

SBOA ISD Training

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State Advisory Services



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What are Internal Controls?



- Internal controls are processes designed to ensure that the objectives of the organization are achieved.



Types of Controls



- **Preventative controls** are those such as requiring dual signatures on checks or having password-protected files. This type of control protects and limits access to assets.
- **Detective controls** include reconciling the bank or inventory counts. Typically, these internal controls are performed periodically to see if issues need to be corrected. They will often turn up internal errors or problems, as well as any external errors (such as bank errors).

Trust is not a control



- Do you have someone at your school who is very knowledgeable about processes and no one else knows how certain things work?
- Someone else should understand and review!



Segregation of Duties



- Duties that “should” be separated:
- Receipt roles - Collecting, Depositing, Recording and Reconciling functions.
- Purchasing roles – Ordering, Receiving, Claim Creation/Approval, Payment, and Reconciling functions.
- Inventory roles - Requisition, Receipt, Disbursement, Conversion to scrap and Receipt of scrap proceeds functions.

Components of Internal Control



- Control Activities
 - Actual procedures performed.
- Risk Assessment
 - Where could things go wrong?
- Information and Communication
 - If things go wrong, do you know?
- Monitoring
 - It needs to be continuous process.
- Control Environment
 - ‘Tone at the top’

C.R.I.M.E!

Documentation



- It is important to **DOCUMENT** procedures!!
- Who does what and when?
- Proof that procedures and policies are being followed.
- Evaluation of how effective the policies and procedures are.
- Corrective actions taken to address identified problems.

Common Areas to Address



• Collections:

- School Lunch
- Athletic Events
- Curricular Materials
- School Dances
- School Plays
- Vending Machines
- Fundraisers

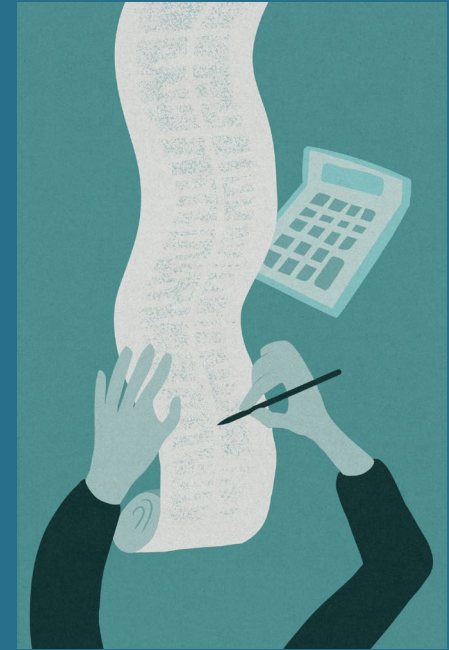
• Asset Protection:

- Cash Balances
- Purchase of Goods
- Inventory of Goods
- Information Technology

Risk Assessment Example



- **Risks** identified for **Athletic Events**:
 - Skimming of cash collections
 - Admission without payment
 - Charging incorrect admission
 - Not depositing collections intact
 - Destroying or not retaining accountable items (tickets, lists, etc.)
 - Making cash payments out of collections



Extracurricular Account (ECA) Forms (Public Schools)



- SA-3 – Receipt
- SA-4 – Ticket Sales
- SA-8 – Summary Collection Form
- SA-9 – Accountable Items Review
- ECA Manual Appendix -
<https://www.in.gov/sboa/library/files/ECAMANAppendix-2023Updated.pdf>



**RECEIPT
SCHOOL EXTRA-CURRICULAR ACCOUNT**

_____ SCHOOL No. _____
_____, IN _____, _____

Payment Type and Amount					
Cash Amount	Check/Draft Amount	MU Amount	Credit Card/ Bank Card Amount	EFT Amount	Other

RECEIVED FROM _____ \$ _____

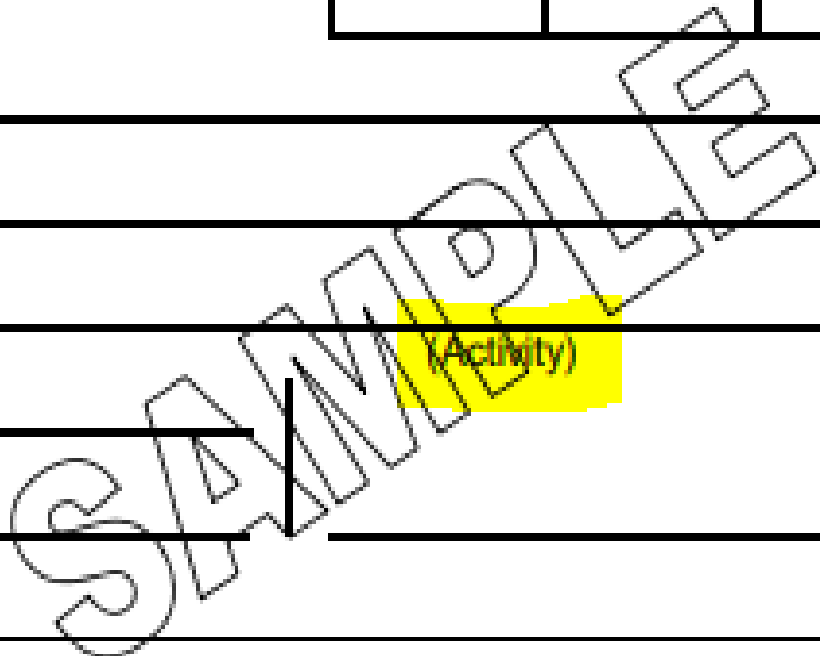
THE SUM OF _____ DOLLARS

FOR DEPOSIT TO THE CREDIT OF _____ FUND

SOURCE _____ (Activity)

TREASURER

ORIGINAL



TICKET SALES

SCHOOL _____
GAME _____
OTHER _____

TOWN OR CITY _____
DATE _____
ACTIVITY _____

TICKETS								
KIND	ISSUED		RETURNED		TICKETS SOLD	PRICE	TOTAL AMOUNT SALES	
	SERIAL NO.	AMT.	SERIAL NO.	AMT.				
	TOTAL							

SAMPLE

Made by _____
(Title)

Verified and Approved by _____
(Official or Sponsor)

Date: _____

ACCOUNTABLE ITEMS REVIEW

Number: _____

_____ School

Time Frame of Report: _____ DESCRIPTION: _____

Beginning Inventory _____

Purchases _____

Subtotal _____

Complimentary Distributions
Per School Board Policy:

Athletic Teams _____

Staff Meetings _____

Awards _____

Other _____

Total _____

Total Eligible for Sale _____

Ending Inventory _____

Items Sold _____

Sale Price \$ _____

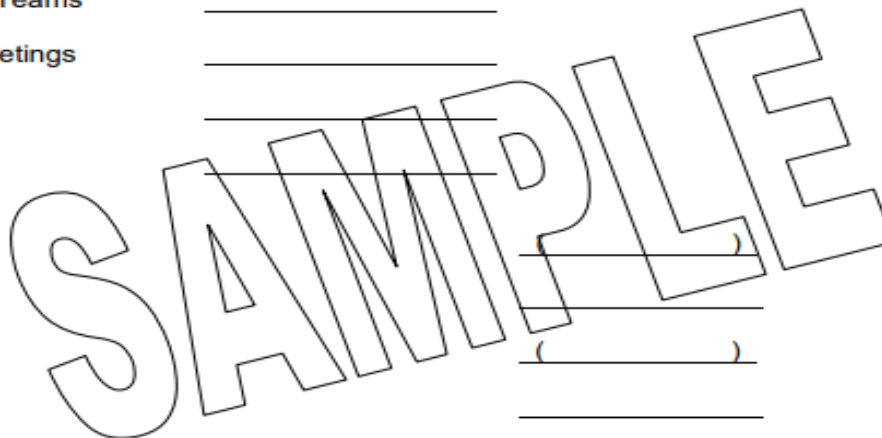
Projected Revenue (Items Sold @ Sale Price) \$ _____

Actual Amount Received \$ _____

Difference \$ _____

Signed: _____

Title: _____



First Steps!



- Determine Cash/Electronic Collection Points

- Document Procedures + Assess Risk



- Identify third-party systems (Venmo/PayPal/Square etc...)



Venmo/PayPal/Square

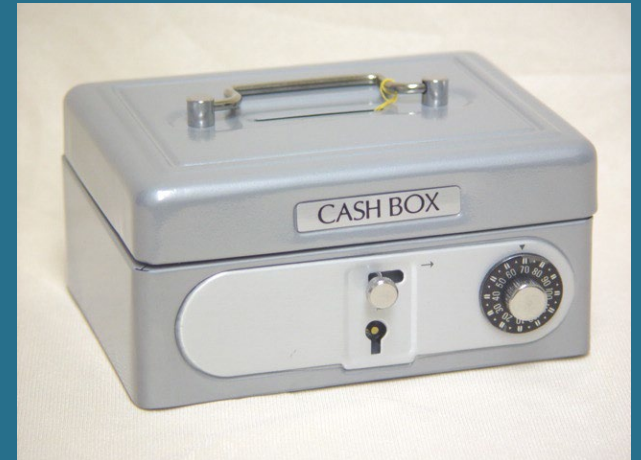


- School-wide **policy** – use and approval procedures.
- 3rd party payment processors **must be approved by The Indiana Office of Technology (IOT)**.
- Establish **Internal Controls**
 - Timely receipting, recording, reconciling.
- Should be able to trace collections from Receipt → Bank Deposit.
 - **Fee report** available in the system.

Cash Handling Procedures



- **Safeguard** cash + accountable items
- **Document** cash collected
- **Get receipt** from the business office
- **Deposit** cash timely
- **Bonded** (insured)
- **Trained** on internal controls



Fundraisers



- If no school policy – each activity needs to be looked at individually to determine if:
 - The **school** is running the activity,
 - Or an **outside organization** is running the activity.
- If employees are participating on school time (for an outside organization) – you may have **ghost employment issues**.

Cash Change Procedures



1. Draw a check from Recreation Fund
2. **Designate a custodian**
3. Convert to cash and safekeep cash
4. Account for receipts and cash change
5. Reconcile amounts received and cash change
6. Deposit receipts within 1 business day

Reimbursement Procedures



- Two Options – (Determined by Policy)
 1. Provide Treasurer /w invoices/bills for costs associated with event.
 2. Pay the cost and submit documentation for reimbursement.
 - Documentation should be itemized!

Outside Organizations



- Should be accounting for **SCHOOL ACTIVITIES ONLY!**
 - (curricular + extracurricular)
- **NOT** - Booster clubs, Parent Organizations, Nonprofits, etc...

Staff Funds



- You can have a fund for school employees!
- Sources: Staff vending machine proceeds, donations, etc...
- Uses: Staff purchases (pizza parties, staff appreciation, bereavement flowers etc...)



Non-Session Activities



- When school is not in session – determine **WHO is running the activity?**
- Is it the school, nonprofit, parent, other entity?
 - The funds collected **may not be school (or student) funds!**
- Examples: Athletic Camps, Cheerleading Camps, Band Camps, Summer Weightlifting, etc.



Fund Accounting



- Purpose – commit for the use of specific purposes.
- There should be **subsidiary funds** for each group. Ex: sports, grade levels, clubs etc...
- The sponsor or coach – **ask for fund balance!**
- Any transfers of club funds should be approved by sponsor and/or majority of students of the group.

General (Student Activity) Fund



- If funds are generated by the public or student body as a whole (and not a specific group):
 - School can have a “Student Activity” Fund.
- We recommend that **expenditures** from Student Activity Funds are made to **benefit the student body as a whole** (field trips, convocations, etc..)

Donations



- Accounting for Donations:
 - Account for **restricted** donations in a separate fund.
 - Acceptance of donations should be **approved by officials** (especially property donations).
- Expending Donated Funds - Best Practices:
 - Document approvals.
 - Write checks to organizations – **not individuals!**
 - Provide (college) scholarships directly to the university – **not the student.**



Class (grade level) Funds – Best Practices



- If a class graduates and still has funds – you can require them to use their funds or donate them to another class or organization.
 - Classes can elect for their funds to be kept for **class reunions**.
 - We recommend contacting (and **documenting the conversation**) class officers if funds are dormant and determined that they will not be used before transferring.
- Develop a **school policy** on how class funds should be treated.

Overdrawn (Negative) Funds



- Funds **should not be overdrawn.**
- Best practice to provide fund balances to each activity sponsor **monthly.**
- If done monthly - comparisons can be made, and **differences reconciled**, before transactions become past due or particulars become difficult to recall.

Vending, Concessions, or Other Sales



- Internal Controls must be present.
 - **At a minimum** – a regular reconciliation.
 - Discrepancies should be noted immediately in writing to officials.
- Designate/Limit employees who can access vending/concession items.
- Develop a clear policy how proceeds are to be used.

Vending, Concessions, or Other Sales (Continued)



- If vending machines are **in restricted areas** (staff room – not accessible to the public/students):
 - Can be placed in a staff fund.
- If contracting for vending/concession services – must have a **written agreement**.

Report of Misappropriation



- IC 5-11-1-27(l) requires a public officer who has actual knowledge or reasonable cause to believe that there has been a misappropriation of public funds or assets to **immediately** send a written notice to the state board of accounts and the prosecuting attorney.



Record Retention



- Maintain **ALL** documentation until there has been audit.

- After the audit, follow Retention and Disposition Schedule for IARA.

- <https://www.in.gov/iara/files/gr.pdf>



SBOA Website



<https://www.in.gov/sboa/>

Questions?

