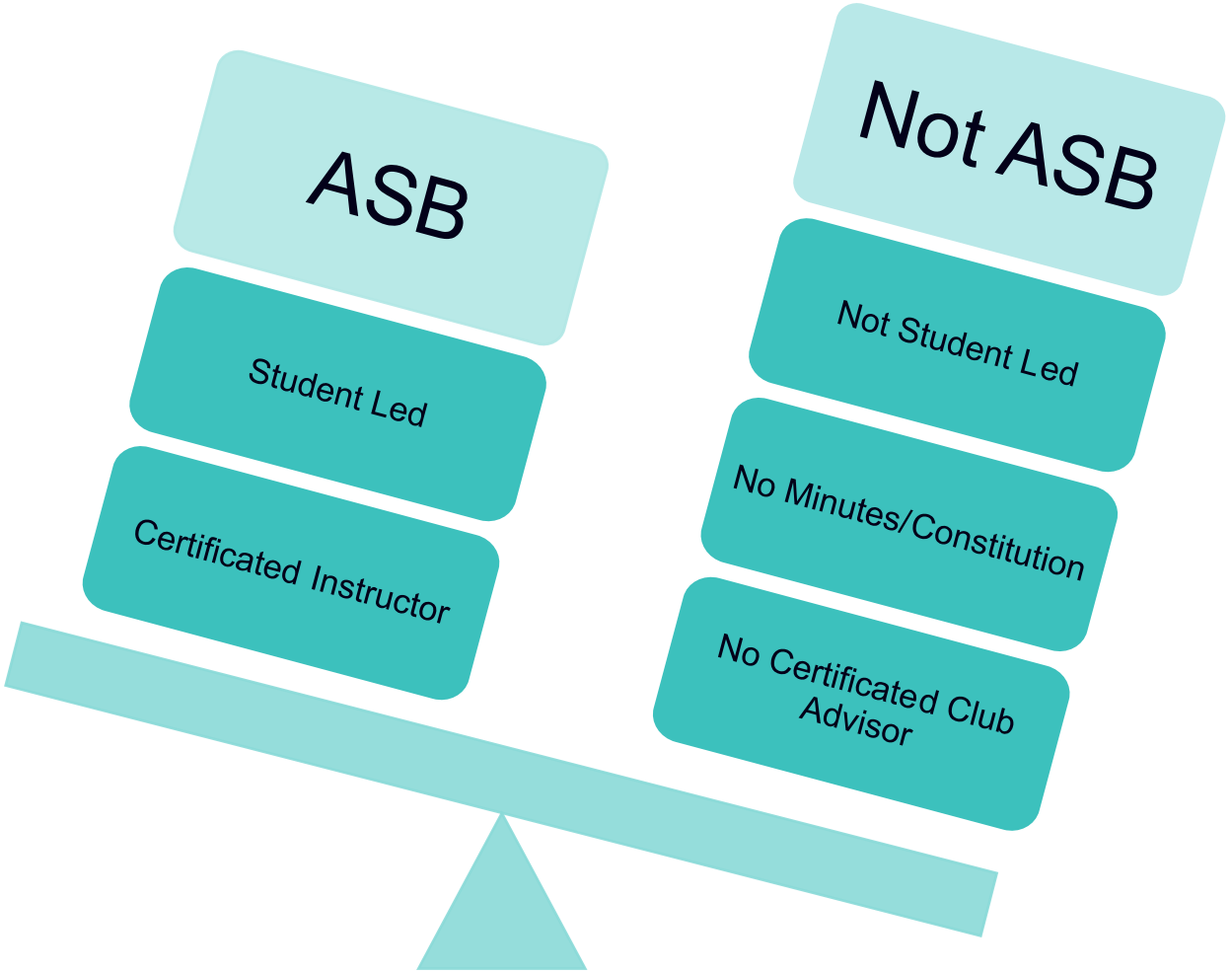
Sports and Athletic Clubs

- For sports revenues and expenditures to be accounted for within the ASB account, the sport must meet the same requirements as all other ASB clubs.
- Options for organizing sports as ASB clubs include:
  - Each sport operates as a separate club with its own constitution, certificated advisor, budget and other required elements; or
  - Multiple sports are organized as a single athletics club, with each sport having representation in the club, one constitution, one certificated advisor and all other required elements.
- If revenue is to be shared, board policy should state how revenue from ticket sales and other activities will be distributed.

Sports and Athletic Clubs (cont.)

- If a single athletic club is formed that includes all sports, each sport should elect at least one delegate or commissioner to join the club's student leadership team, thereby ensuring representation for each sport.
  - Each sport represented in the athletics club may then be accounted for in the ASB accounting record as a subaccount of the athletics club.
- If the school's athletic director is a certificated district employee, they may serve as the club advisor.
  - **Remember:** The club advisor – a certificated employee – must be present at all club activities. Even if a classified coach is supervising an event, the certificated advisor must also be in attendance.

Sports and Athletic Clubs (cont.)



Sports and Athletic Clubs (cont.)

- If athletics is not operating as a true student-led club, meaning that adults are making decisions and determining how athletic proceeds are spent, there is no club constitution or bylaws, there is no student-initiated fundraising, a certificated instructor is not acting as the club advisor, or the certificated advisor is not attending all athletic fundraising events — then:
  - Sports/athletics does not belong in ASB.
  - Operations and bookkeeping should be managed in some other LEA-approved account (e.g., a school donation account).

Contracts for ASB

- Contracts are legally binding documents.
  - Those who are authorized to sign contracts under governing board policy are the same individuals that are allowed to sign ASB contracts, unless board policy states otherwise.
  - Contract policies and procedures protect ASB, the students, and their assets.

Consultants

- Consultants are independent contractors, not LEA employees (e.g., disc jockeys, photographers).
- Consultants should not be employees of the LEA or paid as an employee in **any** other capacity.
  - If the proposed consultant is an employee of the LEA, they cannot be paid as a consultant for the work.
    - In such cases, the work should be paid for through the LEA's payroll, with ASB reimbursing the LEA.
    - The extra work is reported on the employee's annual W-2 issued by the LEA.

Consultants (cont.)

- ASB must preapprove the expense before the work begins.
- Consultants are paid directly by ASB with a vendor check.
- Consultants should complete Form W-9 before beginning work.
  - Income is reported on IRS Form 1099 annually through the LEA's business office.

Internal Controls

- Board policies and procedures should provide the governing board and management with reasonable assurances that the organization, including ASB, achieves its objectives and goals while safeguarding organizational assets.
- Internal controls help protect **everyone**, including students, volunteers, and you.
- Internal controls are the primary mechanism for preventing and/or deterring fraud or misappropriation of assets.

Examples of ASB Internal Controls

- Examples of ASB internal controls include:
  - Prohibiting the payment of expenses out of cash receipts.
    - Deposit the cash and then write a check.
  - Requiring a purchase order/requisition be completed prior to purchase.
    - Otherwise, ASB/school is not obligated to pay for the expenditure.
  - Requiring the checkbook and extra check stock be stored in a safe, secure place.
  - Requiring checks that are incorrect or not issued be voided.
  - Prohibiting the signing of checks in advance.
    - Have at least one backup signer (but more are allowed).
  - Requiring that checks be used in the proper sequence.

Examples of ASB Internal Controls (cont.)

- Examples of ASB internal controls include:
  - Prohibiting making checks out to “cash.”
  - Requiring that all checks have two signatures.
  - Prohibiting signature stamps and requiring the use of wet signatures only!
  - Ensuring that payments are made only upon submission of original documents/receipts (i.e., proof of purchase).
  - Requiring that services or goods are received and authorized before payment is made.
  - Ensuring that the student council and each club prepares and maintains a record of each meeting and any actions taken.

Examples of ASB Internal Controls (cont.)

- Examples of ASB internal controls include:
  - Requiring that bank reconciliations be completed within two weeks of receiving bank statements, with proper review and approval afterward.
  - Requiring the use of prenumbered receipt books or tickets.
  - Maintaining adequate controls over the storage of prenumbered tickets and receipt books.
  - Ensuring that all individuals involved in ASB operations participate in annual training programs.

Examples of ASB Internal Controls (cont.)

- Examples of ASB internal controls include:
  - Requiring dual cash counts.
    - Always count funds with a witness and countersign the proper deposit forms.
  - **Requiring the use of tamper-evident sealed plastic bank bags at all levels of custody.**
  - Requiring that all checks be endorsed with “For Deposit Only…”
  - Ensuring that cash is never left unattended.
    - If the office manager or staff member who normally receives cash is not available, assign another individual to receive the deposit and sign for the received funds. The cash should be double-counted by the assigned employee and the individual delivering it.

Examples of ASB Internal Controls (cont.)

- Examples of ASB internal controls include:
  - Requiring that deposits be made timely (at least every 2-3 days).
    - Make the bank deposit **the same day**, if possible.
    - Never leave undeposited money at a school over weekends or holidays.
  - Ensuring that overages and shortages are reported.
    - Treat the loss of tickets the same as the loss of cash.

Examples of ASB Internal Controls (cont.)

- Examples of ASB internal controls include:
  - Requiring that budgets developed for each club.
  - Ensuring the completion of Revenue Potential forms.
  - Conducting inventory control for vending machines, stores and concession stands.
  - Prohibiting the commingling of receipts from separate events.
  - Requiring the immediate delivery of all event proceeds to the ASB bookkeeper.

Examples of ASB Internal Controls (cont.)

- ASB funds **must** be safely stored:
  - The safest place for money is in the bank
  - The second safest place is in a **safe**.
- **Funds should never be taken home, put in a desk drawer, or stored in a locked file cabinet.**
- If you cannot deposit the money in the bank that day, **place the money in a safe with a witness present!**

Examples of ASB Internal Controls (cont.)

- Examples of ASB internal controls include:
  - Requiring that all ASB documents be fully completed and turned in timely.
    - This includes payment of invoices, which could be from vendors, consultants or staff.
  - Requiring proper supporting documentation for all payments and maintaining a complete and transparent accounting of all ASB expenditures.

Internal Controls – Purchase Order Process

- ASB is not obligated to pay an expenditure ordered or directly purchased by a teacher, student or other person who has not first received a purchase order with the appropriate approval signatures.
  - You cannot go shopping on your own and expect to be reimbursed.
- Purchase orders must be prenumbered and have multiple copies.
- A check request is **not** preapproval.
- Education Code 48933(b) requires that organized ASBs* obtain preapproval for the expenditure of funds from each of the following:
  - A student representative.
  - The board designee (e.g., the principal/school administrator).
  - The certificated advisor.

*Unorganized ASB has one signature of the board designee per EC 48938.

Internal Controls – Purchase Order Process (cont.)

- The purchase order process is as follows:
  1. Obtain prior approval for the expenditure of funds (i.e., a purchase order with all three signatures).
  2. The PO is submitted to the ASB bookkeeper.
  3. Students record the PO in the club's minutes (either before or after approval, depending on the LEA's requirements).
  4. The bookkeeper confirms that sufficient funds are available.
  5. After the goods/services are received, the ASB bookkeeper verifies that the PO matches the invoice, receiving copy, and other documentation.
  6. The ASB bookkeeper prepares a check (two signatures are required).
     - **Note:** Students should not sign checks. The PO is the approval.

Internal Controls – Purchase Order Process (cont.)

7. The ASB bookkeeper provides the check and all documents to the check signers for review.
8. The check signers review all documents (e.g., check, invoice, PO, receiving document/packing sheet) before signing the check.
9. After the check has both signatures, the ASB bookkeeper mails it.
10. The accounting records are updated to reflect the transaction.

- The LEA should have a policy regarding the amount by which a PO may be exceeded and still be paid without further approval (e.g., if an invoice exceeds the PO by more than 10%, the ASB bookkeeper needs to obtain approval from the three individuals who approved the original PO before processing the payment).

Internal Controls – Inventory Controls

- Inventory control helps safeguard against theft and is an internal control, similar to ticket controls.
- Conduct an inventory count by:
  1. Beginning inventory
  2. + Plus purchases
  3. - Minus sales
  4. = Ending inventory
- LEAs should physically count inventory at regular intervals.
- Without adequate inventory procedures, inventory is often sold and the cash stolen.
- Good inventory systems help prevent staff from being falsely accused of inventory theft.

Internal Controls – Journal Entries and Transfers

- Controls are necessary for all journal entries, especially those that adjust cash balances.
  - The purpose for the journal entry/transfer must be documented with a detailed reason and needs supporting documentation.
- A journal entry/transfer should be prepared only with prior written approval by the ASB advisor and Principal.
- All journal entries/transfers should be recorded in club meeting minutes.
- Any journal entry that is not properly documented or approved is a fraud indicator.

ASB Minutes Requirement

- The student council and each club must prepare and maintain a record of each meeting.
- Minutes should include details of all proceedings, including any actions taken.
- Minutes should demonstrate that policies and procedures are being followed by ASB.
- Minutes need to be concisely and clearly written.
- If the ASB is unorganized, meetings are not required. But if meetings are held, and financial or operational decisions are being made at them, then minutes are mandatory.

ASB Minutes Requirement (cont.)

- Any information introduced at the meeting, such as lists of purchase orders, checks, financial information, and letters, should be attached to the original copy of the minutes and kept on file.
- The club secretary, or whoever took the minutes, should sign the minutes when they are completed.
  - Minutes should **never** be signed by nonattending students or administrators.
- Minutes should be reviewed and approved at the next meeting.
- A binder should be maintained of all approved minutes for the school year.

ASB Bank Accounts

- Only the LEA's central business office should open or close bank accounts.
- Governing board action is typically necessary to open or close bank accounts.
- The LEA's central business office must be notified when a bank account needs to be modified.
- ASB bank accounts are for the exclusive use of the ASB organization.

ASB Bank Accounts (cont.)

- ASB bank accounts should always be in the name of the ASB organization rather than the name of any individual.
- Only ASB funds should be deposited into ASB accounts.
- There must be at least two signatories on each check.
  - These signatories should not include students.
  - The bookkeeper should not be a signer.

External Auditors

- External auditors are a good resource when you have questions.
- They provide an annual audit report that:
    - Confirms whether internal controls are within the audit requirements.
    - Details their findings and includes recommendations to correct any deficient procedures.
    - Protects the LEA by offering a third-party line of defense for why policies and procedures are necessary.
- Auditors report directly to the governing board.

Successful ASB Operations

- Local educational agencies with successful ASB operations have:
  - Comprehensive, robust board policies and administrative regulations to guide ASB operations and funds.
  - 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 LEA's central business office.
  - Standardized processes and procedures at all schools.

LEA's Central Business Office

- **The LEA's central business office is the first place to go with ASB questions.**
- Board policy is the primary resource for determining what is allowable and prohibited.
- The LEA should provide annual training on its ASB manual and procedures.
  - The LEA must ensure that new staff and student council members receive ASB training and copies of the ASB manual and board policies. Additional training should be provided throughout the year.
- The LEA central business office should visit schools periodically to review ASB procedures and answer questions.

LEA's Central Business Office (cont.)

- The LEA's central business office should:
  - Obtain and review financial reports from schools at least quarterly.
  - Review the reconciled bank statements for all ASB accounts at schools monthly.
  - Work with school staff to respond to issues noted by the auditors in the annual audit and to develop corrective actions to resolve any issues.
  - Follow up on all issues regarding the administration of student organizations.

LEA's Central Business Office (cont.)

- The LEA's central business office should:
  - Develop accounting procedures for recording and controlling the student body organization's financial transactions.
  - Periodically review procedures to ensure they conform to prescribed accounting procedures.
  - Use input from school staff, student organizations and the LEA's auditors, and take this information into consideration when updating policies and procedures.
  - **Develop board policies of allowable and prohibited ASB activities, transactions, fundraisers, purchases/expenditures, etc.**

When You Have Questions

- If you have questions:
  - Work with the LEA's central business office first. No one knows the rules and policies of your LEA better.
  - Ask your auditors. They have an annual responsibility to review your LEA, including ASB.
  - Review *The FCMAT ASB Manual* at www.fcmat.org.
  - Search FCMAT's Knowledge Base of previous questions and responses.

When You Have Questions – The FCMAT Knowledge Base

- To access and use the FCMAT Knowledge Base:
  1. Visit fcmat.org.
  2. Select “Other Services.”
  3. Select “Help Desk.”
  4. Select “Browse/Search FAQ Archive” under the “Archive of FAQs” section on the right side of the webpage.
  5. Open the dropdown menu titled “Category” under the “Browse” page divider.
  6. Select “Associated Student Body.”
  7. Enter the topic you wish to know more about in the “Search Results for Keyword” entry box.
  8. Select “Go.”

Questions?

Thank You for Attending!