

Associated Student Body Workshop for K-12 Organizations

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM



The ASB Accounting Manual, Fraud Prevention Guide and Desk Reference

- The manual can be accessed and downloaded for free from FCMAT's website at www.FCMAT.org
- FCMAT plans to update the manual in the summer of 2021 to include additional useful information and best practices
- The rumor is true, we are splitting the manual into two, one for K-12 and one for colleges

How Do We Get Answers?

- What fundraisers are allowed?
 - Can the associated student body (ASB) purchase this or that?
 - Where can we account for that?
 - Who is responsible?
 - When should we prepare that?
- Every school district and charter school, and its governing board, is different.
- The vast majority of your ASB questions are resolved with what your governing board wants to allow or prohibit specific to your local education agency's (LEA's) parents, culture, etc.



Governing Board Policy and Regulations

Governing board policy and regulations govern everything, including ASB



AND



Governing board policy and regulations guide us to ensure an understanding of allowable fundraisers, sales, expenditures, purchases, transactions, etc.

Governing board policy is how you get to “YES”

Chapter 2 p 5 & Chapter 3 p 14-15



Business Office Responsibilities and Board Policy

- 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.

Chapter 3 p 14-15

Business Office Responsibilities and Board Policy (cont.)

- This includes authority to decide whether ASB organizations will exist, and if so, how all ASB operations and activities will be supervised and what is allowable or prohibited.
- The Business Office must ensure that clear guidelines and processes are developed so ASB organizations operate efficiently and effectively for the benefit of students.

Business Office Responsibilities and Board Policy (cont.)

- **With help from the LEA, or central business office, the governing board should approve comprehensive board policies and administrative regulations.**
- The business office should develop an ASB manual, handbook, or even lists of allowable and/or prohibited purchases, transactions, fundraisers, activities, etc., for staff and stakeholders to follow.

Business Office Responsibilities and Board Policy (cont.)

- Because most ASB operations relate directly to business management functions:
 - 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 the ASB's finances.
 - This includes identifying on an ongoing basis all activities, fundraisers, transactions, purchases, expenditures, etc., that are allowable or prohibited specific to your LEA.

Business Office Responsibilities and Board Policy (cont.)

All ASB questions should be directed to the LEA/central business office.

- If a board policy does not address the 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 the FCMAT or LEA's ASB manuals, then –
 - Research the FCMAT Knowledge Base (It is comprehensive and answers over 95% of questions).
 - If not answered by Knowledge Base, submit a question to the FCMAT help desk.

Governing Board Policy and Regulations

- Should cover:
 - Establishment of the student body organization
 - Supervision of the organization's activities and direct approvals by a board designee
 - Operation and management of the organization's finances
- It is important ASBs are aware of governing board policy because it applies to the ASB
 - The governing board policies and the ASB's policies should be consistent.
 - For example, there should not be two sets of policies for not-sufficient funds (NSF) checks, travel, etc.

Board policies and regulations are additional laws that ASBs must follow.

Governing Board Policy and 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 that **IF** the governing board has adopted board policy stating what specific items are allowable (e.g., scholarships or donations).

The LEA administration is responsible for establishing and monitoring how ASB funds are handled and spent, and how the ASB is operated. The LEA/central business office must establish procedures and internal controls that align with board policy and conduct proper oversight and follow-up to ensure that issues do not occur.

-This includes responding to school site ASB questions.

Chapter 3 p 14 & Chapter 2 p 5

Governing Board Policy and Regulations (cont.)

- Students are raising funds for their own benefit and are able to make decisions about the funds (with co-approval from a board-designated administrator and an advisor); however, when there is a conflict, **governing board policies and regulations are the final guide because ultimately the funds are under the governing board's authority.**

Governing Board Policy and Regulations (cont.)

- A comprehensive and current ASB manual for student organizations is critical to ensure sound practices, fiscal and otherwise, are followed.
 - Referencing the ASB manual in board policy is recommended to ensure staff understand how important it is to follow the manual's guidance.
- The *FCMAT ASB Accounting Manual, Fraud Prevention Guide and Desk Reference* may also be adopted to supplement an LEA's board policies or procedures regarding student and auxiliary organizations.
 - Include language to provide clarity and the flexibility to follow the LEAs policies and procedures when they differ from those in the FCMAT manual.

Chapter 2 p 5

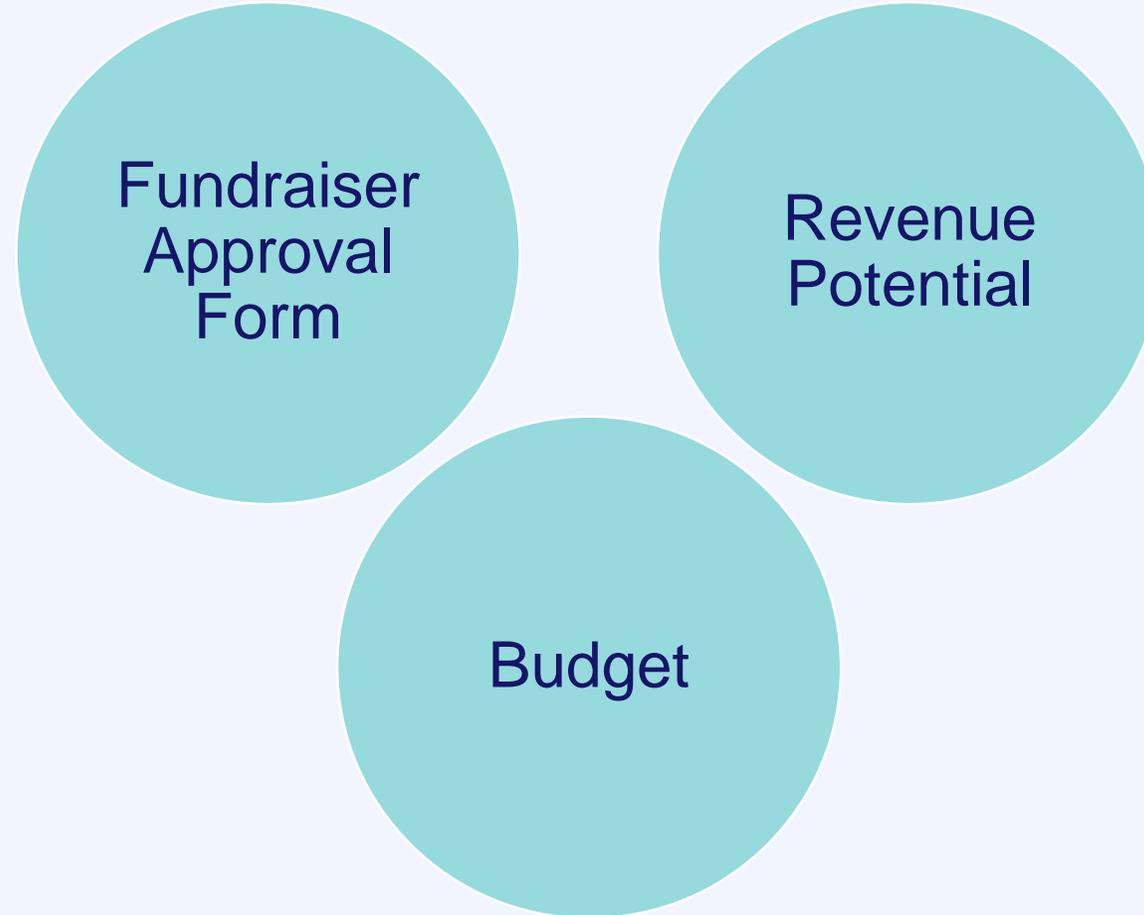
Example ASB Manual Board Policy

- 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) *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* as the _____ District or Charter School's *ASB Manual* as part of ASB board policy.
 - In the event of any conflict between the most recent FCMAT *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* and the _____ District or Charter School's ASB processes or procedures, the policies and procedures established in the _____ District or Charter School's ASB Manual will prevail.



ASB Essentials - Overview

(We Will Discuss this in More Detail Later)



ASB Essentials - Overview (cont.)

Purchase Orders are Your Friend

- Yes, purchase orders are required by Education Code.
 - Education Code requires three approval signatures prior to funds being spent for organized ASB, and one signature for unorganized ASB.
- Even if the vendor does not take purchase orders, you must prepare one as evidence of pre-approval.
 - Think of the purchase order (PO) as the Preapproval Form.
- Prepare a PO for employee reimbursements, too.
 - It will save you a lot of trouble later.

ASB Types

- **Unorganized**

- Elementary and K-8 school sites
 - Can also include: Adult Ed, Special Education, ROP, Continuation
- Governing board delegates authority to oversee raising and spending of funds to a trustee/designee (principal/administrator).
- Students do not govern themselves - usually no student council or student clubs (but may be allowed).
 - Limited student decision making: School principal/administrator oversees raising and spending of funds and CAN make all decisions.
 - Note: Although the principal/administrator can make the decisions, this does not change the rules on how and why we raise and spend ASB funds.
- Some requirements are not as strict.

Chapter 2 p 7-8 & Chapter 4 p 21-24

ASB Types (cont.)

- **Organized**

- Middle and high schools; community colleges
- Activities are organized around student clubs and a student council
- Students are the primary authority when making decisions
- More requirements, which students are involved in:
 - Formal meetings
 - Develop budgets
 - Plan fundraisers
 - Decide how funds will be spent
 - Approve payments
- Advisors and school principal/administrator:
 - Provide assistance, advice, and co-approve

Chapter 2 p 7-8 & Chapter 4 p 21-24



Clubs

- All clubs need to be approved, even activity clubs, for liability reasons.
 - Each club must have a certificated club advisor assigned to it, and only that certificated club advisor can co-approve expenditures and activities.
- A formal application should be completed that includes:
 - Title, powers and duties of the officers and the manner of their election
 - Scope of proposed activities
 - Name of organization
 - Endorsed by a certificated club advisor
- New clubs must be approved by:
 - Student council**
 - Principal/administrator

** For Organized ASB

Chapter 4 p 24

Classes

Classes in Organized ASB, i.e. Freshman Class, Class of 2021

- Must be run like a club; therefore, same requirements.
 - Certificated instructor/teacher could be club advisor
 - Same requirement and internal controls as any other club
 - Formal meetings
 - Develop budgets
 - Plan fundraisers
 - Decide how funds will be spent
 - Approve payments
 - Pre-approvals for fundraising and expenditures, etc.
 - Under the direction of student council
 - Students are the primary authority when making decisions.

What it means to be part of ASB



It's All About Students

- Fundraising
- Participating
- Doing
- Learning
- Experiencing
- Making decisions (if organized ASB)

ASB exists because of students, and students must be involved every step of the way.

Chapter 4 p 22



Student Club and Trust Accounts

- What is a CLUB (Trust Account):
 - Composed of currently enrolled students at that specific school site
 - Students form a club to fulfill a specific purpose (which will be stated in the constitution**)
 - Advisor must be a certificated employee of the school district
 - Students **MUST** play a major role
 - Students are the primary authority when making decisions**
 - There must be:
 - Approved constitution**
 - Elected officers**
 - Approved budget**
 - Regular formal meetings**
 - Minutes of meetings**
 - Clubs report to the student council**
 - All expenditures approved in advance

**Optional if unorganized ASB

Chapter 4 p 24



Student Club and Trust Accounts (cont.)

- Funds held in trust by student council (trust funds)
 - ASB constitution or bylaws should state what happens to funds of inactive clubs.
 - If constitution or bylaws silent, would revert to general ASB account
 - e.g., student council or leadership class
 - Define what an inactive club is (e.g., 18 months)
 - Length of time is not specified in Education Code. Best to specify in constitution or bylaws.
 - Try to spend money for same reason it was raised.

Chapter 4 p 24, Sample Constitution/Bylaws at Chapter 24-Appendices p 255-273

How Do Parent Groups, Boosters, and Auxiliary Groups Fit In?

- Parent/booster/auxiliary group (non-student) funds **cannot** be commingled with LEA/ASB funds.
 - Non-student groups cannot deposit funds into the ASB accounts unless they are being donated to the ASB.
 - Once the funds are donated to ASB, only the student organizations control how the funds will be used (following the governing board's policies and ASB guidelines).
 - Parent/booster/auxiliary groups and student groups must keep their funds and activities separate.

The FCMAT ASB manual gives detailed information about non-student groups in Chapter 21.



ASB Accounts

- ASB accounts should not be used as pass-through or clearing accounts.
- Only money that should be deposited in ASB:
 - Actual ASB funds
 - Will be used for appropriate ASB purposes
- When non-ASB activities are commingled with ASB, problems begin.
 - Commingled funds should never be allowed; may appear to be fraudulent or negligent.
 - Avoid even the APPEARANCE of fraud.

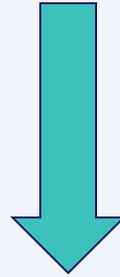


What to Do with Funds that Don't Belong in ASB

- Non-ASB accounts, including but not limited to pass-through or clearing accounts, should be transferred into an LEA approved account, e.g., resource 9000, local donations account.
- Donations from parents, students or community members or groups should be deposited in the school site's LEA office-approved account, not accounted for through or in the ASB, unless truly supplementing ASB clubs or fundraising.
- If the activities, monies collected, etc. (including library fines, test fees, etc.,) are not part of the ASB's fundraising and other true ASB activities, they do not belong in the ASB at all.
 - Move it out – only ASB trust funds belong in ASB.

Roles and Responsibilities

Site Principal - ASB Advisors - ASB Bookkeeper



Enforce and communicate all laws, policies and procedures.

Chapter 2 p 6-10, & Checklists Chapter 5 p 41-49

Site Principal:

- Works with LEA/central business office
- Approves fundraising events
- Approves expenditures along with students and ASB advisor
 - Can be only approver for unorganized ASB (acts as trustee)
- Appoints the advisors for ASB and the clubs
- Supervises ASB bookkeeper and ASB advisors
- **Enforces and communicates all laws, policies and procedures**
- Ensures that a student council is established and approves club constitutions**
- Works with each student organization to develop methods for securing cash collected after hours and on non-school days
- Ensures proper cash control procedures are established and followed
- Ensures minutes are kept of all ASB and club meetings**
- Receives and reviews bank statements MONTHLY
- Reviews budgets and financial reports MONTHLY

**Optional if unorganized ASB

Chapter 2 p 6-7 & Checklist at Chapter 5 p 41-49



ASB Advisor(s):

- Critical link between Principal – Bookkeeper – Students
 - The principal's designee for day-to-day ASB functions
 - Must be a CERTIFICATED district employee per Education Code
 - Needed to supervise EACH club and student council/leadership class, including their activities
 - Works directly with students on a day-to-day basis
 - Ensures that adequate internal controls are in place
-
- Chapter 2 p 8-9 & Checklist at Chapter 5 p 41-49



ASB Advisor(s), (cont.)

- Assists the students in preparing the annual budget** and revenue projection estimates for fundraisers
- Approves expenditures along with students and board designee**
- Ensures that the clubs are meeting and keeping minutes**
- Reviews with the students all budgets**, financial reports and transactions
- **Ensures all laws, policies and procedures are followed**

**Optional if 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, school culture, or other specific reason to deny an event, expenditure or other student council or club decision.
- Denial of a student council or club decision should not occur because the principal/school administrator or ASB advisor dislikes or disagrees with the decision.
 - A valid reason is required.

ASB Bookkeeper (Site):

- The ASB bookkeeper safeguards money held at school site –
 - Ensures funds get to the ASB bank account in a timely manner
 - Responsible for receipts received from ASB advisor until deposited
 - Prepares proper financial records of financial transactions in accordance with established procedures and policies
 - Club reports, check registers, deposit registers, etc.
 - Provides materials to ASB advisors for fundraisers, and keeps stock on hand (change box, receipt books, tickets, etc.)
 - Processes purchase orders, payments, and invoices
 - Prepares bank reconciliations monthly
 - **Upholds ASB laws, procedures and policies**

All checklists should be completed and reviewed by the principal, activities director, bookkeeper, and LEA/central office.

Chapter 2 p 9-10 & Checklist at Chapter 5 p 41-49 and 53-56, Chapter 24, Appendix p 367-375

Student Council:**

- Represents the students
- Mandatory for organized ASB
- Primary authority of how student-raised funds will be spent
 - Approves expenditures along with ASB advisor and board designee**
- Develops and approves annual budget for student council and leadership class**

**Optional if unorganized ASB

Chapter 2 p 10-11

Student Council (cont.)

- Approves expenditures, in addition to approval from a board designee and the ASB advisor.
- In some LEAs the student council will approve expenditures from all student funds before the spending occurs; in others the general student council approves after the fact; and in others it does not approve any expenditures (for student clubs) but is informed of them.
- The student council must approve its own expenditures before spending occurs.

Student Council (cont.)

- Authorizes ALL:
 - Student clubs
 - Student club budgets
- Reviews ALL:
 - Student club fundraising events
 - Student fund purchases/expenditures
 - Student club financial reports
 - Student club reconciliations
 - Anything else it would like to review

Budgets

- Every club must have a budget (if organized ASB)
 - If unorganized, budgets are not mandatory.
- Budget is an ESTIMATE
 - If the budget goes off track during the year, REVISE it.
- Budget = Usually one year
 - **Prepare NEXT YEAR'S budget early**, don't wait.
 - It's needed to conduct business
 - Next year's budget can be as simple as using current year actual revenue and expenditures
 - Remember, it's an estimate
- Students need to participate in the budget process
- Require that a budget is in place and approved BEFORE the club enters into any commitments (i.e., spends any money).
 - **No Budget = No Spending!**

Chapter 6 p 58-60

Budgets (cont.)

Budget CARRYOVER

- Possible; HOWEVER – Students should try to spend what they raise.
- But, if needed:
 - Seed money for next year = OK
 - Reasonable carryover balances = OK
 - Preapproved multiyear projects = OK
- Governing board policy should set the carryover amount or percentage.
- There should be a form to get approval to carry over funds from the prior year.

What Happens When a Class Graduates?

- ASB funds can only be spent on CURRENT students
- If graduating, students should:
 - Spend remaining funds prior to graduation
 - Gift the funds to another ASB club at the same school site
 - Gift the funds to the general ASB at the same school site
- Balances cannot follow students graduating from elementary or middle school and moving on to next level.
 - Funds stay at same school where they were raised
- If class has already graduated and did not make a decision on how to spend remaining funds:
 - Funds would revert to general ASB
 - Unless board policy or club constitution / bylaws says otherwise

Chapter 6 p 61-62



Fundraising Essentials

- Obtain governing board approval **BEFORE** the fundraiser occurs. This is required by Education Code.
 - Best Practice: ASB fundraising events should be approved at the beginning of year, by the board or whomever the board delegates to do so, or the governing board should approve policies and administrative regulations that delineate allowable and unallowable fundraising events.
- Ensure that parent organizations coordinate the timing of their fundraisers with ASB fundraisers, so they don't compete.

Chapter 8 p 90-91, 96, 99-100

Revenue Potential

- Complete a Revenue Potential form for each fundraiser
 - An internal control requirement, and a finding in the LEA's independent audits if not in existence
 - The Revenue Potential is NOT the same as a fundraiser approval, unless both activities/actions are on the same form
- Revenue Potentials will include an ESTIMATE, ACTUAL RESULTS and the DIFFERENCE
- Revenue Potential form can serve as the document to:
 - Ensure that the site administrator is informed and approves of all fundraising activity at the site
 - Notify the bookkeeper of an upcoming deposit
 - PLAN!

Chapter 8 p 101-102, 103-104, 106-107 sample forms

Fundraising for Specific Students

Parameters for Fundraising Events:

- Students should participate and make contributions to fundraising events voluntarily.
- They cannot be excluded from an activity funded by ASB funds because they did not participate in fundraising.
- **Fundraising proceeds cannot be attributed to specific students based on what they raised.**
 - The funds are raised to benefit the entire club or student group, not individual students.



Fundraising Parameters - Don't Forget....

- An ASB fundraiser must be preapproved and consist of students raising money to purchase “extras” for students’ educational experience.
- Charging students a fee is not a fundraiser.
- It is not legal for staff to raise funds (e.g., to increase specific classroom budgets) using the LEA’s tax identification (ID) number.
 - ASB can use the LEA’s tax ID number; not specific staff.
 - If staff conducts fundraising and deposits into a LEA or ASB account, it’s a donation from the staff member. The funds are considered taxable income to the individual who raised the funds.

Chapter 14 p 179



Fundraising Parameters - Refunds

When funds are received as a donation, nonprofit/(IRS) guidelines apply.

- Sometimes, parents want a refund of their donation.
 - To help with this issue, add language in board policy that money received by ASB via ASB fundraising (for ASB activities and donations) is nonrefundable. OR, approve board policy addressing your LEA's refund parameters/conditions, etc.
- Consider adding some wording to your fundraising announcements, such as:
ASB fundraising donations are nonrefundable. If the fundraising activity does not raise sufficient funds for the activity to occur, the funds may be used for other ASB-approved activities.



Shared Fundraisers

- Shared fundraising activities between clubs are allowable when properly approved; however, a shared fundraising form should be developed.
- The form should spell out the conditions, revenue sharing arrangements, participation rules, and all other applicable aspects of the shared/combined fundraiser.
- Each club involved with the shared fundraiser should separately approve the fundraiser, agree to the fundraiser conditions, ensure the fundraising form is signed, and ensure acceptance and approval is documented in each club's minutes.



Fundraisers -- Unreturned Items/Cash

- Students cannot be compelled to return or pay for unsold items unless:
 - The student and student's parent/guardian both signed an acknowledgement that they are responsible for unsold items and all cash associated with the fundraiser.
 - Governing board policy describes the rules regarding obtaining unsold items from student fundraisers.



Unallowable Fundraisers and Fees

- Raffles, bingo, and other games of chance
 - This is in Penal Code.
- Activities that pose liability, safety or risk concerns
 - i.e., Will the LEA's liability policy cover injuries at the event?
- Rental of LEA property (equipment or facilities to outside groups)
 - Remember, the LEA owns the property!
- Fees not authorized by the Education Code
 - If not allowed by Education Code, don't charge it!

Chapter 8 p 94-95 & Chapter 9 p 112-119 (fees)



Raffles and Games of Chance

Raffles include:

- Money paid for a ticket or form of chance (ticket)
- A ticket offered with some other offering such as a shirt
- A ticket offered with a donation
- A ticket given away without fee or payment

Even a ticket given away or without a fee or payment is still a chance drawing as a raffle. Everyone must receive a ticket, which is impossible, as those who do not attend the event may raise the claim that they were denied a chance to win even though they were not present and never participated.

Chapter 8 p 94-95



Silent Auctions

Silent Auctions:

- Not a game of chance – Bidders do not pay for a chance to win the item.
- Bidding amount to purchase the item is based on a perceived market value.
- Highest bidder is the only one who pays; therefore, it is a purchase transaction.

Knowledge Base #1712



Donations

- ASB can gladly accept donations of money or property if the donation is for appropriate ASB expenditures.
- But these donations can't be:
 - Required
 - Mandatory
 - A prerequisite to participate in a program or activity
- All ASB rules and guidelines apply to any received donations.
- Make sure you know if the governing board's policy on donations has special provisions/instructions for how ASB donations are to be acknowledged or accepted (and by who!).

Chapter 8 p 97 (Websites) & Chapter 9 p 112, Chapter 12 p 145-148



Allowable Expenses

- Must be in compliance with the law and local board policy
- Must promote the students' general welfare, morale, and educational experience
- Must be directly linked to the students' benefit
- Must be pre-approved
- Must be outside of what the LEA should provide, or has provided in past, from its own general funding sources
- Must benefit a group of students (with few exceptions)
- Is something “extra” that the students really want

Chapter 14 p 179

Gift of Public Funds

- Expenditures of school funds must be for a direct and primary public purpose to avoid being a gift of public funds
 - Private individuals must be benefitted only incidentally
 - Approved public purpose must be within the scope of the LEA's jurisdiction and purpose
- Expenditures that most directly and tangibly benefit students' education are more likely justified
 - Expenditures driven by personal motive are not justified even if long-standing custom or based on benevolent feelings

Chapter 3 p 14, Chapter 14 p 179-181, 183

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.
- *If the governing board has determined that a particular type of expenditure serves a public purpose, courts will almost always defer to that finding: **Put it in board policy!***
- The following can be considered a gift of public funds unless in board policy:
 - Scholarships to college
 - Donations to charity
 - Flowers



Examples of Allowable Expenses

These example expenditures enhance students' educational experience:

- Student magazines and newspaper subscriptions
- Supplemental equipment for student use not provided by the school (e.g., telescopes)
- Field trips/excursions/outdoor education camps (grad night discussed on an upcoming slide)
- Extracurricular athletics costs (e.g., costs for ticket sales, game officiating and security)
- Social events for students
- Awards to students for excellence (if governing board policy in place)
- Substitute teacher if the teacher is absent due to an authorized ASB event

Chapter 14 p 179-180

Unallowable Expenses for ASB

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 sure the expense can't be considered a gift of public funds?
- If you answer **NO** to any question above, the expense is probably unallowable from ASB.

NO = Don't spend from ASB funds!!!



Unallowable Expenses (cont.)

Include:

- School furniture, supplies and equipment
- Teacher and staff salaries
- Instructional materials and classroom supplies
- Repair and maintenance of equipment/facilities
- Faculty meeting costs
- Employee clothing/attire (e.g., coaches' uniforms)
- 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

Chapter 14 p 180, 183 clothing



Unallowable Expenses (cont.)

- Band/cheerleading/swim team, etc., uniforms must be paid for by the LEA:
 - Owned by the LEA
 - Must be returned to the LEA
 - If lost or damaged, student can be charged for replacement
 - Students can purchase their own uniform but cannot be different than the LEA approved uniform with special markings, etc.
- However: ASB fundraising for uniforms is allowable if there is a legitimate club.
 - Must have proper approvals
 - If not enough money fundraised – everyone will still receive the same uniform

Knowledge Base # 6267, 4597



Grad Night – Class Trips

If promoted or funded through the ASB or the LEA in any way, Grad Night, and class trips (e.g., 8th-grade trip to Washington or other field trips) must follow the guidelines that everyone who wants to attend should be able to go as long as there are no administrative or discipline issues prohibiting a specific student from attending.

Although parents can be asked to pay a “donation” or a 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. Funds from other sources will need to be obtained if the event is to continue. In addition, students cannot be forced to fundraise to attend such events.

Chapter 9 p 115-116



When there is a Surplus of Funds

- When a club raises funds there must be a purpose in mind, and that purpose should be stated and approved on the fundraising approval form.
- So, when funds are raised for a specific reason, even if there is surplus, the money can't be used for just anything.
 - The surplus must be used for the stated purpose.
- If a fundraiser comes up short, the club that came up short should do another fundraiser to cover the deficit.
- Other clubs having to use their balances to cover a shortfall of another club is not fair or appropriate.
 - The students in the club who raised the money do not benefit.

Chapter 6 p 57



Awards

- Board required to adopt rules and regulations about awards.
 - If no policy or regulations, no awards allowed (even for students)
- Authorized by Education Code section 44015
 - Awards are allowed to employees for exceptional contributions and to students for excellence.
- Only student awards should come from ASB
 - Governing board policy needed for types of student awards, e.g., awards to students for excellence and performance, trophies, homecoming flowers, plaques, certificates, shirts, erasers, pencils, lunch tickets, etc. (the longer and stronger the list, the more likely stakeholders, parents, and the community understand what is allowable).
- Awards cannot exceed \$200 in value unless board policy states a higher amount.
- Awards are not authorized or allowed to community members, parents, or volunteers from ASB funds.

Chapter 14 p 182-183 & Knowledge Base #6840

Awards (cont.)

- Awards to employees for exceptional contributions are allowed if the employee:
 - Proposed procedures or ideas that are adopted and result in eliminating or reducing LEA expenditures or improving operations
 - Performed special acts or special services in the public interest
 - Made exceptional contributions to the efficiency, economy or other improvement in operations of the LEA
- Should be paid from LEA funds, NOT ASB

PLAINLY SAID – NEVER GIVE AWARDS TO ADULTS FROM ASB FUNDS!

Gifts

- If something is purchased for a specific student or employee and it is not an allowable award, it is a gift.
 - GIFTS ARE UNALLOWABLE, even if small in amount.
 - People have tried to say that if a gift's value is “de minimis,” trivial or of little value, it would be OK (e.g., under \$20/person).
 - They are wrong! A gift is a gift!
 - Gift certificates 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.
 - Ask merchants or individuals to donate gift certificates to avoid making a gift of public funds.
 - If students want to give gifts, use private funds, not public funds.

Chapter 14 p 180

Donations to Other Organizations

- Donations are considered a “gift of public funds.”
 - Remember, the funds have been raised under the LEA’s nontaxable status.
- Students can still organize fundraisers to support specific charities if fundraiser clearly identifies fundraising purpose.
 - The checks should be written directly to the organization/charity.
 - An exception can exist only if governing board approves a special fundraising event with the funds clearly segregated within the ASB account.
- Donations are not allowed for needy families. A legal foundation must be established separate from the LEA.

Scholarships to Colleges

- Scholarships are allowed, if the following exists:
 - Governing board, or authorized designee, approves the scholarship donation.
 - Acceptance must be in writing, including all conditions prescribed by the donor.
 - Statement must also be included regarding the disposition of any remaining balance.
 - Each scholarship and trust account must be established separately.
 - The donation cannot be for specific student(s).
- Students may organize fundraisers to raise money for scholarships:
 - If the governing board approves a special fundraising event with the funds clearly segregated within the ASB account

Chapter 8 p 93, Chapter 12 p 147, & Chapter 14 p 181-182



Scholarships to Colleges (cont.)

- If scholarships are going to be allowed from ASB funds, the following must occur:
 - There must be an unbiased committee that selects the recipients
 - The selection criteria must be determined prior to beginning the fundraising or acceptance of any donations
 - Scholarship check(s) must be made payable directly to the college
 - If you want checks directly payable to students, there must be governing board policy fully vetted by LEA legal counsel that expressly allows the action. FCMAT does not recommend checks be payable directly to students.

Employee Appreciation Meals

- Employee appreciation meals are never allowed.
- Such appreciation meals do not qualify as awards.
- Attorney General says not “actual and necessary” per Education Code section 44032.
- Don’t provide a direct and/or substantial purpose – so would be a gift of public funds.

Chapter 14 p 183



Sports and Athletics Club(s)

- For any sports revenues and expenditures to be accounted for and part of the ASB account, the sport must meet the same ASB club requirements as all other clubs.
 - Each sport may be a separate club with its own constitution, certificated advisor, budget and other required elements,
- OR**
- Multiple sports can be organized as one athletics club, with each sport having representation in the club, one constitution, one certificated advisor and other required elements.
 - If revenue is to be shared, governing board policy should state how revenue from ticket sales, etc., is distributed.

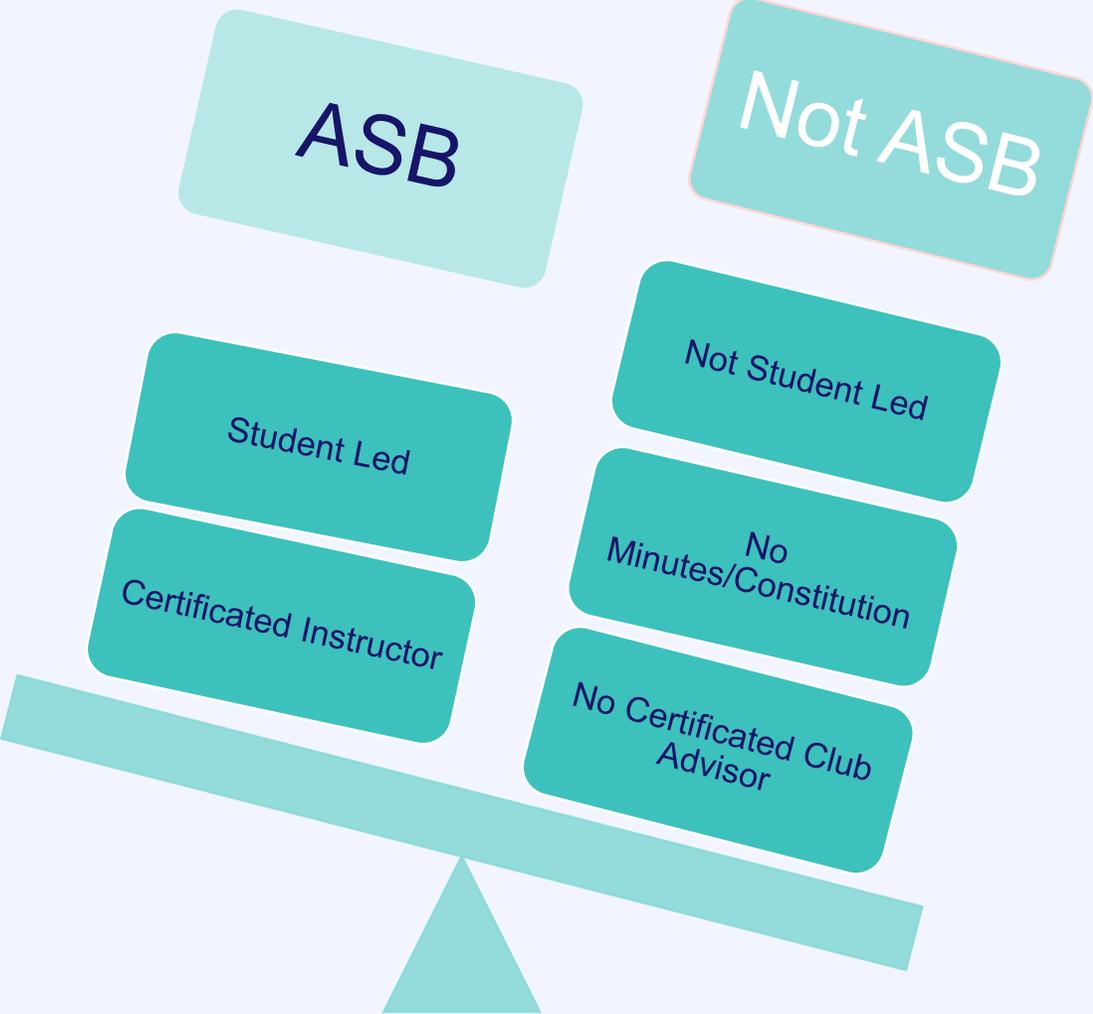
Chapter 4 p 25, Chapter 8 p 91



Sports and Athletics Club(s) (cont.)

- If one athletic club is formed, each sport should elect at least one delegate or commissioner to be a member of the club's student leadership team, thus ensuring that each sport receives representation.
 - Each sport represented in the athletics club may then be accounted for in the ASB accounting record as a subaccount of the athletics club.
- If the athletic director of the school is a certificated employee of the district, the athletic director may serve as club advisor.
 - But remember, the club advisor – a certificated employee -- must be at all club activities. Even if a classified coach is at the event, the certificated advisor must also be there.

Sports and Athletics Club(s) (cont.)





Sports and Athletics Club(s) (cont.)

If not operated as a true club, meaning the adults are making the decisions (not student led), no club constitution/bylaws, no student fundraising, no certificated instructor acting as club advisor and attending all sport/athletic ASB fundraising/events, then:

- Sports/athletics does not belong in ASB
 - Operations and bookkeeping should be in some other LEA approved account
 - Example: School site donation account



Contracts for ASB

- Contract – legally binding document
 - 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 the ASB, the students, and their assets.

Chapter 15 p 185



Consultants

- Independent from the LEA (e.g., disc jockey or photographer)
- Not an employee and not paid as an employee in ANY other capacity
 - If the proposed consultant is already an employee, they cannot be paid as a consultant for this work.
 - The work is paid for through LEA payroll and ASB reimburses the LEA.
 - The extra work is reported on the employee's annual W-2 issued by the LEA.
- ASB must pre-approve the expense before the work occurs.
- Consultants are paid directly by ASB with a vendor check.
- Consultant should fill out W-9 prior to working.
 - Income reported on IRS Form 1099 annually through the LEA business office.

Chapter 17 p 193-195

Internal Controls Protect Everyone

- Your ASB and the LEA
- Integrity and avoiding the appearance of negligence
- Employees – administrators, teachers, staff, etc.
- Volunteers – They need a lot of supervision and instruction
- Students – They also need a lot of supervision and instruction
- Assets
- Reputation

Internal controls for even simple things such as issuing receipts from a multi-copy receipt book send a strong message to donors, parents, and other stakeholders.

Internal Controls

- Board policies and procedures designed to provide the governing board and management with reasonable assurance that the organization, including ASB, achieves its objectives and goals.
- Internal controls help protect EVERYONE, including students, volunteers, and you.
- Principal mechanism for preventing and/or deterring fraud or illegal acts, misappropriation of assets, or other fraudulent activities.
 - Can include an array of irregularities characterized by intentional deception and misrepresentation of material facts.

Chapter 5 p 41-49, 53-56, Chapter 18 p 197-202, & Chapter 24 Appendix p 367-375 checklist

Examples of Internal Controls in ASB

- Never pay expenses out of cash receipts.
 - Deposit cash and then write a check.
- Purchase order/requisition completed prior to purchase.
 - If not, ASB/school is not obligated to pay for the expenditure.
- Keep the checkbook and extra check stock in a safe, secure place.
- Void checks that are incorrect or not issued.
- Never sign checks in advance -- have at least one backup signer (but can be more).
- Use checks in proper sequence.
- Never make check out to “cash.”
- Check should have two signatures.
- Signature stamps are not permitted – wet signatures only!

Examples of Internal Controls in ASB (cont.)

- Disbursed or paid ONLY if original documents/receipts exist (i.e., proof of purchase).
- Service/product/goods MUST be RECEIVED and authorized before payment is made.
- Student council and each club prepares and maintains a record of each meeting and the action(s) taken.
- Bank reconciliations done within two weeks of receiving bank statement, with proper review and approval afterward.
- Always use pre-numbered receipt books or tickets.
- Adequately control where pre-numbered tickets and receipt books are stored.
- Training programs.

Examples of Internal Controls in ASB (cont.)

- Dual cash counts
 - Always count funds with a witness and countersign the proper deposit forms.
 - **Use tamper proof sealed plastic bank bags at all levels of custody.**
- Endorse all checks – “For Deposit Only ...”
- Do not leave funds unattended on a desk.
 - If the office manager or other staff member who normally receives cash is not available, assign another individual to receive the deposit and sign for the received funds in their absence. The cash should be double counted by this person with the person who brought it to them.
- Timely deposits (2-3 days)
 - Make the bank deposit **THAT DAY**, if possible!
 - Never leave undeposited money at a school over weekends or holidays.
- Report overages and shortages.
 - Loss of tickets is the same as loss of cash.

Examples of Internal Controls in ASB (cont.)

- Budgets developed for each club
- Completion of Revenue Potential forms
- Inventory control for vending machines, stores, and concession stands
- Proper cash handling and physical chain of custody for all cash receipts
- No commingling of receipts from separate events
- Immediate delivery of all event proceeds to the ASB bookkeeper
- Using pre-numbered tickets, receipt books, or tally sheets
- Implement cash boxes to keep the received money safe
- Training programs

Examples of Internal Controls in ASB (cont.)

- Safe storage is a MUST
 - The safest place for money to be is in the bank
 - Second safest place is a SAFE
- FUNDS SHOULD NEVER BE TAKEN HOME, PUT IN A DESK DRAWER, OR EVEN IN A LOCKED FILE CABINET.
- If you cannot deposit the money in the bank that day, PUT THE MONEY IN THE SAFE WITH A WITNESS PRESENT!

Examples of Internal Controls in ASB (cont.)

- All ASB documents should be fully completed and turned in timely.
 - This includes payment of invoices, which could be from vendors, consultants or staff.
- Proper back-up documentation is required for payment to be made, with all associated supporting information, including information on the invoice(s) such as the date, time, place, time or hours charged for, in addition to any other related supporting receipts that are part of the invoice, to properly disclose and present a full and transparent accounting of all activities the ASB is paying for.

Purchase Order Process

- Yes, purchase orders are required. They must be issued to reflect proper pre-approval.
- ASB not obligated to pay for 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 pre-numbered and have multiple copies.
- A check request is NOT pre-approval.
- Three signatures are required per Education Code section 48933(b) for K-12 (organized) and section 76063 for community colleges.
 - Student representative
 - Board designee (principal/school administrator)
 - Certificated advisor

Chapter 18 p 198-202, 207-208 sample PO, 210-211 sample expenditure approval

Purchase Order Process (cont.)

- Prior approval = Purchase order with all three signatures
- Submit PO to ASB bookkeeper
- Students record PO in club's minutes (record in minutes before or after approval depending on LEA's requirements) – update your policy
- Bookkeeper confirms sufficient funds are available
- After goods/services received, when ASB bookkeeper is ready to pay bills,
 matches PO, invoice, receiving copy, etc.
- ASB bookkeeper prepares check. Two signatures required.

Note: Students should not sign checks. The PO is the approval.

Purchase Order Process (cont.)

- ASB bookkeeper provides all documents for review along with checks.
- Check signers review all documents, e.g., check, invoice, PO, receiving document (packing sheet), etc., before signing check.
- After the check has both signatures, the ASB bookkeeper mails the check.
- Accounting records updated.
- There should be a policy regarding the amount by which a PO may be exceeded and still be paid without further approval; e.g., if invoice exceeds PO by more than 10%, the ASB bookkeeper should obtain approval from the three individuals who approved the original PO before paying it.

Is Inventory Control Really Necessary?

- YES! Inventory control helps safeguard against theft and is an internal control, similar to ticket controls.
- Inventory controls:
 - Beginning inventory
 - Plus purchases
 - Minus sales
 - Ending inventory
 - Physically count inventory at intervals
- Without adequate inventory procedures, inventory is often sold and cash stolen.
- Good inventory systems help prevent staff from being falsely accused of inventory theft.

Journal Entries and Transfers

- Control is required.
 - Purpose must be documented with a detailed reason
 - Needs supporting documentation
- Should be prepared only with prior written approval.
 - ASB advisor
 - Principal
 - Club meeting minutes
- Any journal entry that isn't 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 and action taken.
- Minutes should include:
 - Details of proceedings
 - Actions taken
- Minutes should demonstrate that policies and procedures are followed by ASB
- Minutes need to be concisely and clearly written.
- If ASB is unorganized, and if meetings are not held, then minutes are not mandatory. But if meetings are held, and financial or operational decisions are being made at the meetings, minutes are mandatory.

Chapter 4 p 32-33, minutes form, p 34-35, instructions

ASB Minutes Requirement (cont.)

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



ASB Bank Accounts

- LEA guidelines must be followed.
 - Best practice = Only LEA's accounting office should open or close bank accounts.
- LEA accounting office must be notified when a bank account needs to be modified.
- ASB bank accounts are for the exclusive use of the ASB organization.

Chapter 5 p 37

ASB Bank Accounts (cont.)

- ASB bank accounts should always be in the name of the ASB organization rather than in 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 either

Auditors

- Good resource when you have questions
- Annual Audit Report
 - Report of internal controls is within the audit requirements
 - Report their findings and recommendations to correct procedures
 - Protect 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

- Comprehensive board policies and administrative regulations regarding 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 accounting office
- Standard processes and procedures at all sites

LEA Business Office

The first place you go for ASB questions

- Primary resource is governing board policy to determine what is allowable or prohibited.
- LEA should provide ongoing training on the district's ASB manual and procedures (FCMAT manual recommends annual training).
 - Ensure that ASB training includes providing new staff members and student council members with information and additional training throughout the year, with copies of the ASB manual and board policies.
- LEA central business office should visit school sites periodically to review the procedures in use and answer questions.

Good Checklists: Chapter 5 p 41-49, 53-56, Chapter 18 p 197-202, & Chapter 24 Appendix p 367-375 checklist

LEA Business Office (cont.)

- Obtain and review financial reports from the school sites at least quarterly.
- Review the reconciled bank statements for all ASB accounts at school sites monthly.
- Work with the school site 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.

LEA Business Office (cont.)

- 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 LEA auditors, and take this information into consideration when updating policies and procedures.
- **Develop board policies of allowable or prohibited ASB activities, transactions, fundraisers, purchases/expenditures, etc.**

When You Have Questions

- Work with your LEA accounting 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 FCMAT's *ASB Accounting Manual, Fraud Prevention Guide and Desk Reference*.
- FCMAT ASB Manual link - <http://fcmat.org/2015-asb-accounting-manual-fraud-prevention-guide-and-desk-reference/>
- Search FCMAT's knowledge base

When You Have Questions – FCMAT Knowledge Base

- To use the FCMAT Knowledge Base:
 - Type into your web browser, “[FCMAT.org](https://www.fcmat.org)”, then select the pull-down menu at the top of the web page and choose Help & Services. Click on Help Desk. This will take you to the FCMAT Online Help Desk page. Scroll down in the page to “**Archive of Frequently Asked Questions.**” This will take you to the Knowledge Base page. In the pull-down menu titled Category select Associated Student Body and then use Search Results for Keyword for the specific topic you want to know more about.

When You Have Questions – FCMAT Knowledge Base (cont.)

- Knowledge Base Link:

https://servicedesk.csis.k12.ca.us/MRcgi/MRhomepage.pl?USER=&PROJECTID=9&MRP=0&OPTION=none&WRITECACHE=1&FIRST_TIME_IN_FP=1&FIRST_TIME_IN_PROJ=1&

- After you have researched board policy, met with your LEA business office, carefully searched the Knowledge Base, and when all else fails, you can submit your question to FCMAT's Help Desk and receive a confidential response.

Any Questions?

Thank You For Attending