

WATERFORD SCHOOL DISTRICT PROCEDURES RELATED TO INTERNAL FUNDS



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Effective for FY 17/18 and Beyond

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OVERVIEW

Internal Activity Accounts are created to direct and account for money used to support co-curricular activities. Co-curricular activities are any kind of school-related activity outside the classroom that adds value to the curriculum. Co-curricular activities involve a wide range of student clubs, organizations, and organized interscholastic competition.

CONTROL AND PROTECTION OF FUNDS

The Bookkeeper in each build acts as the receiving and paying agent for all Internal Activity Accounts. Once the school district or an individual representing an organization of the school district is in the care and custody of funds, it becomes the Bookkeeper's responsibility to record, control, protect, and disburse the funds according to all applicable policies and regulations. The Principal is ultimately responsible for oversight and adherence to internal controls for all Internal Activity Accounts. The school district includes these transactions in the district's annual fiscal audit process and subsequently the school district's financial statement.

Because Internal Activity Account funds are collected and disbursed among multiple accounts with multiple people, it is critical that we have orderly procedures and internal controls in dealing with these funds in order to safeguard the assets of the funds. This ensures that the student activities will receive the benefits sought.

THE SPONSOR

Each Internal Activity Account operates under the direction of a Sponsor and a WSD Administrator. The Sponsor of each student organization is responsible for coordinating all activities of the organization including approving Internal Activity Account transactions. Sponsors are usually employees of the district and under direct control of a building principal or other program director (i.e. special education director, athletic director). In addition to the sponsors responsibilities, the Principal or program director shall approve all activities conducted by the student organization and sign to authorize all requests for disbursements on the Internal Activity Account.

PURPOSE OF FUNDS

- **Fundraising**– Fundraising activities generate substantial funding for supplementing our student activities. The disbursement of funds needs to match what was communicated in the announcement, flyer, and/or solicitation.
- **Donation** – Donations to a club or the schools are generally given with the intention that they be used to enhance the educational experience of students. See Internal Revenue Code section 170(c)(1) for definition of "charitable contribution".
- **Collection** – Funds collected for a specific purpose are collected from individuals for an intended purpose that may or may not be related to public purposes of the school district (i.e., student collection for a cancer charity, staff collection for office refreshments and coffee, staff collection for flowers for the sick or deceased). This is not intended to be a charitable contribution made exclusively for public purposes. The disbursement of funds will match the collections intent.



ACCOUNT STATEMENTS

Sponsors of each Internal Activity Account can request an Account Statement for the current & prior year (up to 24 months) at any time that contains a detail of all funds received and disbursed from the account and the ending balance. Sponsors need to review statements and report errors or discrepancies to the school bookkeeper as soon as possible.

COLLECTION OF REVENUE

The sponsor must adhere to all District accounting procedures to assure the security of the monies in his/her custody. Here are some guidelines for collecting and handling cash and checks:

- All money collected must be deposited in the Internal Activity Account.
- There shall be no commingling of Internal Activity Fund monies and personal monies.
- When possible, two adults should count cash received from fundraisers immediately following an event. This is especially recommended if cash deposits exceed \$500. Two people should carry out this task, the Sponsor, or an event adult designated by the Sponsor, should fill out a Deposit slip. All adults who counted the money should sign the Deposit slip.
- No cash should be given to students to transport. No cash should be mailed through interschool mail. No cash should be left overnight in desks, lockers, or other such equipment. Whenever monies change hands, both individuals should verify the monies. A building bookkeeper accepting monies will generate a receipt for monies accepted and the Sponsor should keep a copy in his/her own records for verification against the Internal Activity Fund statement.
- All money collected by the group treasurer is recorded in a receipt book obtained from the school bookkeeper. The receipt must be filled out completely in duplicate. Receipts are to be numbered consecutively, and must include the date, the name of the person making payment, exact amount of money received, reason for payment and or the name of the organization, and the signature of the treasurer.
 - The original copy of the receipt is issued to the person making the payment. The duplicate copy of the receipt is retained as part of the permanent record of the organization.
 - Should an error occur while issuing a receipt, the treasurer will write "VOID" across the face of the receipt and retain both the original and the duplicate copies.
- Students shall not be involved in the collection of, or counting of money collected unless under direct supervision. All money collected from activities sponsored or operated by an organized group must be deposited with the bookkeeper immediately following the event. To facilitate an accurate count, the money shall be sorted by denomination with all bills facing the same direction, and recorded on a deposit slip before giving it to the school bookkeeper. The school bookkeeper will balance with the deposit slip and a receipt will be issued to the group sponsor.
- Have the parent note the student name and event on the face of the check. The internal account number is needed on the check as well.
- All monies collected (cash and checks) will be deposited into the Internal Activity Bank Account. No outside bank accounts are permitted. In no event will an individual/group be authorized to open an individual bank account for such purposes.



SALES TAX

There is a misconception that everything done by a school is exempt from sales tax. This is not true. There are certain exemptions to Michigan sales tax that typically apply to schools:

- Sales of tangible personal property to a nonprofit school for use by the district and not for resale. MCL 205.54a(1)(a)
- Sales of food to bona fide enrolled students by a nonprofit school. MCL 205.54a(1)(c)
- Sales for resale at retail is exempt for schools with aggregate sales at retail in the calendar year of less than \$5,000. When the resale occurs, sales tax is due at that time. MCL 205.540 Note the first \$5,000 is not exempt when total sales exceed that amount.

Examples of sales that are taxable at 6% include:

- Sales of food for immediate consumptions (except as exempted in 1) and 2) above)
- School store selling non-food items to students
- Yearbooks are taxable to the end user

(Note it is possible to pay sales tax at the supplier level (as long as the tax is calculated based on retail selling price.) See bookkeeper for details.

PURCHASE THRESHOLDS

PURCHASES UNDER \$100

Original receipts must be submitted. Prior written approval is not required. Administrative approval ("Okay to pay" and administrator's initials on back of receipts) are required for reimbursement.

PURCHASES GREATER THAN \$100, BUT LESS THAN \$1,000

All purchases or expenditures must go through the school bookkeeper. Never make a purchase without first getting a "Purchase Order Request" from the school bookkeeper. Unauthorized purchases are the responsibility of group officials, and will not be recognized by the school. *This includes on-line purchases.* Vendors need to be District approved, and have a W9 on file.

Anyone wishing to make a purchase from group funds must obtain a "Purchase Order Request" from the school bookkeeper. This form is be filled out completely to include the name of the organized group making the purchase, the name of the supplier (vendor), the articles(s) to be purchased, the price, the signature of the group advisor, and have the authorization signature of the school principal, or designee. Completion of the PO request form with the vendor identified and original receipts are required for reimbursement or payment to a vendor.

The request is then presented to the school bookkeeper who will prepare and submit the requisition using procedures approved by the Waterford School District.

Advances should be rare and infrequent, and should not be paid in Cash. Checks should only be made out to the person requesting funds, and they must follow procedures based under this heading.



PURCHASES GREATER THAN \$1,000

Prior administrative approval and the identification of a specific vendor via the Internal Purchase Order Request form are required. Internal Purchases Orders must be approved and issued **PRIOR** to any purchase, payment or reimbursement.

- Purchases of less than \$2,500
 - Purchases are to follow purchasing procedures that conform to all legal requirements set forth in Michigan State Law, Board of Education Policy, and General Public Purchasing Practices
- Purchases greater than \$2,500, less than \$5,000
 - Purchasers are to verbally solicit a minimum of three bids and share a summary of these contacts with Purchasing Services.
- Purchases greater than \$5,000, less than the Current Year Competitive Bid Threshold
 - Purchases are to solicit a minimum of three bids and share a summary of these contacts with Purchasing Services.
- Purchases greater than the Current Year Competitive Bid Threshold
 - The State Revised School Code requires purchases of supplies, materials, and equipment above the State Competitive Bid Threshold to be competitively bid, and construction or remodeling above that threshold to be competitively bid.

Purchase Orders and reimbursements can only be issued to approved vendors of the Waterford School District. The District is responsible for proper tax reporting of all payments, including Internal Accounts, issued by the District to all federal and state taxing authorities and the Social Security Administration. All vendors (business or individual or parent) must complete a W-9 certificate and it must be on file with the District's Central Business Office before any payment will be issued.

The aforementioned requirement includes reimbursements for any expenses (for example, a parent purchases snacks for a group of students or materials for prom and submits the receipt for reimbursement). If a parent opposes providing the necessary information, the Sponsor should make alternative arrangements for purchasing the supplies BEFORE any purchase is made.

DISBURSEMENTS

Requests for disbursements should be made on a Warrant on Internal Account form. When the materials and/or an invoice are received, the Sponsor or Administrator signs that the purchase is approved for payment on that form. If a Purchase Order had been issued, please indicate the PO number on the Warrant and submit the form and invoice to the bookkeeper for payment (no principal signature is necessary).

Occasionally, there may be an expenditure from an internal account that does not involve a purchase order. The treasurer/organizer will then obtain a form called a "Warrant on the Treasurer" from the school Bookkeeper. The warrant is to be filled out completed, and signed by the treasurer/advisor of the organization, along with the building principal. The original copy of the form is attached to the invoice to be paid, and presented to the school bookkeeper who will prepare a check in accordance with the authorization provided on the Warrant.



RECEIPT OF PURCHASED GOODS

The advisor/sponsor of each organization will receive packing slips at the time of delivery. These packing slips must be checked for accuracy, marked with the date received, and signed by the person who received the materials ordered. The packing slips are to be signed and then turned into the bookkeeper. Your signature on the packing slip is your approval for payment.

FRAUD

Fraud is the intentional, wrongful, false representation or concealment of a material fact intended to result in financial or personal gain. Fraud and fraudulent activity are strictly prohibited. Internal controls have been implemented and are monitored to address fraud risks and otherwise help to deter, prevent, and detect fraud. Waterford School District will not tolerate any fraudulent activity and will pursue corrective action up to and including termination and/or possible criminal action and will seek restitution, including any costs associated with obtaining restitution.

BANK MANAGEMENT

- Each building has their own check book and their own bank account.
- Bill and building administrators will be signers on each account.
- Bookkeeper are responsible for all bank inquiries/issues related to internal bank accounts
- Overdrawn accounts are not to be permitted.

ACCOUNTING SYSTEMS

- Each organized group is required to maintain a written record of all financial transactions. These records must be a part of the internal accounting system of the school. Quickbooks/other account systems will be used to enter receipts, issue checks, reconcile, etc.
- Systems must be password protected and maintained on a shared drive that allows the Central Business Office to access at any time.

BUSINESS OFFICE INVOLVEMENT

- Bank reconciliations and complete listings of all transactions for each month are due to the business office by the 15th of the following month.
- The Business Office reserves the right to request documentation from buildings regarding any internal fund transactions, and subject them to random audits throughout the course of the fiscal year. Any departures from the procedures provided above will result in potential write-ups.
- An annual audit is to be conducted by the Central Business Office at each building. A summary of findings is to be provided to the building following the conclusion of the audit.

