



**BESSEMER CITY
SCHOOLS**

Teaching Effectively, Leading Successfully

ACCOUNTING POLICIES AND PROCEDURES MANUAL

FY 2023

ACCOUNTING POLICIES AND PROCEDURES MANUAL

BESSEMER CITY BOARD OF EDUCATION

Board Members

Mrs. Renna Soles Scott, President
Ms. Margie Varner, Vice-President
Mr. Anthony Williams
Mr. Terry Dawson
Mr. Sam Morris
Mrs. Remeka Thompson
Mr. Lee Jones

Superintendent

Dr. Autumm Jeter

Chief School Finance Officer

Mrs. Patricia Stewart

Business Affairs Supervisor

Ms. La-Tanya Dunham

Payroll Clerk

Ms. Catreevia Mosley

Local School Accountant

Mr. David Royster

Accounts Payable Clerk

Mrs. Nicole Gray

Bessemer City Board of Education
1621 Fifth Avenue North
Post Office Box 1230
Bessemer, Alabama 35020
Telephone (205) 432-3000

This manual supersedes all previously issued Accounting Manual(s) for Bessemer City Board of Education as of 9/20/2022

Foreword

Bessemer City Schools (“BCS”) is an instrument of the State of Alabama and, therefore, exempt from income taxes under 501(c)(3) Section 17(b)(1)(A)(vi) of the Internal Revenue Code.

The BCS recognizes its responsibility to be accountable for its financial activities. It recognizes that the best way to achieve the accountability it desires is through the establishment and maintenance of a sound system of internal control sufficient to safeguard its assets, promote operational efficiency and assure adherence to prescribed management policies.

This accounting manual documents the accounting system established by the organization and should be a reference guide in accounting related matters. The policies and procedures throughout this manual do not conflict with BCS policies and procedures but enhance them.

Introduction: Accounting – Objectives

The specific objectives which BCS system of accounting is designed to achieve are:

- The recording of financial transactions on the accrual basis in order to relate revenue and expenditures to the period in which benefits are derived or liabilities are incurred and thereby produce meaningful reports of operating results.
- The accumulation of expenditures by program, project or specific cost center in order to develop budget analyses that compare estimated or actual performance against budgets or other assigned objectives. Through this capability, management is able to exert control by isolating problems and reacting at the most opportune time in the most critical areas, thereby maximizing available financial resources and benefits of the financial transaction.
- The development of standards and measurements for financial information, which will improve budgeting, for the future based on past performance.
- The prevention of past deficiencies from becoming entrenched in the absence of standards of measurements.

- Provide adequate fixed asset accounting to properly discharge the stewardship responsibilities involved in safeguarding BCS' investment in fixed assets. The system provides for assignment of custody to specific departments and other essential information such as asset cost and description.
- The synchronization of expenditure data with the overall strategic and financial plan (the composite of specific project budgets) as presented in the annual budget, properly reflecting the overall financial position of the organization, and adequately planning for the future.
- The assurance of internal control and adequate segregation of duties based on the availability of personnel.

Introduction: Accounting – Function and Purpose

The fundamental function of accounting, broadly defined, is to assist the organization in managing its financial affairs. Its primary function is to facilitate the administration of economic actuality by measuring and arranging economic data and communicating the results of this process to the interested parties and stakeholders.

Accounting serves as a management tool that provides financial and other relevant information essential to the efficient operation of the organization. The information generated by the accounting process is essential for effective planning, control, and decision-making by management. The information generated is equally essential for management in discharging its accountability to funding bodies, governmental bodies, the community, employees, contributors, and others.

The major accounting functions and purposes may be summarized as follows:

- Maintaining all financial records.
- Preparing accurate and reliable financial statements and reports.
- Determining generally acceptable revenue and expenditure accounting standards.
- Measuring the progress of the organization in achieving its predetermined goals and objectives.
- Budgeting and anticipating financial problems –providing information to help solve problems of short run liquidity and financial stability.
- Safeguarding and administering the organization's financial asset.
- Ensuring compliance with reporting requirements of governmental and other authoritative bodies.

Introduction: Accounting – Basic Concepts

Finance personnel must have an understanding of basic accounting concepts in executing the various accounting processes. An understanding of the basic concepts provide a bridge

between the environmental forces that shape the accounting system and generally accepted accounting principles which determine the accounting measures to be applied.

The manual is not intended as an elementary text on accounting, attempted through the mechanism of describing an accounting system. Rather the presumption is that finance personnel have access to an experienced financial manager with BCS who has broad knowledge in the field. In this context the manual is a guide for others involved in the financial management system where other than accounting personnel play a role. To the extent possible, these roles add responsibilities that are described in sufficient detail to acquaint the layman with essential requirements.

Introduction: Accounting – Basic Accounting Principles and Policies

Industries or particular classes of organizations, strive to establish “generally accepted accounting principles” for their industries. The phrase “general accepted accounting principles” encompasses the conventions, rules, and procedures necessary to define generally accepted accounting practices. It includes not only broad guidelines of general application, but also detailed practices and procedures. Those conventions, rules, and procedures provide a standard by which to measure financial presentations.

Clearly defined generally accepted accounting and reporting principles for governmental organizations have been established under Governmental Accounting Standards Board, (GASB).

Users of accounting data often receive financial information in the form of financial statements. The financial statements are the communication mechanism. The needs and expectations of users of financial statements are a part of the environment that determines the type of information required of the accounting principles. Knowledge of important classes of users, of their common and special needs for information, and of their decision is helpful in improving accounting principles. For BCS there are a variety of users, especially federal, state, and local funding agencies, governing boards, creditors and employees. Other important categories of user include suppliers, parents, financial analyst, statisticians, economist, and taxing and regulatory authorities.

Financial statements are the end product of the financial accounting process. This process is governed by accounting principles, which determine the information that is included, how it is organized, measured, combined and adjusted and finally how it is presented in the financial statements.

The Financial system has been developed to comply with government regulations and reporting requirements and good business practices while maintaining simplicity and ease of operation. It has been designed to enable the prompt preparation of all needed financial statements and reports to meet the following general standards:

- Fairness of presentation
- Compliance with prescribed requirements
- Timeliness
- Usefulness

Financial policies and related procedures have been expressed in writing to assure proper management in accordance with basic management standards and government requirements. There must be a sound system of management for control and information. In the financial are the fundamental management tools available are as follows:

- A sound financial organizational structure, including adequate and competent personnel
- A strong accounting system
- An adequate system of internal control
- Effective financial reporting
- A comprehensive independent audit and continuing professional financial counsel on major decisions

Controls have been incorporated throughout the system to (1) safeguard the assets of the programs, (2) check the accuracy and reliability of accounting data, (3) promote operational efficiency, and (4) encourage adherence to prescribed managerial policies.

Controls have been established which are designed to bring about accurate and suitable recording and summarization of authorized financial transactions. The responsibility for the installation, maintenance, and correction of faulty operation of accounting process is that of the accounting department. Controls may be exercised through accounting procedures, or by proper assignment of duties within the accounting departments and other operating departments that furnish data for executing, processing and recording financial transactions.

Adequate internal controls provide assurance that employees, while performing their assigned duties, will detect error or irregularities. Additionally, responsibilities in the accounting department are distributed to employees in a manner that separates incompatible functions. Incompatible functions for accounting control purposes are those that place an employee in a position both to perpetrate and to conceal errors if irregularities in the normal course of their duties. Anyone who records transactions or has access to assets ordinarily is in a position to perpetrate errors or irregularities.

Routine Annual audits of transactions and periodic reviews by independent auditors are an integral part of internal control. Other checks and controls are described in detail in the appropriate instructions. The Chief School Financial Officer (CSFO) is responsible for full compliance with these instructions and routines, and should assure that all appropriate employees have read and understood the requirements.

In order to achieve segregation of duties, BCS separated its accounting responsibilities as shown in section 3.02-Organization Chart.

Certain fundamental accounting assumptions underlie the preparation of financial statements. They are usually specifically stated because their acceptance and use are assumed. Full disclosure is required if they are not followed, accompanied with the reasons.

Going Concern

The organization is normally viewed as a going concern, that is, as continuing in operation for the foreseeable future. It is assumed that the organization has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operation.

Consistency

It is assumed that accounting policies are consistent from one period to another.

Accrual

Revenues and expenditures are accrued, that is, recognized as they are earned or incurred (and not as money is received or paid) and recorded in financial statements of the periods to which they relate. (The considerations affecting the process of matching expenditures with revenues under accrual assumptions are not dealt with in this statement).

Accounting policies encompass the many principles, bases, conventions, rules and procedures adopted by management in preparing and presenting financial statements.

There are many different accounting policies in use even in relation to the subject, and judgment is required in selecting and applying those, which are appropriate to the circumstances of the organization and are best suited to present properly its financial position and results of its operation.

Three important considerations should govern the selection and application by management of the appropriate accounting policies and the preparation of financial statements:

Prudence

Uncertainties inevitably surround many transactions should be recognized by exercising prudence in preparing financial statements should recognize. Prudence does not, however, justify the creation of secret or hidden reserves.

Substance over Form

Transactions and events should be accounted for and presented in accordance with their substance and financial reliability and not merely with their legal form.

Materiality

Financial statements should disclose all items which are material enough to affect evaluations or decisions.

Introduction: Changes in the Manual

The CSFO must ensure that all manuals are updated as required. A draft of the necessary revisions will be subsequently presented to the Superintendent and the Board for review.

The manual is in a loose leaf, ring binder in order that revisions, changes and deletions can be incorporated expeditiously. Modified pages should be removed, destroyed and replaced with the new procedures.

Timely updating and revisions of this manual is the responsibility of the CSFO.

Organization Structure: Plan of Organization

Although the appropriate plan of organization, generally a satisfactory plan should be simple and flexible and should lend itself to the establishment of clear lines of authority and responsibility.

Proper allocation of responsibilities to key departments and the organization of independence of those departments are essential to a good plan of organization. Such function of responsibility promotes efficiencies resulting from specialization and makes possible a cross check that promotes accuracy and yet results in no duplication or wasted effort.

Because BCS has a small accounting staff, it is sometimes difficult to obtain the ideal separation of operations and custodianship. As a result, the various accounting functions and procedures have been allocated on a basis that in some cases requires personnel performing unrelated functions to serve as verifiers or reviewers of other accounting application functions/duties.

In addition to a proper allocation of duties, responsibility within the functions must be established in conformity with managerial policy requirements. With responsibility goes the delegation of authority to meet those responsibilities. Responsibilities and the attendant delegation of authority should be clearly defined and set forth in organizational charts or manuals. Conflicting and dual responsibilities should be avoided but where the work of two or more functions is complementary, the responsibility for phases may be divided.

There is a natural tendency to dismiss the need for an organization chart in small organizations where management deals more or less directly with each employee, and where all personnel know each other and generally aware of each other's area of responsibility. However, without an organization chart, there may be confusion about who is really accountable for particular areas and to whom employees are responsible. The result could be that some areas of operations do not receive adequate attention or that duplicative or contradictory actions are taken. A good organizational chart can prevent such misunderstandings and also increase administrative efficiency and control in the following ways:

- Indicate whether there is appropriate allocation of operation and supervisory responsibility.

- Indicate whether there is adequate separation of duties.
- Inform management, new employees and others of BCS' management and operating style.
- Provide information for management to monitor and inquire into operations and procedures, assign new duties or responsibilities that may arise, or make reassignments when employees' turnover, promotions, operational needs, desire for better separation of duties or other circumstances call for it.

The accounting system of BCS includes the following accounting functions.

Revenues and Receivables

This function is responsible for processing each cash receipts from federal, state and local appropriates and grants, interests income, contributions, sales, travel advances unused and returned, reimbursements and other miscellaneous receipts.

Expenditures and Accounts Payable

This function is responsible for processing all cash disbursements for payment of expenditures involving vendor payments, contractor obligations and miscellaneous items.

Payroll

This function is responsible for the preparation and processing of all payroll transactions including the maintenance of employee historical records and employees' payroll tax payments form and reports.

Purchasing

This function is responsible for the procurement of quality products and services in an efficient and economical manner. Its objective is to obtain the best benefit to the organization for the least cost and is dependent upon sound business judgment.

Local School Accounting

This function though centralized is responsible for ensuring each local school follows prescribed accounting practices as it pertaining to cash receipts, bank deposits and purchasing. It is also for incorporating the accounting records from each local school into the General Purpose Financial Statements of the Board.

Accounting System: Budgets and Budgetary Accounting

The operating budget serves as a blueprint for action and a significant means of controlling activities and measuring results. Budgetary accounting is crucial to BCS because of the

restricted nature of much of their resources. Accordingly, BCS must prepare and closely adhere to a detailed budget for specific programs and functions.

For many programs and functions, each budget is a plan for spending specific amounts of money in specific cost categories by line item to achieve specific goals within a period of time.

Developing the Operating Budget

The operating budget is specific and detailed and presents the plan to finance the operations of BCS including its approved activities and programs for a fiscal year. Accordingly, the budget is determined largely by operating needs, subject to the available resources.

The following steps are followed in developing the budget:

1. Determination and communication of the budget guidelines to personnel involved in the budget development (Superintendent, CSFO, Budget/Finance Committee Members)
2. Estimations of revenues and expenses.
3. Internal budget meetings.
4. Preparation of the draft budget for discussion by management level personnel.
5. Presentation of the budget to the public for discussion and input.
6. Presentation of the budget to the board for discussion and adoption.

Determination and Communication of Budget Guidelines

The budgeting technique is identified and all historical financial data is provided to personnel responsible for departments and functional areas. A memorandum is circulated to responsible personnel describing the budget technique and the procedures for submitting a budget request for further processing. The guidelines influence preparation of the budget and indicate BCS position on such items as salary and wage increases improvements in certain programs, implementation of new programs and activities, and reduction or elimination of existing programs and activities.

Estimations of Revenues and Expenses

Compilation of revenue estimates is the responsibility of the CSFO working closely with the Superintendent. For many revenue and expense items, estimates should be based on information supplied by department and function heads.

Internal Budget Meetings

When revenue has been estimated and expenditure guidelines have been determined, it is possible to provide department and function heads with a predetermined amount that their budget request should not exceed. Prior to formal preparation of the budget, a set of budget guidelines is distributed. Based on these guidelines, each department and/or functional area prepares an expense request and justification for the request.

After the budget request has been prepared, a round of discussions or internal budget hearings is initiated between the budget committee and department and function heads. During these discussions, questions concerning program efficiency and the need for adequate program resources are reviewed.

Preparation of Draft Budget

After the budget has been discussed with personnel, a preliminary institutional budget, based on requests by each department and function, is prepared by the CSFO.

Presentation of Budget

After the budget has been discussed and finalized, a final budget is produced for the review and approval of the Board of Education.

Submission of budget to the State Department of Education (“SDE”), usually vary from year to year. The SDE reviews and approves the budgets.

General Journal Entries

In addition to the routine cash receipts/ revenues, cash disbursements/expenditures and payroll journals, occasionally journal entries will be required to record some other transactions and to correct some errors that may have occurred during the month. These will be considered manual journal entries because the cash receipts; cash disbursements and payroll systems do not generate them.

When these entries are necessary, it is imperative that they are adequately explained, and properly reviewed and approved. The journal voucher form is required to be completed for all manual journal entries. This form required that all journal entries (J/E) be explained and provide space for the preparer of the J/E and approver’s signature. The J/E preparer and approver should not be the same employee. The CSFO should approve all entries.

Internal Control: Definition

Internal control comprises the plan of organization and all of the coordinate methods and measures adopted within an organization to safeguard its assets, check accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed administrative and financial policies. In summary, internal control is the means by which management obtains information, protection, and control successful operation of an organization.

Information

Most information needed by management in order to keep informed about finances and the progress of operations come from accounting records. The information must be reliable, complete and available as quickly as possible to be of maximum value.

Protection

Protection of resources of BCS is important to guard against any possible losses ranging from embezzlement to careless use of supplies, failure to purchase the lowest vendor, insufficient workers or outright theft.

Control

Control is necessary to assure that management policies and directives are carried out and properly adhered to.

In accounting, internal controls a system of routine procedures requiring authorizations, and approvals, separation of duties from personnel involved in bank accounts and administration by audit personnel.

As defined above, however, internal control extends beyond accounting and financial functions to include administrative controls. In a broader sense, internal control includes budgeting, performance standards, periodic reporting, statistical analysis, training programs and all other means by which management can safeguard resources, efficiently administer operations and plan for the future.

Internal Control: Characteristics

The characteristics if a complete system if internal control include, but are not necessarily limited to:

- A plan of organization that provides appropriate segregation of functional responsibilities.
- A system of authorization and recording procedures adequate to provide reasonable accounting control over assets, liabilities, revenues and expenditures.
- Personnel competence commensurate with responsibilities.

Internal Control: Important Features of Internal Control

A good system of internal control contains the following features:

- No one person should have complete control over all phases of any significant transactions.
- The flow of work should be from one employee to another so that the work of the second, without duplicating that of the first, provides a check upon it.
- Record keeping should be separated from operations or the handling and custody of assets, such as:
 - The functions of receiving cash should be centralized in one person, who should not be concerned in any way with approving or certifying invoices, acting as imprest fund cashier, preparing deposits, making disbursements, or keeping accounting records. In

this connection, the person who prepares or makes deposits, approves or certifies vouchers, or disburses cash should have no access to the accounting records.

-At as early a point as possible in mail handling, preferable at the point where the envelopes are opened immediately upon receipt, all checks and negotiable instruments should be stamped with a restrictive endorsement (such as "FOR DEPOSIT ONLY"). All cash items should be recorded in duplicate, and a copy of the receipt delivered to the person responsible for making bank reconciliation.

-Periodic examination and count or other review of cash balances should be made by employees who do not handle or record cash or sign checks.

- Physical and mechanical facilities should be used to the fullest extent possible to insure security and accuracy, such as using security vaults or safe-cabinets and check writing machines.
- Responsibilities should be clearly established and then accounted for as closely as possible.
- Where feasible, employees should be rotated to various assignments.
- Other control devices pertaining to cash include:
 - All cash receipts shall be deposited daily and intact.
 - Collections and all other funds held within an office, whether pending regular deposit or in imprest funds, shall be, where possible, restrictively endorsed and kept under complete control and proper safeguards, preferable in a fire resistant combination safe or safe cabinet.
 - Persons preparing payroll or time reporting records should not handle the related paychecks.
 - Bank statements should be reconciled promptly to the formal accounting records by employees, who do not handle or record cash, prepare or sign checks.
 - The number of bank accounts and inter-bank transfers and interfund transfers should be kept to minimum.
 - Cash should be deposited in a bank with FDIC coverage and bank balances exceeding the FDIC coverage limit is collaterally secured, i.e. S.A.F.E. program.

Responsibility of the Chief School Financial Officer

- (a) The chief school financial officer shall work under the direct supervision of the local superintendent of education but shall have a fiduciary responsibility to the local board of education
- (b) (b) The chief school financial officer shall perform each of the following duties:
 - (1) Verify the receipt of all funds to which the local board of education may be entitled by law or which may come into its possession for public school purposes
 - (2) Verify the payment of such funds, such payments to occur only on written order of the local superintendent of education
 - (3) Keep an accurate record of all receipts and expenditures, and provide such information to the local superintendent and the local board.
 - (4) Make reports as may be required by law, by the local board of education, or by rules and regulations of the State Board of Education

- (5) Personally notify, in writing, each board member and the local superintendent of education of any financial transaction of the local board of education which the chief school financial officer deems to be non-routine, unusual, without legal authorization, or not in compliance with the fiscal management policies of the board. The notification shall be recorded in the minutes of the board by the president of the local board of education.
- (6) Be bonded in an amount determined by the State Board of Education

Fiscal Management Policies

A local board of education, to ensure the sound fiscal management of board finances, upon the recommendation of the local superintendent of education, shall adopt fiscal management policies which comply with generally accepted accounting principles, including, but not limited to, policies related to each of the following:

- (1) Regular reconciliation of bank statements.
- (2) Maintenance of fixed assets inventory.
- (3) Deposit of incoming funds.
- (4) Review of monthly revenues and expenditures.

Bank Reconciliation

The bank accounts of BCS must be reconciled to the General Ledger cash balances for the most recent month by the upcoming board meeting of than the next board meeting of the following month. The reconciliation of bank accounts immediately after the bank statements are received from the bank will provide greater assurance that cash assets are safeguarded.

The following procedures must be followed:

1. Bank statements are received in mail and opened. Only the CSFO or Business Affairs Supervisor can open bank statements.
2. The CSFO or designee reconciles bank statements
3. Access the computer bank reconciliation feature
4. Account for all checks by comparing the check register for the month to be canceled checks which cleared the bank. Compare canceled check information (Name of payee, check number, check date, check amount) with the same information in the check register.
5. Compare the amounts on the canceled checks with the amounts recorded on the bank statement. Differences in amounts will indicate errors made by the bank or BCS.
 - a. Review all checks for proper endorsement by payee
 - b. Verify that only authorized check signers have signed checks
 - c. Compare check signatures to check signature cards where necessary.

6. Mark or highlight in the computer banks reconciliation function all of the checks, which have cleared the bank. The computer's bank reconciliation will then automatically determine those checks that are outstanding.
7. Review bank statement for other debits or credits that have not been recorded (i.e. interest earned, service charges, check charges, insufficient funds, fees, wire transfer fees, returned deposits, redeposit funds, direct payments).
8. Compare deposits recorded on bank statements to the Cash Receipts ("C/R") Report. Determine if deposits are made timely by comparing C/R Report date to date on deposit recorded on bank statement.
9. Trace bank wire transfers to determine that dates and amounts correspond for both accounts involved in the transactions.
10. If CSFO designee reconciles Bank statement the completed reconciliation should be forwarded to the CSFO for review and approval.
11. The CSFO will review reconciliation for accuracy and make adjustments for any reconciling items. Initial bank reconciliation in the appropriate space to indicate review and approval
12. The CSFO will review all bank reconciliation and sign reconciliation indicating his approval. Reconciling items that indicate errors or omissions on the general ledger should be recorded by the general journal entry immediately.
13. The CSFO will prepare a monthly report indicating the status of each bank account and the last month reconciled.

Fixed Assets Property Management

Definition

Property acquired in whole or in part with federal funds or whose cost was charged to a project supported by a federal grant is governed by standards established by the federal government, because of its interest in such property. Federal regulations, particularly those under OMB A-110, prescribe uniform standards for governing the utilization and disposition of property furnished by the federal government.

The federal regulation allows grantees, such as BCS, to establish their own property management systems, however, the system must conform to and include the provisions of the OMB Circular.

Objective of Internal Control

The purpose of property records and controls is to accumulate all assets and properties owned by BCS and assure accountability for such. They will enhance the preparation of financial statements and required reports.

Property control can best be achieved by maintaining a unit property record. This requires assembly of all property data units. The degree of control to be exercised should relate to the amount of the investment. There must be reporting of transfers and retirements, and the cost of reporting and recording the movement of individual property items. Certain types or classes of

assets, composed of many items wholes unit, value relatively small, can be controlled on an item basis only at a prohibitive cost. However, it is practical to maintain control types and classes on a group basis.

1. Advance approval should be obtained prior to the purchase of all the property and equipment.
2. All units of equipment should bear a metal tag with an identification number corresponding to the number on the detail property ledger report.
3. All property and equipment should be recorded at cost or estimated value.

Physical Custody and Verification

In order to provide greater control over fixed assets owned by BCS, each item of movable equipment (i.e. equipment other than appurtenances) is to be placed under the custody of the CSFO. Generally, the equipment assigned to the custody of a CSFO will be that equipment located in his/her working area and/or used in the rendering of their services.

The CSFO is responsible of maintaining adequate safeguard controls for all fixed assets under custody, within the guidelines established by BCS. Such safeguards should, at a minimum, provide adequate protection to minimize loss, damage, or theft of the property.

Property Identification and Record Keeping

The organization's inventory and recording requirements include:

- a. Description of the property
- b. Maintenance of manufacturer's serial number, model number or other identification number
- c. Source of the property, including grant or other agreement number
- d. Whether title vest in the recipient or the federal government
- e. Acquisition date and cost
- f. Location, use and condition of the property
- g. Property owned by the federal government must be marked to indicate federal ownership
- h. Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the federal sponsoring organization for its share.

Fixed assets inventory is recorded and maintained on a Fixed Assets Inventory Sheet. Any disposals of fixed assets are recorded on the Disposed/Retired Inventory Sheet and are removed form the Fixed Assets inventory Sheet. The disposal record is a cumulative record and is maintained up to five (5) years. The only modifications to this record during the year should be additional or disposal. All fixed assets accounting must be in compliance with the Governmental Accounting Standard Board (GASB) Statement No. 34.

As a further safeguard, a physical inventory is to be taken and result reconciled with the property records at least once each year by the Finance and Maintenance Department. Any differences between the physical count and accounting records should be investigated determine the cause of the difference.

At a date determined annually by the CFO, a surprise observation of equipment records and equipment inspection will be conducted system-wide. See Copies of Fixed Assets Sheets in the Appendix.

Cash Receipts

Practically all-financial transactions involve the receipt of cash. The attractiveness of cash may prove to be too much of a temptation for persons faced with pressing financial needs. As a result, cash is the asset most subject to misappropriation and its loss or misuse can only be avoided or minimized by careful control.

Sound business principles dictate that complete control be maintained over cash receipts and that they be accurately reported. Additionally, outside organizations such as government agencies and foundations often require that special procedures be followed pertaining to cash receipts. Whenever such requirements exist, they will serve to compliment - not replace - the basic procedures established by BCS.

Cash receipt is currency, coins, checks, and other negotiable instruments that come into the possession of the organization. Common sources of cash receipts for BCS are as follows:

- State appropriations and grants
- Federal grants
- Local tax receipts
- Local appropriations and grants
- Interest income
- Contributions
- Miscellaneous sales
- Travel advances unused and returned
- Various refunds and reimbursements

Cash Receipts: Objectives of Internal Control

To restrain temptation and to meet other needs, the system of internal control over cash should provide assurance that:

- Independent accountability is established for all cash collected.
- A record is created for every cash receipt.
- Cash balances are adequately protected from theft or misappropriation.
- Advance planning is adequate to anticipate and provide for cash needs that exceed cash available from normal operations.

Cash Receipts: Procedures to Achieve Cash Receipt Control

- All cash receipts are recorded immediately by the person responsible. Recording of cash receipts is not deferred until they are transmitted to the bank.
- Pre-printed, pre-numbered BCS receipt slips are prepared for all cash received.

- All cash receipts are deposited daily into the appropriate bank account to the credit of BCS.
- All cash receipts are deposited intact. That is, no change shall be made, no checks shall be cashed, and no substitutions of monies, checks, or other documents shall be made for the actual cash receipts officially received, except where it is deemed necessary and officially authorized by expressed permission of the CSFO or Superintendent.
- The functions of record keeping and custody of cash are to be separated.
- The number of employees who handle cash is to be limited.
- Employees who handle cash are bonded.
- Bank account reconciliation is required.

Processing of Receipts

The following procedures are to be used for cash receipts received in the mail from contributions, sales, grants, and reimbursements.

- 1) Receive mail, sorts and forwards all checks to the CSFO
- 2) Business Affairs Supervisor open and record mail cash receipts (checks)
- 3) Prepare a deposit ticket in duplicate. Recorded on the deposit slip. Each check received should be individually
- 4) Restrictively endorse each check with a rubber stamp ("For Deposit Only-Bessemer Board of Education") for the appropriate account.
- 5) Make a photocopy *of* check(s) and deposits slips and attach to the Cash Receipt Report.
- 6) Take deposits slips and check(s) to bank before the end of the business day. Obtain from the bank teller a validated copy of the duplicate deposit slip.
- 7) Attach validated deposit slip to Cash Receipt (C/R) Report
- 8) File C/R Report, with attached documentation, in chronological order.
- 9) Access the computers cash receipts journal and record the receipt and deposit cash to the applicable receivable, revenue and cash accounts.
- 10) Review and verify the completeness and accuracy of cash receipts prior to posting the general ledger.
- 11) Update the G/L by posting receipt transactions.
- 12) Attach a Journal Entry Report to Posting Receipt Report.

NOTE: Effective July 2012, most bank deposits for central office are done electronically for all checks and the checks are maintained on file for 30 days or until the bank statements are received in case of some type reconciliation discrepancy occur.

Processing Revenues

The following procedures are to be used for processing revenues. BCS generally receives revenue from the following sources via wire transfers of Electronic Transfer Fund.

- State funds and most federal funds are received from the State of Alabama. Other funds are received directly from other government agencies. (e.g. ROTC, Impact Aid)

- Local tax, revenues are received from the City Of Bessemer, Jefferson County Commission, and The Jefferson City Tax Collector.
- Donations and contributions are received from state legislators, city councilors, county commissioners, community groups, corporate sponsors and others.
- Most revenues are received by check, but some are wired from the State of Alabama, the Jefferson County Commission, and Air Force ROTC.
 - 1) Checks are generally reviewed in the mail (Bank procedures under processing of Cash Receipts).
 - 2) The CSFO reviews all checks and notes large amounts so that he/she can forecast cash balances.
 - 3) The CSFO then forwards all checks to the Business Affairs Supervisor (BAS).
 - 4) The BAS stamps all checks “For Deposit Only” and prepares a receipt of all checks indicating the following (a) payer, (b) date received, (c) date of check, (d) check number, (e) check and/or cash amount
 - 5) The BAS then returns the checks to the Accounts Payable clerk who makes the daily deposit.
 - 6) After all revenue is entered to the G/L, an edit list is printed and compared to the log of checks and validated bank deposit slip to ensure revenue deposited equals the amount entered in G/L.
 - 7) The deposit slip, edit list and log of checks are forwarded to the CSFO for final comparison and approval of the three documents.
 - 8) All documents are filed. Copies of checks are filed by bank for each day.
 - 9) At month end, the CSFO will print revenue report from G/L to the State Revenue Confirmation and confirmations from the City of Bessemer and Jefferson County Commission to ensure the majority of revenue received by BCS was recorded and put in the appropriate revenue account.
 - 10) Documents supporting the above comparison are then forwarded to the CSFO for final review and approval.

BCS discourages agencies and employees from providing revenues and other receipts in the form of cash. But, those rare occasions when cash is received, a receipt is issued immediately to the provider and cash is counted to ensure the appropriate amount is received.

Review of Monthly Reports

The CSFO shall prepare for the local school board the following reports:

- (1) A monthly financial statement showing the financial status of the local board of education accounts with itemized categories specified by the State Board of Education.
- (2) A monthly report showing all receipts and the sources thereof.
- (3) A monthly report showing all expenditures with itemized categories specified by the State Board of Education.

- (4) An annual projected budget.
- (5) Monthly and/or quarterly reports showing expenditures relative to such projected budget
- (6) A yearly report of the fixed assets inventory of the local board of education with itemized categories specified by the State Board of Education
- (7) Financial and other information necessary to participate in national statistical studies on education.

Cash Disbursements: Objectives of Internal Control

Practically all business transactions sooner or later involve the disbursement of cash. The systems problems of handling the resulting high volume of transactions are compounded by the fact that the attractiveness of cash may prove to be too much of a temptation.

As with cash receipts, sound business principles dictate that complete control be maintained over cash disbursements and that they be accurately reported. Additionally, outside organizations such as government agencies and foundations often require that special procedures be followed pertaining to cash disbursements. Whenever such requirements exist, they will serve to compliment, and not replace the basic procedures established for BCS.

Definition

Cash disbursement is payment by check. Examples of BCS cash disbursement are:

1. Payrolls
2. Program expenditures (e.g. consultants, supplies, equipment, utilities, telephone, etc.)
3. Travel advances

Some of the common types of cash disbursements of BCS are listed and briefly described below. A separate section follows cover details of these various areas.

- Payment for supplies and services provided by outsiders
- Disbursement for personal services of employees;
- Payroll salaries
- Payroll taxes and fringe benefits
- Payment of contractual obligations
- Payment of miscellaneous obligations
- Disbursements for employee travel and travel advances

The system of internal control over cash disbursement should provide assurance that:

- Disbursements are made only for authorized purposed by limited number designated persons.
- A record is created of every disbursement that is made.
- Payment of invoices is made in sufficient time to avoid lost discounts.
- Detailed liability records are in balance with control balance.

Cash Disbursements: Procedures to Achieve Cash Control

The following procedures can ensure the cash control is attained:

- A/P Clearance account is used for all types of disbursements. (This does not include Local School Accounts Expenditures)
- Checks must be processed with printer or type written offline. (No hand written checks)
- Checks are not issued to cash or bearer.
- Blank checks are not signed.
- Checks are passed through a “protector” who imprints the amount thereon in some ineradicable and unalterable manner.
- All check signers are properly authorized in writing and bonded.
- Checks are not prepared solely on verbal authority. They must be supported by documentation that clearly justifies their propriety and approval.
- Invoices supporting cash disbursements are canceled to preclude their reuse.
- All cash disbursements are promptly recorded in accounting records.
- The CSFO or Superintendent must authorize all checks prior to being processed through the check signer.
- A check log must be maintained indicating the first and last check used.
- CSFO is to provide a check register, payroll report, and revenue deposited each month to the board during it board meeting.

Payroll

Definition

Payroll expenditures for wages and fringe benefits constitute a major operating item for most organizations; consequently, systems and internal control considerations warrant close attention.

It is essential that payroll records accurately reflect financial transactions and that these records be maintained in current condition. All financial personnel transactions, from initial employment through termination must be fully documented in order that the accounting system is complete.

Objective of Internal Control

Control of payroll expenditures and the prevention of fraud are evident in the following list of objectives, which are intended to give assurance that:

- Payroll expenditures are reported on a responsibility basis, preferably in comparison with budgeted amounts.
- Compensation is closely related to work done.
- Only legitimate new hires are added to the payroll
- Hours worked, rate of pay, gross pay and deductions are all correctly computed.
- Employees whose services are terminated are immediately removed from the payroll.

Payroll Disbursement

Procedures to Achieve Payroll Disbursement

The system of internal control over payroll disbursements should provide assurance that:

- The Superintendent and Board of Education must approve hiring new employees.
- Employee cost is charged to payroll system on a departmental basis.
- Time and attendance reports (service reports) must be prepared for employees, both salaried and hourly.
- Time and attendance report (service reports) must be approved by the department head or school principal
- All changes in an employee's pay status must be approved in writing from the Superintendent and Board of Education
- All changes in employment status must be documented on the personnel authorization form.

Payroll Disbursement Procedures – Processing Payroll

The following procedures are to be used for processing payroll:

1. Service Reports are the source documents that drive payroll.
 2. Each Employee is assigned to a particular cost center and appears on the Service Report for that cost center.
 3. Service reports are prepared indicating the days **not worked** by each employee. Then they must be approved by the principal or department head and forwarded to the Payroll Department.
 4. Payroll Clerk only keys in exceptions for employees. This means that only days absent (vacation, personal illness, military, professional leave, jury duty, etc.) are keyed into the HARRIS - Nextgen system .
 5. The data entered into the system is reviewed for accuracy by the Payroll Clerk.
 6. Once the data is entered correctly, the Payroll Clerk processes payment and prints the payroll checks.
 7. The Payroll Clerk will sort checks by cost center and distribute checks on payday
- Checks for teachers and school site personnel are given to school principals at the Finance/Payroll Office.
 - Administrative and central office departments retrieve their checks directly from the Finance Department.
 - Principals and Department Heads are responsible for distributing checks to employees. For convenience, substitutes are allowed to pick up their checks the day of payroll because these employees are sometimes transient and may not be assigned to a permanent cost center.

Processing Deductions

The following procedures are to be used for processing payroll deductions. BCS has various deductions that are either required by law or requested by employers. The typical deductions are as follows: Federal and state income taxes, social security taxes, retirement (RSA) credit union, insurance, savings plan, garnishments, etc.

- The amount of federal and state income taxes deducted for each employee is based on the exemptions indicated on the employees W-4 and A-4 forms.
- City of Bessemer occupational tax are required by law and withheld at rates of 1%
- FICA withholdings are required by law and withheld at a rate of 7.65% of gross taxable earnings (6.2%-Social Security, 1.45%-Medicare). This amount must be matched by BCS.
- Retirement (RSA) deductions withheld are determined by the employees date of hire on record at RSA. Tier I employee is deducted 7.5% of gross earnings, while a Tier II employee is deducted 6.2% of their gross earnings. BSC matches at different rates as well, 12.59% (Tier I) and 11.44% (Tier II) as of 10/1/22.
- Garnishments are withheld at amounts determined by the courts as dictated to BCS.
- Other amounts withheld are optional and are withheld at the amounts prescribed by the employee. Examples of these types of withholdings are union dues, medical and life insurance, savings plans, and contributions, etc.
 1. Deduction checks are generated in conjunction with payroll checks and are provided to the Payroll Clerk with deduction registers.
 2. The Payroll Clerk compares registers to the checks for agreement and checks for corrections or adjustments to payroll.
 3. After agreement and corrections are complete, Payroll Clerk makes adjustments and corrections to the deduction registers. He/She provides the Business Affairs Supervisor with the revised checks and revised registers.
 4. The Payroll Clerk is responsible for mailing the deduction checks to the various agencies by the 10th of every month.
 5. Payments for federal income taxes and FICA are to be paid one day before payroll, and payments for state income taxes are due the 15th of each month. To expedite the process of paying these deductions in a timely manner, the Payroll Clerk prepares a form to telephone bank draft to the IRS and State Revenue Department (“SRD”). The Payroll Clerk then provides this data to the CSFO.
 6. The Payroll Clerk is then responsible for electronically transferring the taxes due to the IRS and SRD.
 7. All checks to local government and court orders are to be mailed by the 10th of the month.

Changes to Employee Payroll Records

All changes to payroll data should be made only with appropriate authorization. Payroll changes of some kind occur on a regular and routine basis. However, the payroll clerk must have appropriate authorization to make any changes to the payroll. Payroll changes that are typical relate to revisions to tax withholding amounts, deductions for savings accounts, address and name changes, and are initiated by the employee. However, on occasions, changes to pay rates are made based on board approval. It is these changes that pose the most concern and exposure. Because payroll clerks have the ability to make changes without proper authorization, it is imperative that a review procedure takes place to inhibit any abuse.

The following procedure will help ensure that all changes are appropriate and authorized:

- Periodically, but at least monthly, the CSFO will select a sample of payroll changes to review for appropriateness. The sample should include changes made by the clerk- so

that the work of every clerk has the potential for review. The sample should be skewed, if possible, to include changes that have the highest degree of exposure.

- To give evidence of the review, the changes reviewed will be listed on the "Schedule of Reviewed Payroll Changes", (Exhibit 8.06). This schedule will be distributed to the Business Affairs Supervisor and CSFO each month.
- Only the CSFO or the Payroll Clerk should be able to change employees' salary. This is not a function of HR or Personnel.

Purchasing

Definition

The interests of BCS must always be kept in mind during the procurement process. Generally, the objective should be to obtain the best benefit to the organization for the least cost. Although the procurement process should be supported by sufficient documentation at every phase, sound business judgment is a key factor in ensuring that this objective is attained.

Procurement is the process by which goods and services are obtained for users from external sources or are transferred to such users from internal stores. The major classifications of procurement are goods (including space, materials, etc.) and services. This chapter covers the procurement of goods and of professional services of a contractual nature. The procurement of personal services of an employee is covered elsewhere in this manual.

The procurement process involves five principal phases: requisitioning, ordering, receiving, distributing and recording. Due care must be exercised at every level to ensure that all procurement transactions are properly authorized and processed in accordance with management's directives.

These controls and procedures are established to insure that there is coordination and proper authorization of all purchases. The procedures include mechanisms to allow various programs or departments to evaluate their needs and requisition items needed.

Objective of Internal Controls

- Internal Control over purchases and the incurrence of liabilities should give assurances that:
- Only authorized personnel initiate purchases or other commitments, preferably on the basis of competitive bids.
- Purchase orders for goods and materials are placed as needed.
- Terms, price and clerical accuracy of purchase orders are correct before a purchase is authorized.

Procedures to Achieve Purchasing Control

Adequate purchasing control can be achieved with the following:

- Procurement directives established by the organization and set forth in this manual are followed.
- Procurement directives established by oversight agencies are closely adhered to.
- The appropriate and designated personnel execute procurement procedures.
- A determination is made as to availability of resources to liquidate obligations.
- Purchase Orders issued are pre-numbered and properly controlled and accounted for until canceled.

Competitive Sealed Bids

Competitive sealed bids are solicited for contracts over \$7,500.00 and fixed price contracts. The bid is awarded to the lowest bidder conforming to all material terms and conditions of the invitation to bid. The following procedures are utilized when soliciting formal bids:

- a. Prepare invitation to bid inclusive of a description of the service, supplies or other property to send to vendors.
- b. Place in a public medium a formal advertising which lists:
 1. Deadline for submitting bids
 2. Type of service or supplies required
 3. Date and place of bid opening.
- c. As bids are received, maintain a bid file on each vendor and post bids to a tabulation sheet

Code of Conduct

Organization guidelines prohibit employees, or agents from participating in the selection of a contract supported by federal funds if:

1. Parties to contract include any member of his immediate family;
2. His or her partner; or
3. The organization employs or is about to employ any of the above, or has a financial or other interest in the firm selected for award.

In addition, employees, officers, or agents are prohibited from accepting gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties to sub agreements.

Do not allow vendor(s) to write specifications for their product. If vendor is allowed to write the bid, neither the vendor nor any affiliate(s) will be allowed to bid on the specified items.

Purchasing Procedures

Processing Purchase Orders

The following procedures are to be used for processing requisitions and initiating Purchase Orders are generated from a properly approved requisition.

- 1) Employees complete a one-part requisition form indicating the goods and/or services desired and the potential source of goods and services.
- 2) The appropriate department head or supervisor must approve requisitions. Requisitions are then forwarded to the Accounts Payable Clerk electronically via the HARRIS system.

- 3) The CSFO or Superintendent review all Purchase Orders. He/she ensures, if necessary, the Board has approved the items and that appropriate bid procedures were followed. He/she approves the requisition electronically which then forwards to the Accounts Payable Clerk to process.
- 4) Purchasing Clerks follow the appropriate guidelines for selecting a vendor through either the bid procedure (if not already done), obtaining quotations, etc
- 5) After a vendor is selected, Purchasing Clerks enters the information into the HARRIS system and once approved and email will be forwarded to he/she containing the Purchase Order ("PO").
- 6) The CSFO can provide a copy of the signed Purchased Orders to be distributed as follows: (a) vendor, (b) inventory record keeper, (c) requisitioner, (d) Accounts Payable Department (e) Purchasing Department.

Authorization To Expend Funds

The Bessemer Board of Education authorizes the expenditure of funds which do not require express board approval prior to the expenditure. A local superintendent of education, subject to these policies and board-approved budget limitations, may expend funds without prior approval of the board. All such expenditures shall be included in the monthly report to the board of expenditures required pursuant to this chapter.

State Bid Law

The Bessemer Board of Education policy manual requires that all purchases be done in conformity with the Alabama State Bid Law and with sound ethical business practice. In general, except as governed exclusively by Title 39, the State Bid law requires all purchases for goods and services equal to or exceeding \$15,000, should be awarded to the lowest responsible bidder. However, there are exceptions for contracts for professional services (attorneys, physicians, architects, teachers, certified public accountants, public accountants, engineers, consultants, etc.) and services where the personality of the individual plays a decisive part.

Section 39-2-2 - Advertisement for and opening of sealed bids for public works contracts; violations; exclusions; emergency actions; sole source specification. (a) Before entering into any contract for a public works involving an amount in excess of fifty thousand dollars (\$50,000), the awarding authority shall advertise for sealed bids.

All bids shall be opened publicly at the advertised time and place. No public work as defined in this chapter involving a sum in excess of fifty thousand dollars (\$50,000) shall be split into parts involving sums of fifty thousand dollars (\$50,000) or less for the purpose of evading the requirements of this section.

An awarding authority may let contracts for public works involving fifty thousand dollars (\$50,000) or less with or without advertising or sealed bids. No public work as defined in this chapter involving a sum in excess of fifty thousand dollars (\$50,000) shall be split into parts involving sums of fifty thousand dollars (\$50,000) or less for the purpose of evading the requirements of this section.

Local Schools

Review of School Records

The Central Office Local School Accountant performs local schools accounting is centralized and accounting functions. Local schools also prepare their own budgets. Accordingly, it is imperative to all local schools following accounting practices prescribed by the SDE and the Board of Education. Each local school has a bookkeeper or someone designated to work with the local school accountant in the Central Office the accounting transactions and carry out other related accounting functions. Also, the Finance Department has designated employees to assist local schools in accomplishing their tasks. The Board of Education has adopted the following procedures:

- CSFO or designee should visit local schools on a monthly basis to review their receipt books (master and teacher); recording of cash receipts and deposits to ensure those prescribed procedures are consistently followed.
- Reports should be prepared that indicates any departures from procedures and indicate recommendations for improvements. These reports should be distributed to the school principal, Superintendent and the CSFO. Schools should correct inadequacies in a timely manner.
- Follow-up procedures must be performed on the auditor next visit to the school to ensure the required corrective actions sufficiently resolved the problem
- Checks should not be accepted for dues and fees at the local schools.
- Deposits must be made daily.

Below are the state guidelines for Local School Accounting

Each local board of education shall adopt procedures relating to the expenditure of funds which do not require express board approval prior to the expenditure. A local superintendent of education, subject to these policies and board-approved budget limitations, may expend funds without prior approval of the board. All such expenditures shall be included in the monthly report to the board of expenditures required pursuant to this chapter. -

Federal Programs

Program Reimbursements

Federal programs constitute approximately 16% BCS total budget as of FY2009. Funding for these programs comes from various federal agencies. The majority of federal funds is channeled through the State Department of Education and is provided to BCS generally on a reimbursement basis. The Child Nutrition Program is reimbursed based on reimbursement requests submitted at the end of each month, which indicates the numbers of free, reduced and paid meals served. Other federal programs funded through SDE are based on a request through E-Gap. This process should take place each month. The procedure for completing the E-Gap is as follows:

- For each federal program, include the annual budget amount from the approved budget for the fiscal year. Amounts should be segregated for current year and carryover year amounts.
- Include receipts to date from the general ledger amounts.
- Include disbursements to date from the general ledger amounts.
- The difference between receipts to date and disbursements to date should equal the cash on hand. This, balance should also equal the cash on the general ledger and reconciled bank statement.
- Estimated disbursements for the subsequent month are based on the anticipated expenditures for that month. These amounts can be based on the average expenditures that have taken place to date, but may be affected by known departures from this norm. In any event, we should use a rational approach in determining the estimated expenditures for the subsequent month. There is a possibility that if estimated disbursements consistently exceed actual amounts, the state can curtail funds requested.
- Cash requested is the difference between cash on hand and the amount of cash needed to cover the estimated disbursements.

NOTE: E-Gap will do all the adding and subtracting once information is put in the appropriate blocks.

Program Expenditures

It is very important to ensure that federal funds are expended in accordance with the approved budget. Some federal programs have stipulations that expenditures at least on the program level cannot exceed 10% of the budgeted amounts. It is also important that expenditures follow the approved plan.

To ensure federal program funds are expended in accordance with the approved budget and plan, federal program directors should be kept apprised of their monthly expenditures and any departures from the budget. This will allow for any corrective actions to take place in a timely manner. To facilitate this process the following procedures should take place monthly.

Budget Analysis Reports should be provided to each program director at the end of each month. These reports should be analyzed with each director and any questionable or problem areas should be discussed and resolved. These actions should occur at formal monthly meetings.

Program directors should provide verbal or written plans to correct or resolve any variances or other conditions that are indicative that funds are not being expended to the approved budget.

OPERATIONAL PROCEDURES FOR FINANCE FUNCTIONS

In an effort to maintain separation of duties while working with limited personnel, the Bessemer City Board of Education, Department of Business Affairs & Finance will practice the following procedures for accepting/handling cash, issuing purchase orders, verifying satisfactory completion of shipments received, preparing invoices for payment, processing accounts payable checks, entering a personnel payroll, processing personnel payroll checks, void and off-line checks and bank statements reconciliation.

PROCEDURES FOR HANDLING CASH (CHECK) RECEIPTS

All checks and/or cash items are recorded in a board approved receipt book maintained by the Finance Department Secretary.

1. The designated employee picks up the mail at the Post Office.
2. Receptionist sorts the mail and distributes it to the proper recipients.
3. All checks and financial related correspondences such as bank statements are given to the Chief School Financial Officer. The CSFO reviews the information and gives all forms of monies to the Business Affairs Supervisor.
4. A receipt is written for ALL cash received whether through the mail, hand-delivered or via wire transfer such as electronic transfer funds (ETF).
5. Copies are made of all checks and duplicate deposit slips are completed for the appropriate bank account. One of the deposit slips are maintained intact in the deposit ticket booklet.
6. After all checks and other monies physically received are receipted, they are given to the Accounts Payable Clerk who is responsible for making the bank deposits.
7. Items received should be deposited in the bank on the date received. ***NOTE: In the event that the bank has a 2 p.m. cutoff, any deposit received at the bank after 2 p.m. will show the next banking day.*** Deposits received at the bank after 2 p.m. on Friday will show the following Monday's date or the next business day date.
8. The clerk that delivers the deposit to the bank will return the duplicate deposit ticket bearing the bank's validation to the Business Affairs Supervisor (BAS) who verifies that the total on the validated receipts have been deposited.
9. The BAS posts the receipts by their appropriate general ledger into the computer and assigns the proper General Ledger code to each item on the deposit tickets and enters the deposit through the journal entry procedure for cash receipts as follows.
10. These copies of deposit tickets are retained for end of month cash reconciliation and audit purposes.
11. Retention period for bank deposit tickets is six (6) years after receipt of audit.

PROCEDURES FOR ISSUING PURCHASE ORDERS

The purchase orders used by the Bessemer City Board of Education are issued and printed through the HARRIS Accounting System and include a modules for requisitions, purchase orders and receipt/voucher sections. This eliminates the need for a separate document for each function and allows the Local School Accountant/Finance Secretary to check all steps in the process from one document.

1. The person initiating the order must complete requisitions.
2. The administrator responsible for the order (school or department) must sign the requisition. The requisition is given to Finance/Department Secretary to review the budget and ensure funds are available. If there is a discrepancy in funds, the CSFO will have to be consulted.
3. The requisition must be complete with all pertinent information uploaded into the system and when approved by the administrator (school or department) it will be routed to the next person responsible for the fund or program from which the vendor is to be paid for approval. Example: Any requisition issued for Federal Programs requires the approval of the administrator. Once he/she approves, it will immediately be routed to the CSFO for final approval.
4. Once approved, the pre-numbered purchase order then goes to the originator (who input the requisition) who is responsible for maintaining the purchase order.
5. The purchase order date is the actual date that the requisition is changed to a Purchase Order
6. The Secretary checks the voucher section of the purchase order which shows the purpose, the paying fund, the purchase order number, the account number (expenditure code) and the amount to be expensed.
 - A. The Secretary/Accounts Payable Clerk verifies the budget to ensure that funds are available in the expenditure code.
 - B. The Accounts Payable Clerk maintains an analysis of all State Classroom Instructional, Library Enhancement Technology and Professional Development money to insure that all schools meet the requirements for spending. A balance of the purchase orders issued, purchase orders completed and invoices paid to vendors along with applicable variances for each school is available at all times.
7. When the purchase order is returned to the Secretary, he/she will ensure that the appropriate parties, i.e., Teacher, vendor, will receive a copy. Additional copies can be printed from the HARRIS system.

NOTE: In the event that a purchase order is no longer needed, it will have to be cancelled. The purchase order is marked VOID in the system by the appropriate Finance personnel. It the responsibility of the originator to inform the vendor that the product(s) are no longer needed.

8. When a copy of the invoice is received from the ordering school or department signed by the responsible administrator/purchaser it is matched with the original purchase order in the system to be paid. NOTE: Any item/all items that are \$50 and more should be added to the inventory database. Please see your department/Finance Secretary for more information.
9. The purchase order, materials receipt and an original invoice from the vendor is submitted to the Accounts Payable Clerk/Local School Accountant, who prepares a batch of invoices for payment.

PROCEDURES FOR PREPARING A BATCH OF INVOICES FOR PAYMENT

1. The accounts payable clerk who picks up and sorts the mail keeps the original invoices from a vendor to prepare a batch of invoices for payment.
2. The clerk attaches the original purchase order along with the completed materials receipt to the invoice. Invoices for utilities will not have a purchase order or materials receipt.
3. The account payable clerk checks the following:
 - A. Each item on the vendor's invoice is checked with the original purchase order for quantity, item description, unit price and extended price.
 - B. The date on the invoice is compared with the purchase order date to see that no shipment was made prior to purchase order date.
 - C. The materials receipt verification must be completed, dated and signed by the receiving school or department. The administrator responsible for the program or paying fund or an employee designated by the administrator must complete the original materials receipt verification.
 - D. The purpose, fund, account number and amount are verified. Any changes or corrections should be noted prior to payment of the invoice.
 - E. The prepared invoice and attached documents are submitted to the CSFO/BAS for approval for payment. The CSFO/BAS initials the face of the original invoice to approve payment.
4. The clerk preparing the batch alphabetizes all prepared invoices.
5. The Business Affairs Supervisor and Chief School Finance Officer reviews the batch summary sheet along with all invoices in the batch prior to payment
6. Copies of the check batch/check register are provided to the CSFO and BAS for review.
7. The BAS review all checks and documentation (invoices, receiving tally and purchase orders) for accuracy.

PROCEDURES FOR PREPARING ACCOUNTS PAYABLE CHECKS

(NEXTGEN SOFTWARE PROGRAM)

Payment of vendor's invoices will be processed each Thursday to be disbursed on Friday. All invoice payments should be in the Accounts Payable Clerk's office by noon on Tuesdays in order to be processed and reviewed the following day. Every effort must be made to ensure that vendors are paid in a timely manner in order to take advantage of any discounts offered and the prevention of late fees. Payments for program expenditures such as consultants, supplies, equipment, utilities, etc. should be processed as accounts payable. Employees of the BCS must be paid through payroll for all stipends and other services rendered. Only mileage reimbursement and other reimbursable items can be processed through accounts payable for employees.

BCS must comply with the Internal Revenue Service requirements for the reporting of payments to non-employees services (such as athletic officials, police officers, and consultants) rendered if the payment(s) exceed \$600 per individual or organization. This information is reported via 1099-MISC (Miscellaneous Income) or 1099-NEC (Nonemployee Compensation). The Accounts Payable Clerk will process the accounts payable invoices in the following manner:

1. Line up invoices alphabetically.
2. Check vendor numbers.
3. Check all invoices for purchase order, materials receipt, administrative authorization, CSFO and/or Superintendent's approval.
4. After checks are printed, print check register, updated general ledger and actual cash disbursements.
5. File reports in the appropriate Accounts Payable binders.
6. Submit printed Accounts Payable checks INTACT to the BAS/CSFO for approval and signature. The BAS will compare the accounts payable checks to the invoices, the Projected Cash Disbursement report and the Cash Disbursement Summary report. The BAS signs the Accounts Payable Check Register to indicate having reviewed the batch.

PROCEDURES FOR MILEAGE REIMBURSEMENT

The Bessemer Board of Education will reimburse employees for all allowable travel expenses incurred while performing their official duties. This includes visiting schools or sites that's not their home base or for professional development, locally or statewide. All travel must be pre-approved by the employee's supervisor and superintendent and should be submitted as soon as possible but must be submitted no later than the last day of each month unless on a continuous trip. This is important, especially at fiscal year end of September 30.

All claims for reimbursement of travel expenses must be on the form supplied by the Board (See an example in the Appendix and a copy is on the system website). The form must be typed or written in ink with all information legible.

Employees will not be reimbursed for full mileage if the total amount exceeds the cost of a plane ticket. For instance, if you drive to California instead of flying, he/she will be reimbursed only the amount of a coach ticket. Employees are encouraged to make necessary reservations in a timely manner in order to avoid late registration fees and to get the best possible rate. Reimbursement for baggage fees will be limited to one bag going to your destination and one bag coming back to your point of origin.

Completion of Reimbursement Form

1. The original approved form should be submitted as soon as possible following the return, but no later than the last day of the month in which the travel occurred.
2. Daily expenses must be itemized chronologically with all required information supplied. The following should be attached: original itemized receipts for registration fees, lodging,

meals, airfare, parking, and other travel related expenses that is expected to be reimbursed. It is highly recommended that a copy of the conference/event agenda be attached to the form. Meals will not be reimbursed for travel within the school district or if included in the registration fees. Employees will be reimbursed up to \$75 per day for meals for in-state traveling and \$125 per day for meals for out-of-state overnight travel. Itemized receipts must be provided for reimbursement. Receipts that are not itemized will not be reimbursed. Snacks, alcoholic beverages, movies or any other type of entertainment will not be reimbursed. If a family member shares lodging, no reimbursement will be paid if there is an increase in the room rate. Tips are limited to 15%.

3. Gasoline receipts will not be reimbursed when a personal vehicle is used. Point of travel should be provided. A MapQuest/GOOGLE map report should be attached and used in calculating mileage. In the event an employee travels using their personal vehicle, the trip begins in Bessemer using the Central Office address (1621 5th Avenue No., Bessemer, AL 35020) Example: Standard mileage from Bessemer to Montgomery is 100 miles one way and Bessemer to Mobile is 300. **No miles can be claimed for commuting within the area of the conference/event.** Employees will be reimbursed the per mileage rate that is in effect with the State Department of Education. As of January 2023, the per mile rate is \$.655 per mile. This rate may increase or decrease at the beginning of each year based on IRS standards.

NOTE: A Standard Mileage Chart is provided in the Appendix which lists the miles between all locations in the Bessemer City Schools.

PROCEDURES FOR PREPARING AND PROCESSING PAYROLL **(through NEXTGEN SOFTWARE PROGRAM)**

The payroll for the employees of the Bessemer City Board of Education is processed on the MCAI PAYROLL SYSTEM on the computer. All information regarding the payment of any employee is given to the payroll clerk who checks and prepares it for entering into the payroll system. All employees of the Board are paid monthly which is issued on the last working day of each month. It is important due to unforeseen events that the payroll be processed at least five working days prior to the pay date and funds are transferred three business days prior to pay date. The monthly payroll is processed as follows:

PERFORM EMPLOYEE FILE MAINTENANCE. Enter all payroll changes for taxes, deductions, insurance, addresses, etc. Any change to an employee's personal or tax information must be supported by the written authorization of the employee. A copy of the written authorization is to be placed in the employee's personnel file.

SALARY CHANGE: Any change in an employee's salary must be documented with a complete written calculation by the Human Resource Director which is reviewed for accuracy prior to the Superintendent's approval. A copy of the calculation is to be placed in the employee's personnel file.

NEW HIRES: Documentation of the hiring of an employee by the Bessemer City Board of Education must be furnished to the payroll clerk by the HR Department. The HR Director shall give to CSFO a copy of the board-approved personnel report (minutes should be attached once finalized). This Board approved personnel report shall show the employee's name, the hire date, the position for which this employee is hired and the salary which this employee is to receive. Unless the position and pertinent salary is designated on the Board's, the new hire should be on the approved salary schedule. (If a new hire starts anytime than at the beginning of the month, be sure that he/she is only paid for the days worked during the month and not for the full month. There after he/she should be paid based on their annual monthly salary and not the number of days left during the pay year.)

PROCEDURES FOR LOCAL SCHOOL ACCOUNTING

The principals are the person responsible for all financial activity at their schools. This includes all fund generating activities such as Child Nutrition Program, Fund Raisers, Activity Fees, fines and penalties, sales, activity, grants. As supervisor of the financial activity for their school, the principal is responsible for collection and deposit of monies, approving disbursements of monies, and bookkeeping. The principal may delegate and in most cases delegate all or some of his/her financial responsibilities to financial secretary or assistant principal but the final responsibilities rest with him/her. He/She is responsible for ensuring that the Board's polices and proper accounting procedures are adhered at his/her school by the secretary, teachers, clubs, organizations and all boosters. There should be no Petty Cash Account at any of the schools. Under no circumstances are principals or any employees authorized to enter into a contract with a vendor without prior approval from the Board upon the recommendation of the Superintendent

CASH RECEIPTS

All monies received at the local schools for a specific purpose must be receipted in a pre-numbered receipt book issued by the Bessemer Board of Education. The principal or designee may pick up the receipt books from the Local School Accountant at the Central Office.

- Teacher's Receipt Books are to be used to record monies from students or parents for fees, dues, etc. The original copy of the completed receipt should be given to the payee and the school retains the duplicate copy in the receipt book intact.
- The Master Receipt Book records the total of all monies received daily from each teacher. The total amount of each master receipt should equal to the total of all receipts from the teacher's receipt book on the corresponding day. The school's financial secretary maintains the master receipt book.

Receipts should never be altered or destroyed. If a mistake is made in the teacher's or master receipt book, write, "VOID" on both copies of the receipt with an explanation. These voided receipts should remain in their respective books.

All checks should be endorsed “FOR DEPOSIT ONLY” immediately upon request. All donations of \$300 or more whether from an individual, company or a government agency must be approved by the Board upon the Superintendent’s recommendation.

Under no circumstance should an employee substitute a check for cash. Monies collected should not be used to cash employees’ checks.

BANKING

Bank deposits should be made on a daily basis for all funds received and receipted by the local schools. In the events when a deposit can’t be made, the money should be kept in a secured location until the deposit can be made. However, it is discouraged to make this a common practice.

When deposits are made, copies of the bank validated deposit slip with a cash receipt report should be forwarded to the Local School Accountant who will enter all cash receipts into the school’s accounts per activity code via the McAleer NextGen Accounting Software. A detailed monthly report will be sent to each principal for that month’s activity.

REFUNDS

There will occasions when refunds are due to a student or individual. In this event, the principal or Director must complete a requisition and forward to the Local School Accountant and the refund will be process on the next check run.

SECURITY

Because of the potential of robbery, employee must be award of surroundings at the school especially at the end of the day or when making bank deposits. If there are strangers or susceptibly acting people around the school, call the police and the school security. If you find an environment uncomfortable, do not attempt to make a deposit at that time. In the event you are robbed at the bank or school, call the Bessemer Police Department and school security immediately when it is safe to do so. DO NOT resist the demands of a robbery in regard to assets.

PURCHASING

Prior to any purchase, a purchase requisition must be submitted in order to obtain a purchase order and number. The person requesting the goods or service, his/her supervisor and the Superintendent and/or the CSFO must sign requisitions. Do not order merchandise prior to obtaining a purchase order or purchase order number from the LSA. If there is an instance where the exact amount of the purchase cost is unknown, a reasonable limit must be entered, as the amount and the order will not exceed that total.

DISBURSEMENTS

To pay invoices in a timely manner, promptly send all vendors’ invoices, proof of receipt of goods and services to the LSA. This documentation is needed to pay a vendor timely.

Bills will be paid every two weeks for local school purchases and other requests for funds. It is the principal, director or other to plan ahead in order to received these funds when needed.

Also, it is the principal responsibility to advise the LSA of a request for payment if the request is made more than two weeks earlier. It is not the responsibility of the LSA of keep track of when checks are to written for each school if not submitted during the check run. Offline checks will only be issued in an emergency.

The Competitive Bid Laws must be followed for local school purchases over \$15,000. Purchases orders and vendor invoices should not be manipulated to circumvent this law.

FIXED ASSETS

Inventory control measures must be in place to secure and protect all fixed assets of the Bessemer City Schools.

Inventory logs for fixed assets and equipment shall be maintained. A physical inventory of all fixed assets and equipment will be made periodically or at least once a year. Such inventories shall be under the direction of the Superintendent, with the assistance of school principals and department supervisor. Principals/Directors are accountable for inventories assigned to their school/department and are responsible for any unreported losses. Contributions of equipment and other property made by PTO, PTA or any other group or organization become the property of the Bessemer Board of Education it must be recorded into the inventory as such.

No equipment should be transferred from one school to another without the written consent of the Superintendent. Any additions, deletions or transfers must be updated and reported to Superintendent and/ the Chief School Financial Officer.

If property is discovered missing, the principal/director must fill out the necessary paperwork such as a Loss, Offense and Incident Report. This report should be completed and sent to the Director of Attendance, Safety, and Security, Chief School Financial Officer and the Superintendent. If the missing property exceeds the board deductible, partial reimbursement may be obtained from the insurance company for replacement.

It shall be each principal's/administrator's duty to designate a person to make an annual inventory of the school/department property. This report shall include recommendations for the disposition of the obsolete and surplus equipment and equipment beyond economical repair. Such inventory shall be verified by the central office and filed with the CSFO.

Any incoming principal/administrator and the bookkeeper/secretary shall make an inventory of all the school/department equipment when the new principal/administrator assumes the duties of the position. This inventory shall be checked against the last inventory made and a report shall be filed to identify any shortages or discrepancies.

The principal/director shall also be responsible for inventories of properties not listed in the section above. Such as library books, films and tapes, technology and other material as deemed appropriate. These inventory records shall remain on file in the individual school/department.

ATHLETICS GATE RECEIPTS

All athletic events (not just football) should have a Ticket Sale Accountability Form completed. A separate Individual Cashier Ticket Sales Report should be completed for each person taking up money at each event. The athletic bookkeeper should put the beginning ticket number of the roll issued to each cashier on each form before the event. A separate Individual Cashier Ticket Sales Report should also be completed for tickets issued to other schools for pre-game sales. After the event, each cashier should count his or her money in front of a witness, usually the athletic bookkeeper. The bookkeeper should count it a second time and if in agreement, both should sign the form. The cashier turns over the unsold tickets and torn stubs to the bookkeeper that records the next unsold tick number from the roll onto the form. The bookkeeper calculates the number of sold by finding the difference in the beginning and ending ticket numbers and adding "1". This number time the ticket price should be recorded on the form. Find the difference in that number and the amount of money actually turned in and not "over" or "short" beside the difference. Overages indicate the cashier is overcharging or failing to issue a ticket each time, both of which should be addressed by the athletic director. Shortages indicate theft, or sometimes the cashiers are being paid for their services, which should not come out of gate proceeds (All cashiers should be paid through payroll).

The athletic director and bookkeeper should make a bank deposit that night. For security reasons, a police officer that is working the game should escort the AD and/or bookkeeper to the bank especially during football season.

The AD or bookkeeper should forward the bank deposit slip to the LSA once the money has deposited into the school's account. NOTE: The Chief School Financial Officer and/or the Superintendent may make an unannounced visit during the counting of the funds for athletic events. The Department of Business Affairs and Finance will audit each school at least once a year. This audit may take up to two days to complete. However all schools will be audited upon the termination, transfer or resignation of a principal.

BOOSTER CLUB

All funds generated by the booster club are classified as non-public funds as long as they are purchasing all merchandise used to generate income. The funds from booster are maintained in the local accounts and can only be used to enhance the welfare of the club, sport or activity it sponsored. Booster books will be audited when the schools books are reviewed. The Bessemer Board of Education upon the recommendation of the Superintendent has the right to discontinue the use of booster clubs if it is not in the best interest of BCS.

Below are additional Financial Procedures for Local School from the State Department of Education

Preface

The position of Principal carries with it the full responsibility for all financial matters relating to the school. It is imperative that the Principal gives his or her personal attention to the collection, expending, documenting, recording, and overall supervision of everything relating to the financial affairs of the school. The Principal has the responsibility for collecting and disbursing all monies in a manner approved by the local board of education and in accordance with generally accepted accounting principles and procedures.

The purpose of this manual is to assist local boards of education in establishing financial policies and procedures for local school financial operations. Local school boards have a variety of requirements for overseeing the financial activity of local schools. Some schools have no bank accounts because the local school accounting is centralized at the local school board. Some schools have electronic receipts while others do not allow teachers to collect funds. Because of the variety of local school financial operations each local board of education is allowed to adopt alternative forms and procedures for local school financial operations subject to the following requirements:

- a). Generally accepted accounting principles will not be diminished.*
- b). Compliance with state and federal laws will be maintained.*
- c). Internal accounting controls will allow the tracking of financial transactions to the responsible individual.*

The following are some general rules regarding the financial affairs of the schools. These rules, as well as the accompanying procedures and policies will be subject to audit.

- (1) School funds will be receipted and deposited in the school account on a timely basis.**
- (2) Expenditures will be paid by check and supported by proper documentation.**
- (3) Purchases will be approved by the Principal (with a signed purchase order when required) before the purchase is made.**
- (4) Accounting records will be posted daily.**
- (5) Bank statements will be reconciled monthly.**
- (6) Monthly financial reports reflecting accurate balances and activities of the accounts of the school will be reviewed and approved by the principal.**

The Principal must be familiar with all local school financial policies so that he or she will not permit practices contrary to the policies. The Principal is directly responsible in the handling of monies received at the school. It is the ultimate responsibility of the Principal for any shortages resulting from the failure to follow, or to require others to follow, the financial procedures for the handling of school monies.

The Alabama Department of Education and the State Examiners of Public Accounts retain the authority to require local boards of education to modify forms and procedures for local school financial operations.

PUBLIC AND NON-PUBLIC FUNDS

The funds maintained at the local schools can generally be divided into two major categories: public and non-public. Various factors must be considered in determining the proper classification, which affects the degree of expenditure restriction.

Public funds - restricted to the same legal requirements as Board funds:

Examples:

1. General - may consist of vending machine commissions, proceeds from school fundraisers (school pictures, coupon books, etc.), student parking, appropriations from the Board, interest income, and other miscellaneous revenues. Its primary purpose is to pay for the general operations of the school and is totally controlled by the Principal.
2. Library - accounts for late charges on returned library books, funds collected for lost library books, and expenditures incurred for purchasing library books.
3. Athletic - may consist of income from gate receipts, parking at athletic events, advertising commissions, game program sales, and donations from athletic booster clubs. Separate accounts may be established for individual sports, if desired. Expenditures include athletic uniforms, equipment, and supplies; membership dues to athletic organizations; registration fees for coaching clinics; travel and transportation; game officials, and, expenditures related to athletic events, including expenses for practicing and preparing for athletic competitions and exhibitions.
4. Concession and Student Vending - may consist of concessions operated by the school at athletic events and vending machines or concessions for students operated at the school during the school day.
5. Fees - school imposed course fees for certain non-required academic courses, field trips, workbooks, and supplemental instructional materials. These funds are used to cover the costs associated with the course or purpose for which the funds are collected.
6. Locker Fees - funds collected from students that are used to cover the costs associated with maintaining the student lockers.
7. Faculty Vending - consists of funds collected and used for items sold in faculty lounge areas that, although not assessable to students or the public, are totally controlled by the Principal. (*See Section 4 - Vending Machines*).

Allowable expenditures from public funds include:

1. Professional development training.
2. Refreshments expended for an open house at a school where the public would attend.
3. Pregame meals for student athletes and coaches.
4. Academic incentives for students.
5. Athletic and band uniforms for students to participate in school activities.
6. Memberships in professional organizations.
7. School landscaping, maintenance, furnishings, and decorations.

Funds received from public (tax) sources or used for public purposes are public funds subject to the control of the school principal.

Non-Public funds - restricted for expenditures subject to the intent and authorization of the organization's sponsors and officers and not used for general operations of the school. The principal does not direct the use of these funds but does have the authority to prohibit inappropriate expenditures.

Examples:

1. Clubs and Classes – Student organizations may have self-imposed fees but not academic course fees. The participants often impose their own fees for participation in these clubs and classes. These student organizations often conduct fund raising events. Clubs and classes include FBLA, Senior Class, Student Government, Spanish Club, Cheerleaders, Band, Show Choir, Beta Club, National Honor Society, Key Club, etc. Student organizations are self-governed by officers elected by the participants.
2. Other School Related Organizations – Parent or parent/teacher organizations can have the organization's funds in the school accounts. These organizations are governed by officers elected by its members. PTO, PTA, Band Boosters, and various athletic booster support groups are considered school related organizations. (*See Section 7 - Guidelines for School Related Organizations*).

Some of the expenditures that are not allowable purchases from public funds but may be allowable expenditures from non-public funds include:

1. Food for social gatherings.
2. Class prom entertainment.
3. T-shirts for club members or faculty.
4. Donations to various organizations.
5. Transfers to other non-public accounts.
6. Travel expenses to club events.
7. Championship rings.
8. Faculty appreciation gifts.
9. Scholarships.
10. Flowers for funerals.

[However, the State Ethics Law limits purchases for school employees and their families.]

NOTE: Non-public funds can become subject to the same expenditure restrictions as public funds if the accounting records do not maintain a separate account for each of the non-public funds.

RECEIPTING FUNDS

Audits show that the management of incoming funds in local schools as the primary weakness of internal controls for local school financial operations. Because a number of different people are often involved in the collection of school funds, establishing enforceable procedures for the variety of income sources becomes an integral part of the accountability for local school funds. Master receipts, reports of ticket sales, teacher receipts, and alternative receipt listings are all important documentation for assuring that all funds collected for the school are deposited in the school's account.

The Alabama Legislature has stated that excessive paperwork required of teachers and other public education employees hinders the prime responsibility of public education: *The education of the children of Alabama*. The Legislature declared that it is imperative that all unnecessary paperwork be eliminated from our public schools and necessary paperwork be automated to the maximum practical extent. Because the documentation needed to protect the funds collected is vital, the collection of funds by teachers should be limited or eliminated. Procedures to reduce paperwork may include:

- *Alternative funding sources for field trips and classroom materials.*
- *Centralized collection of class fees and fund-raising income.*
- *Prepayments by parents for recurring charges.*
- *Eliminating locker fees.*
- *Recruiting businesses and donors to replace charges to students.*

Elimination of unnecessary paperwork is not the only benefit of developing alternative procedures for collecting school funds. The simple fact is "*The more people you have involved in the collection of school funds the more chances you have for something to go wrong*". Consolidating the collection of school funds makes the automation of receipting even more beneficial. The automation of receipting reduces the time and mistakes of manually entering receipt information into the school's accounting records.

The security of the collection documents—teacher receipts, alternative receipt record, reports of ticket sales, master receipts, or automated receipts—is often overlooked in providing these documents to the individuals collecting school funds. Prenumbered documents and log sheets to track the assignment of these documents are part of assuring the security of school funds. Technology personnel sometimes overlook financial records when installing security features to prevent access to student records by unauthorized users. Automated records must be protected by firewalls, passwords, PINs, or daily back up of records.

The receipting procedures discussed on the following pages assume that the receipting documents are manually prepared. All manually prepared receipts will be recorded on pre-numbered duplicate receipts forms. The local school board may adopt alternative procedures if the receipting is automated or if local school accounting is centralized.

Master Receipts

Master Receipts are issued in the school office by an individual assigned by the Principal or designated by job description as responsible for collecting school funds. A manually prepared Master Receipt must be a pre-numbered duplicate receipt book or record. Master Receipts should be completed and issued in numerical order at the time funds are received. Because only one Master Receipt book or record is to be in use at a time, all pre-numbered receipts in a receipt book or record should be issued before another Master Receipt book or record is put into use. Master Receipts cannot be pre-signed and must contain an original signature of the person receiving the funds. A signature stamp is not acceptable. The following procedures are recommended:

- 1). A Master Receipt should be issued after counting or verifying the amount of the receipt at the time the funds are actually received.
- 2). **The person presenting the funds for receipt should wait for a Master Receipt to be prepared and verify the information on the Master Receipt before leaving the office.**
- 3). Funds collected by a teacher must be brought to the office along with the teacher receipt book or record, alternative receipt form, report of ticket sales, or other receipt documents.
- 4). Funds should be counted and verified with the amounts in the teacher receipt book or record, alternative receipt form, or report of ticket sales.
- 5). A manually prepared Master Receipt should contain the following information:
 - a). the sequential numbers of the teacher receipt book or record, alternative receipt form, or report of ticket sales form.
 - b). the name of the individual delivering the funds.
 - c). the amount of the funds received.
 - d). identify the school activity account to receive the funds.
 - e). space permitting, other information that would be useful in identifying the funds.
 - f). the date the funds are received.
 - g). the original signature of the individual receiving the funds and issuing the Master Receipt.
- 6). The original Master Receipt should be handed to the individual delivering the funds.
- 7). Voided receipts must be retained.
- 8). Do not use correcting fluid or erasures for mistakes.
- 9). Funds received must be secured until deposit. Deposit funds daily or according to local board policy.
- 10). The Master Receipt book or record and supporting documents must be secured for audit.
- 11). A Master Receipt should also be issued for each check received by mail.
- 12). Follow school board guidance for issuing a receipt to satisfy a non-sufficient fund check.
- 13). Do not cash checks with school funds. Deposit funds intact.

The cooperation of teachers and other school personnel is essential to assure the proper receipting of school funds. Establishing designated times to receive funds for the issuance of Master Receipts should be considered.

Teacher Receipts

The Principal will provide a pre-numbered duplicate receipt book or record to teachers and other individuals who collect school funds (other than CNP funds). Receipt books should be secured and a log should be maintained to track the receipt books by receipt numbers to the individual responsible for issuing the receipts.

A local board of education may give a Principal the authority to provide an alternative to writing a receipt to each student in a class when the amount being collected from each student does not exceed a certain amount (such as \$10). The alternative receipt form should identify the purpose of the collection (such as field trip to Children's Museum), the date, student name, the amount, and the signature of the teacher or person collecting the funds. At the parent's request a written receipt should be provided instead of entering the receipt on the alternative receipt form.

Teacher Receipts should be completed and issued in numerical order at the time funds are received. All pre-numbered receipts in a receipt book or record should be issued before another Teacher Receipt book or record is put into use. Teacher Receipts cannot be pre-signed and must contain an original signature of the person receiving the funds. A signature stamp is not acceptable. The following procedures are recommended:

- 1). A Teacher Receipt should be issued after counting or verifying the amount of the receipt at the time the funds are actually received.
- 2). A manually prepared Teacher Receipt should contain the following information:
 - a). the name of the individual delivering the funds.
 - b). the amount of the funds received.
 - c). identify the purpose or activity for the funds received.
 - d). the date the funds are received.
 - e). indicate if the funds are cash or check.
 - f). the original signature of the individual receiving the funds and issuing the receipt.
- 3). The original Teacher Receipt should be handed to the individual delivering the funds.
- 4). Voided receipts must be retained with the receipt book.
- 5). Do not use correcting fluid or erasures for mistakes.
- 6). The funds received must be secured.
- 7). Do not cash checks with the funds received.
- 8). No money should be left in the classroom overnight. The teacher is responsible for all monies collected until turned in to the office.
- 9). The Teacher Receipt book or record and the funds collected should be taken to the office.
- 10). **The teacher should wait for a Master Receipt to be prepared and verify the information on the Master Receipt before leaving the office.**
- 11). The teacher should retain the original Master Receipt.
- 12). Do not hold funds until all funds for an activity, fund-raiser, or other purposes are collected. The school is required to make timely deposits according to school board policy.
- 13). Teacher Receipt books containing the receipt copies and unused receipts should be returned to the Principal at the end of the school year or earlier.

BANKING

Bank Account

The selection of a banking institution for school funds should involve a comparison of the operating features of various banks. Although proximity to the school is important for accessibility for daily deposits of funds, bank charges and other banking procedures can create problems in managing school funds. Some school boards select the banking institution for the schools after conducting an analysis of the bank's willingness to cooperate in meeting the unique operations of public schools. Alabama banking institutions often accommodate local schools by waiving fees and providing banking features not available to individual customers. In some cases, an interest-bearing checking account has additional fees and charges that negate the interest income. Fortunately, many banks will waive the fees and charges upon request.

A school should have no more than one checking account. Establishing separate bank accounts is not necessary to avoid co-mingling of public and non-public funds. Funds not needed for current operations, whether invested in CD's, money market accounts, or savings accounts, must be recorded in the school's accounting records and included in the school's financial statements.

School funds must be maintained in a Qualified Public Depository (QPD). A QPD is an Alabama banking institution that provides protection for school funds under the Security for Alabama Funds Enhancement Program (SAFE), administered by the Alabama State Treasurer's office. At the end of each fiscal year, the bank should be required to provide a letter confirming that all school funds are listed on the bank's records as SAFE Program Accounts.

Deposits

School funds must be deposited in a timely manner, usually daily. If the deposit cannot be made before the bank closes, a locked night deposit bag should be used to secure the funds in the bank's night depository. In order to allow for time each day preparing the daily deposit, the Principal should establish and enforce reasonable timeframes for teachers to bring their daily collection of funds to the office and receive a Master Receipt. The following procedures are recommended:

- 1). Pre-printed, duplicate deposit slips should contain the name of the school account and the bank account number.
- 2). When the Master Receipt is written, payments received by check should be endorsed with the words "For Deposit Only" along with the name of the school bank account and bank account number.
- 3). The deposit slip should contain the Master Receipt numbers of the funds deposited.
- 4). The deposit date and deposit amount should be indicated on the last Master Receipt included in the deposit.
- 5). Daily receipts should be deposited intact. **Do not cash checks with the funds received.** Do not use cash receipts for change cash. Do not use cash received for payments.
- 6). Do not use correcting fluid or erasures for mistakes on deposit slips.
- 7). The bank should authenticate the duplicate deposit slip at the time of deposit. The duplicate deposit slip (and the bank's deposit confirmation, if provided)

must be retained for audit.

Returned Checks

Accepting a check from an individual or a business brings a risk that the check will be returned by the bank for non-sufficient funds or a closed account. A bank error can also be the cause of a returned check. Checks accepted from individuals should contain the following information:

Full name

Current residence address

Home telephone number

The procedure for processing returned checks is determined by local board policy. Secondary schools, middle schools, and schools with a high check volume may face significant bank charges and devote an inordinate amount of time to resolve returned checks. Schools with a high check volume may benefit by contracting for check recovery services. Several different companies are now operating automated check recovery systems in Alabama schools. The local school board may select a company or the Principal may be given the authority to select the appropriate check recovery system. The school's frequency of returned checks, the dollar amount of the returned checks, and the various features of the check recovery system are important factors in selecting the appropriate company for check recovery services.

Bank service charges (NSF fee and redeposit fee) for returned checks should be paid by the returned check writer or waived by the bank. The school should not accept another check from the individual until bank service charges are recovered through collection or bank waiver. An individual that issues two returned checks should be placed on a risk list and not allowed to make payments by personal check for the remainder of the school year.

In addition to utilizing companies for check recovery services, there are other options for collecting returned checks, depending on local board policy. Redepositing the returned check may often be successful but the bank may assess a redeposit fee. Reimbursement for the returned check and bank charges by cash, cashier's check, or money order usually resolves the problem. A District Attorney has specific procedures for collecting returned checks and a returned check fee. Consult local board policy to determine if the school is responsible for handling the returned check collection with the District Attorney's office or if an individual is assigned the duty of returned check collections for the schools. The last legal option is Small Claims Court. Unless local board policy gives the Principal the authority to file in Small Claims Court, specific approval should be obtained before proceeding with this option.

SCHOOL INCOME

Report of Sales of Tickets

Tickets should be sold at all events where admission is charged. Admission events include football, basketball, baseball, softball, volleyball, soccer, wrestling, swimming, track, and other athletic events, as well as, beauty pageants, dances, theatrical performances, talent shows, carnivals, festivals, and other school-related events. The use of tickets for admission events, when properly managed, assures that entrants to events paid the admission fee and that all admission charges are deposited in the school's bank account. Pre-numbered tickets may be printed for a specific event or may be sold from a roll of generic tickets. If generic tickets are sold for seasonal events, such as football or basketball games, ticket colors should be alternated. Security practices, such as having a ticket collector tear tickets in half, may be necessary at some events to avoid the re-use of tickets by entrants to the event. The ticket collector should not be the ticket seller.

A report of ticket sales form must be issued for each individual selling the tickets at the time the tickets are provided to them for the event. The report of ticket sales form should contain the following information:

- 1). Name of the event.
- 2). Date of the event.
- 3). A line for the name or signature of the person receiving the tickets for sale.
- 4). The beginning and ending ticket numbers of the tickets issued.
- 5). The beginning and ending ticket numbers of the tickets not sold.
- 6). A line for the signature of the person receiving the unsold tickets and cash collected.
- 7). A space for reconciling collections based on ticket sales to actual cash returned.

A Master Receipt should be issued to an individual for the cash collected from ticket sales. A separate Master Receipt should be issued for Change Cash. All cash collected must be deposited intact. **Do not use cash collected or change cash to cash any checks, including school checks issued for officiating, security, ticket sellers, or ticket collectors.**

An Attorney General Opinion stated that the local school board could authorize complimentary passes to certain individuals provided the granting of the passes furthers and enhances school purposes. A Principal cannot issue any complimentary passes without the express authority of the local school board. Public employees and officials and their family members receiving a complimentary pass are responsible for compliance with the State Ethics Law.

Fundraising

The Principal must approve each school fundraising activity conducted by students, teachers, school employees, or school-related organizations. The local school board may exempt school-related organizations from this requirement if the activity of the organization is not under the control of the Principal. However, elementary school students must not be involved in any door-to-door solicitations or sales. **No fundraisers may sell foods of minimal nutritional value during the school day.** A form requesting authorization for a fundraising activity must be approved by the Principal prior to the start of the fundraising activity and should contain the following information:

- 1). Date of the request.
- 2). Name of the individual making the request.
- 3). Activity account to receive proceeds from fundraiser.
- 4). Class, club, or organization that will conduct activity, if applicable.
- 5). Name of fundraising project.
- 6). Beginning and ending dates of fundraiser.
- 7). Description of fundraising activity, such as:
 - a). name of company supplying items for sale.
 - b). description of items for sale.
 - c). estimated cost of items for sale.
 - d). sales price of items.
 - e). description and estimated cost of related fundraiser expenses.
 - f). description of method of sales and collections.
 - g). estimated profit from fundraiser.
- 8). Purpose of fundraiser.

Before approving a fundraising activity, a Principal should consider the safety of students involved in the activity. For example, the cheerleader sponsor should supervise events such as a “Car Wash for Cheerleader Camp”. The potential profitability for the efforts expended on a fundraising activity should also be considered.

Approved fundraising activities must comply with financial procedures for school funds, including:

- 1). All funds collected must be delivered to the Principal’s office for a Master Receipt. Do not cash checks from collections.
- 2). Income from fundraisers must be deposited on a timely basis. Teachers and sponsors of fundraisers should be reminded not to hold fundraiser income until the fundraising project is complete.
- 3). All fundraising expenses, including sales awards to students, must be presented to the Principal for payment by check.
- 4). A school employee cannot receive a gift or gratuity from the fundraising vendor.

Commissions

Many local schools contract with vendors for school pictures, class rings, yearbooks, book fairs, and vending machines. Although some local school boards have system-wide contracts for all of the schools, other school boards leave the decision to the Principal of each school. The contract with the vendor allows the school to be paid by check for the activity and avoids the collecting, receipting, and depositing of cash and personal checks by the school. The contract should be written to provide the school with substantially the same net income as if the school handled all of the activity. A vending contract should require the vending company to furnish statements that identify the count of items stocked in the machines with each delivery. A school employee will verify the stocked items. The use of the statement of stocked items to calculate the expected profit from the machines will determine if the school is receiving the expected income from the vending company.

Foods of minimal nutritional value may not be sold during the school day.

Vending Machines

Some schools service some or all of the vending machines in the schools. Some vending machines are fully serviced by school employees who stock the machines and collect the funds from the machines. Another method of servicing vending machines has the vending company stock the machine while school employees collect the funds from the machines. Controls should be established to document the products stocked in each machine and the income from each machine. Tracking the profits from each vending machine assists the Principal to insure that:

- a) A malfunctioning machine is quickly identified.
- b) Students and others are not manipulating a machine to take money or receive products without paying.
- c) The product price is set above the product cost to obtain a reasonable profit.
- d) Products are not pilfered from storage or when stocking the machine.
- e) All funds from the sale of the vending items are receipted.

The same school employees who remove the funds from a machine should also stock or supervise the stocking of the vending machine. A Master Receipt should be made to the individual for the funds collected from each machine.

A school may have an area set aside for school employees that has one or more vending machines that are not assessable by students or the public. Because the vending machines are on public property using electricity paid with public funds, as well with the principal (a public official) directing the use of the vending machine proceeds, the profits are considered public funds. However, an Attorney General Opinion established conditions that would allow the vending machine proceeds to be non-public funds. The use of the non-public funds would have to be under the control of an employee organization (not under the direct control of the principal) and all expenses for the vending machines, including vending items, electricity, and rent would have to be paid from the vending machine proceeds.

Concessions

Concessions include event concessions, school concessions, and school stores. Because all concessions involve cash, and neither cash receipts nor tickets are used to control the exchange of money, proper accounting for the sale products and income is essential. Ideally, a cash register would be used to account for the cash collected. The purchaser would receive a cash register receipt and the cash register would generate a record of sales. An inventory of items purchased, items sold by sales price, and items unsold should reconcile to the cash collected. The following procedures are recommended:

- 1). Do not cash checks with concession funds. Deposit funds intact.
- 2). Do not make payments from cash collected. Payments must be made by check.
- 3). Funds should be collected on a timely basis.
- 4). A Master Receipt should be issued after counting or verifying the amount of the receipt at the time the funds are actually received.
- 5). The person presenting the funds for receipt should wait for a Master Receipt to be prepared and verify the information on the Master Receipt before leaving the office.**
- 6). Supporting documentation of items sold should accompany the funds collected.

Foods of minimal nutritional value may not be sold during the school day.

PURCHASING

Purchase Orders

The Principal should approve all expenditures that will be paid from school funds. A purchase order allows the Principal to approve expenditures prior to purchase. A purchase order provides protection to the vendor for not charging Alabama sales tax on the school's purchases. A completed, pre-numbered purchase order should be approved by the Principal before the purchase of materials, supplies, or equipment. Local board policy will determine if purchase orders should be completed for other expenditures. A purchase order register should be maintained to account for purchase orders.

Although purchases made by individual schools from funds other than those raised by taxation or received through appropriations from state, municipal, or county sources are generally exempt from the bidding requirements of the Alabama Competitive Bid Law, such purchases can come under the state bid requirements if any portion of the expenditure is derived from a governmental source.

Plans for proposed land improvements, building improvements, repairs, renovations, or construction of buildings or facilities on school property should be submitted to the School Superintendent. Approval, notification, or inspection by State or local agencies may be required, even if expenditures are paid by other organizations or individuals.

Contracts, including service contracts for landscaping, maintenance, tutoring, or copier leases, must have the approval of the School Superintendent before the services begin.

Invoices

An invoice should be obtained for each purchase before payment is made. An **IRS Form W-9** should be completed and maintained on file for each individual or vendor that qualifies for **IRS Form 1099** reporting. The vendor invoice should include the date, the pre-printed name and address of the vendor, a description of the purchase, an itemized listing of items purchased and item price, shipping and handling charges, and the total amount of the purchase. If a vendor without a pre-printed vendor invoice provides items or services, the vendor should sign an invoice containing the same information. Unless provided in another document, the school employee receiving the items purchased should sign the invoice. If the invoice is for services, the responsible school employee should sign the invoice after verification of services provided.

The invoice should be matched with the applicable purchase order before payment is made.

EXPENDITURES**Expenditures**

Payments for school expenditures should be made from the school's checking account. However, local board financial policies may authorize cash refunds to students with proper internal controls. The Principal should sign all checks. No signature stamp may be used in place of the Principal's signature on the check. The Principal is responsible for the security of signature plates if used in place of manual signatures. Local board policy may provide for co-signatures or a designee to sign checks in the Principal's absence. The school bookkeeper should never be the sole signatory or allowed to sign on behalf of the Principal. The following procedures are recommended:

- 1). Do not write checks to "Cash".
- 2). Do not sign checks that do not contain the check recipient's name and amount of check.
- 3). Do not pay for items in advance of receipt of materials, supplies, or equipment.
- 4). Invoices and supporting documents should be provided with the check to be signed.
- 5). Invoices should be cancelled (marked PAID) when the check is signed.
- 6). Vendors should be paid on a timely basis. Late charges, penalties, and interest should be avoided by making payments by the due date.
- 7). Checks should be used in numerical order.
- 8). Checks must be secured at all times.
- 9). Voided checks must be retained for audit purposes.
- 10). Sales tax should not be paid on purchases from in-state vendors unless the items do not qualify for the sales tax exemption (school pictures, class rings, etc.).
- 11). School employees may not use the school's sales tax exemption for personal purchases.

12). Checks outstanding more than 60 days should be investigated.

Academic Incentives

Amendment 558 of the Alabama Constitution permits the use of public funds to promote educational excellence by students. Students may receive food items (but not foods of minimal nutritional value), school supplies, admissions, T-shirts publicizing school academic accomplishments, and other provide tangible incentives for attendance, honor rolls, test scores, and other academic achievements. Academic excellence may also be recognized with plaques, trophies, and award banquets. Academic incentives with a significant monetary value may be provided to a group of students or by selecting individual recipients. (Scholarships and tuition for programs outside of the school's academic program are not permitted.) By preparing and following formal incentive award procedures a school can minimize auditor questions and public scrutiny when the incentive recipients are announced. Procedures for providing academic incentives with a significant monetary value to students should be established before the incentive recipient is determined and should include:

1. Action required for a student to receive an incentive.
2. Relationship of the required action to educational excellence.
3. Description of the planned incentives. (Laptop, cash, gift card, etc.)
4. Value of planned incentives, if known.
5. Process for determining the incentive recipients.

Academic incentives, whether purchased with school funds or donated by other entities or private sources, should be secured until provided to the incentive recipients. The student receiving the incentive should sign a form documenting the student's receipt of the academic incentive, excluding those items of insignificant value. The school official that is giving the incentive to the student, along with a witness should also sign and date the form.

GUIDELINES FOR SCHOOL-RELATED ORGANIZATIONS

The majority of public K-12 schools in Alabama operate under the accreditation standards of the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS/CASI). The *Accreditation Standards 2005* published by SACS/CASI includes in *Standard 2 Governance and Leadership 2.4* the following requirement: **In fulfillment of this standard, the leadership of the school...Controls all activities, including extra-curricular, that are sponsored by the school.** This publication also provides in *Standard 6 Financial Resources 6.15* the following requirement: **In fulfillment of this standard, the school...Controls all funds raised in the name of the school...** Interpretations of these standards, primarily *Standard 6.15*, have created conflicting guidance from various sources relating to the accounting requirements for school-related organizations.

In addition to the requirements of SACS/CASI, the Alabama Department of Education must also consider other factors in providing these Guidelines for School-Related Organizations, including:

- *State laws giving the authority to establish financial and administrative requirements for local schools to the:*
 - *State Superintendent of Education.*
 - *State Board of Education.*
 - *Local Boards of Education.*
 - *Department of Examiners of Public Accounts.*
- *Governmental Accounting Standards Board (GASB).*
 - *Generally Accepted Accounting Principles.*
 - *GASB Statement No. 14 - The Fiscal Reporting Entity.*
 - *GASB Statement No. 39 - Determining Whether Certain Organizations Are Component Units.*
- *Federal legislation.*
 - *Internal Revenue Service.*
 - *Congressionally Chartered Organizations.*

The determination that a particular club or organization is a school activity must be made on a case-by-case basis according to the actual facts and circumstances of the club or organization's operations at a school. The fact that an organization would not exist without the school it supports has no bearing on determining that the organization is a school activity. However, the purpose of these Guidelines for School-Related Organizations are to assist these organizations, school officials, school bookkeepers, auditors, and other agencies in determining the proper accounting for school-related organizations.

Student Organizations

Student clubs and classes are usually recognized as school activities. The student officers and faculty sponsor operate the organization while the school principal acts in a fiduciary capacity over the organization's funds. The school's accounting records contain a separate account to record the financial operations of each student organization. Income from the student organization is recorded by receipts and deposited in the school bank account. The school principal approves the purchase orders, signs the checks, and maintains the supporting documents for the expenditures.

Some organizations consisting of students from the school may not be school activities. Some students belong to social organizations that operate off-campus. Community recreation leagues may consist solely of the school's students and operate under other entities that are not under the control of the school. Although the activities of these organizations may benefit the school's students, these organizations have a separate employer identification number (EIN), a separate mailing address, and maintain their own records and accounts.

Athletics

School athletics are extra-curricular activities that must be under the control of the school principal. Coaches and other school employees cannot maintain a separate bank account that supports, or benefits from, a school extra-curricular activity. Funds received to support an athletic activity at a school from sponsors, vendors, or other sources must be included in the school's financial records under the fiduciary control of the school principal. Funds from gate receipts and other sources may be recorded in one or more separate accounts for a particular sport in the school's financial records. However, a separate account for each sport is not required. When athletic events are held on locations other than school property, the school principal's control over the financial operations of the event, including ticket sales, concessions, and parking fees, will be determined by agreement with the entity in control of the event location.

Parent Organizations

Parent and parent/teacher organizations provide a vital role in the education of students. In Alabama public schools, the PTA and the PTO are the most common parent organizations. Many parent organizations join a national organization that serves the individual school organizations. Each of the national organizations publishes guidance for the financial operations of the individual school organizations. These organizations must have a separate employer identification number (EIN) and a separate mailing address in order to maintain their own records and accounts outside the control of the school. However, these organizations will become school activities if:

- a) *Both parties mutually assent to the fiduciary control of the principal,*
- b) *A school employee leads fund-raising or maintains the accounting records for the organization.*

Booster Organizations

All school sponsored extra-curricular activities must be under control of the school. However, booster organizations are often formed to support the operations of these activities in a variety of ways. While providing additional financial support for a particular extra-curricular activity, the volunteers in the booster organizations also enhance community support that often extends to benefit all of the students at a school. Because some of the activities of a booster organization may be intertwined with the extra-curricular activity it supports, some of the organization's activities may be under the control of the school principal while other functions of the same booster organization are not school activities. The determination that a particular booster organization is a school activity must be made on a case-by-case basis according to the actual facts and circumstances of the organization's operations at a school. These organizations must have a separate employer identification number (EIN) and a separate mailing address in order to maintain their own records and accounts outside the control of the school. However, these organizations will become school activities if:

- a) *Both parties mutually assent to the fiduciary control of the principal,*
- b) *A school employee, who is associated with the activity supported by the booster organization, serves/holds a leadership position in the organization, or,*
- c) *A school employee leads fund-raising or maintains the accounting records for the organization.*

Specific activities of a booster organization may come under the control of a school principal if:

- a) *The organization collects admission to the school function,*
- b) *The organization operates a concession operation on school property at the school function,*
- c) *The organization collects parking fees for the school function,*
- d) *The organization operates a training camp that includes students of the activity it supports, or*
- e) *The organization operates an exhibition or competition that includes students of the activity it supports.*

Specific Requirements

Parent organizations and booster organizations that maintain financial operations outside the control of the school could create a negative image for the school by failing to maintain proper accounting controls. Accountability for the funds these organizations control includes an agreement that:

- a) *The organization has obtained an employer identification number from the IRS.*
- b) *The organization provides a report of the annual audit of the organization to the school.*
- c) *The organization makes its financial records available to the school's auditors and authorized school employees upon request.*
- d) *The organization provides required financial reports.*
- e) *The organization provides proof of a fidelity bond for the treasurer.*
- f) *The organization will not provide any payment or benefit to a school employee (or family member of a school employee) in violation of the **State Ethics Law**.*

STUDENT PAYMENTS

Student Fees

State laws and administrative rules of the State Board of Education restrict the collection of fees from students:

Alabama Code § 16-13-13 Fees for courses. It is the intent of the Legislature that no fees shall be collected in the future in courses required for graduation. In courses not required for graduation, local school boards may set reasonable fees for courses requiring laboratory and shop materials and equipment, provided, however, that such fees shall be waived for students who cannot afford to pay the fee. Any funds collected in fees shall be spent on the course for which the fee was levied. This section shall not be construed to prohibit community groups or clubs from fundraising activities, provided, however, that students shall not be required to participate in such fundraising activities.

Alabama Code § 16-6B-2 Core curriculum. (a) The following words and phrases used in this section shall, in the absence of a clear implication otherwise, be given the following respective interpretations: (1) **REQUIRED COURSES.** Courses which are required to be taken by every student enrolled in public schools in the State of Alabama.

Alabama Code § 16-10-6 Incidental fees in elementary schools. No fees of any kind shall be collected from children attending any of the first six grades during the school term supported by public taxation; provided, that any county or city board of education shall be authorized to permit any school subject to its supervision to solicit and receive from such children or their parents or guardians voluntary contributions to be used for school purposes by the school where such children are attending; provided further, that the provisions of this section shall in no way affect or restrict the right or power of a school board to fix and collect tuition fees or charges from pupils attending schools under the jurisdiction of such board but who live outside the territory over which such board has jurisdiction.

AAR 290-3-1-.02 Driver Education. (a) No fee shall be charged any child whose family is unable to pay the fee. (b) Thirty dollars (\$30) per student, per semester, is the maximum driver education fee to be charged by local boards of education without approval from the State Superintendent of Education. (c) The State Superintendent of Education may approve a higher fee upon the request of a local superintendent approved by the local board of education with sufficient documentation of actual costs in excess of the maximum. (d) Each board of education shall establish criteria by which the ability of families to pay the fee may be determined and submit same to the State Superintendent of Education for approval. (e) Local boards of education shall take reasonable steps to insure that students for whom no fee is required shall not be identified.

In reading the guidance above, it can be noted that academic fees during the regular school term (excluding driver education) may only be charged for materials and equipment used in instructional courses, and that the fees collected may only be used in the course for which the fee was collected. **Actions against a non-paying student, such as withholding grades, report cards, transcripts, academic recognitions, and graduation activities, are prohibited. However, state laws governing textbooks may require the withholding of additional textbooks for a student due to unpaid lost or damaged textbook fines. (See Alabama Code § 16-36-69).**

Donations and Voluntary Contributions

Voluntary contributions may be requested for various items purchased by the school that are used by students in academic courses and classes including workbooks, supplemental instructional materials, lockers, sheet music, and other academic purposes. The voluntary nature of the contribution must be clearly stated in the request for the contributions. Non-payment of requested contributions cannot be used against a student and the student must be provided the same instructional items as if payment was made on behalf of the student.

Donations may be requested for specific school purchases, including janitorial products, cleaning supplies, paper products, copier expenses, software maintenance, and other school purposes. The voluntary nature of the donation must be clearly stated in the request for the donation. Non-payment of requested donations cannot be used against a student and the student must be provided the same instructional items as if payment was made on behalf of the student.

Donations may be requested for general school purposes, including communication services, additional personnel services approved by the school board, playground upkeep, equipment, maintenance, student lunches, etc. The voluntary nature of the donation must be clearly stated in the request for the donation and a student must be provided the same instructional items as if payment was made on behalf of the student.

Schools that allow events during the school day that charge admission to students should provide admission to a non-paying student to avoid subjecting the student to embarrassment or ridicule.

Teachers have no authority to request or accept student fees, contributions, or donations without the approval of the principal, unless directed by the local superintendent. The principal or the local superintendent should approve requests to collect school fees, contributions, and donations.

Actions taken against a student for non-payment of student fees, contributions, or donations including the withholding of grades, report cards, transcripts, diplomas, honor rolls, participation in graduation events and student recognition events, membership in honors organizations, and other actions that would subject the student to embarrassment or ridicule, are prohibited.

The local school board office can provide guidance on collections from students for meals, snacks, and refreshments; library fines; student parking; charges for participating in extra-curricular activities; summer school; day care; weekend, before school and after school programs; dual enrollment programs; tutoring; and, requests for donations from school vendors.

Field Trips

Teachers often request approval to take students off campus during the school day as enhancement of academic content in fulfilling the course curriculum. Voluntary contributions may be requested to pay the costs of transportation, meals, or admission charges. The voluntary nature of the contribution must be clearly stated in the request for the field trip costs. Non-payment of requested contributions cannot be used against a student and the student must be provided the same participation as if payment was made on behalf of the student.

Field trips during the school day cannot generate a profit but may establish a per student amount that exceeds the individual student costs to provide the funds for the non-paying students, if the costs for the non-paying students are not paid by private sources or non-public school funds. Additional costs should be considered in establishing the per student field trip amount to accommodate for special needs students.

Documents providing information about the field trip to parents and guardians should include information on the disposition of excess field trip funds paid for the students including the cancellation or postponement of the field trip; a student's inability to participate in the field trip due to absence, illness, or disciplinary action; and, requirements to receive a refund for the field trip payment.

The local school board office can provide guidance on student meals, transportation, and approval procedures. School board policies may place limitations and restrictions on school field trips.

Student trips that extend overnight, are held outside of school hours, or are held on a day that school is not in session are considered extra-curricular activities. Generally, extra-curricular activities are not subject to the requirement to provide participation for non-paying students.

LIVE WORK PROJECTS

Live Work Projects for Students

Live work projects consist of work done by career tech students as part of their training program. Work can be done either in school or on a job location and includes service, repair, or production jobs of all types, excluding work done by cooperative education students. Live work will be conducted when, in the opinion of instructor and school administrator, the training program requires the work for acquisition of occupational skills leading to employment. The instructor, as part of the student's training program, will assign live work to individual students or groups of students. Administration and control of live work in accordance with local school board policies are the responsibilities of the school administrator. All live work performed must be approved by the administrator who shall be responsible for the determination and collection of all charges and maintenance of appropriate records.

Live work can only be performed when tasks are directly related to the knowledge acquired and skills currently being taught in the program as part of the course of study or to reinforce acquired knowledge and skills previously taught. Live work will be performed in specific projects for specific individuals and organizations. The scope and extent of each project will be well defined and documented before acceptance. Live work projects can be conducted for:

- 1). Students.
- 2). Public employees.
- 3). Tax supported programs and institutions.
- 4). Charitable organizations that are supported by donations.
- 5). Other individuals and organizations if:
 - a). The live work project is not in competition with private enterprise.
 - b). The circumstances involved are unusual and justify the acceptance of the live-work project.
 - c). The instructor and the school administrator do not have a family or business relationship with the client.
 - d). The instructor justifies in writing why the live work is necessary for the training program and files a signed copy with the school administrator.

Liability Waivers

The person, program, institution, or organization for which live work is done shall:

- 1). Assume responsibility for the results of the work being done by students.
- 2). Accept responsibility for the total costs of materials and parts involved.
- 3). Pay a service charge according to the schedule established by the administrator of the school to cover indirect expenses.
- 4). Sign a form agreeing to the above conditions and specifically stipulating the work to be performed.

Charges for Live Work Projects

The total charges (cost plus a service charge) for live work will be as follows:

1. Actual cost of parts and materials, plus at least 20% for the service charge.
2. Live work projects that do not include parts and materials provided by the school will be assessed a reasonable service charge according to a schedule or pricing sheet approved by the administrator.
3. A training program leading to a license, such as cosmetology or barbering may charge for services under a pricing schedule approved by the administrator.

Because state laws do not allow a school to extend credit all charges must be collected at the conclusion of live work project. Deposits and advance payments should be considered, if appropriate.

In exceptional cases such as the construction of a public building, a reduced charge for the live work project may be used provided the administrator and local school superintendent concurs in writing and the school recovers all costs expended on the project. However, all construction projects must be approved by the local school superintendent and other public agencies when applicable.

Work Orders

All live work projects must be documented with a signed liability waiver, authorization for work, and schedule of estimated costs for each customer. The liability waiver must be signed by the customer (the individual for whom the work is performed or an authorized representative of the program or organization for which the work is done) before the work begins. Customer approval of significant increases in estimated costs must be documented. At the conclusion of the work, the customer must be provided an itemized statement of charges. A receipt must be provided to the customer when payment is made. The required documents may be separate forms or combined in the form of a work order. A work order should contain the following information:

1. Work order number.
2. Supervising instructor's name.
3. Customer name and contact information.
4. Liability waiver.
5. Customer's signature and date signed.
6. Student(s) assigned to the work project.
7. Instructions for the work to be performed.
8. Date work begins.
9. Date work completed.
10. Detailed description of materials and parts purchased for the work.
11. Detailed calculation of amount due from customer.
12. Receipt number.

Proceeds From Live Work Projects

Live work project proceeds are school funds subject to the same financial requirements as other school funds, including receipts, daily deposits, purchase orders, and invoices. Live work projects must be included in the school budget and are recorded in the school's accounting records with a separate account for each instructor. (An instructor may have additional separate accounts as needed to account for individual classes.) The income from live work projects and the expenditures from live work accounts are public funds and cannot be co-mingled with club and class funds. The administrator must approve all expenditures from live work funds. Funds from live work accounts may be transferred to other public fund accounts upon approval of the administrator. The local school superintendent may require the transfer of funds from live work accounts to reimburse the school board for expenditures related to the live work projects.

END OF POLICIES AND PROCEDURES MANUAL