

Tatum ISD

Activity Fund Accounting Manual



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SECTION 1: BOARD POLICY

The Board of Trustees of the Tatum Independent School District (District) will approve and review policies and procedures for the supervision and administration of activity funds through the Central Business Office. These policies and procedures are set forth in the Tatum Independent School District Activity Fund Manual (Manual). The Manual is designed to provide a set of standardized accounting guidelines and procedures for the administration of Tatum Independent School District Activity Funds. This Manual supersedes all prior publications regulating the administration of Activity Funds. The District Business Manager, under the supervision of the Superintendent, will see to the interpretation of the policies and procedures as established in the Manual. Further, the Business Manager will ascertain that sound business practices are followed and will conduct periodic audits as outlined in the Manual.

SECTION 2: GENERAL INFORMATION

2.1 Definition and Purpose

Activity funds are monies primarily consisting of various fees and proceeds of school-approved money-raising activities collected from students and school personnel. Each school may maintain student activity funds. These funds are used to promote the general welfare of each school and the educational development and morale of all students.

As a general guideline, funds derived from the student body, as a whole, should be expended as far as possible to benefit the student body as a whole. Funds collected or earned by specific groups of students should be expended to benefit those students from which the funds are derived. Funds accumulated by the faculty may be used to benefit either faculty or students, at the discretion of the faculty. Monies donated to the school by students, faculty, or outside groups are to be assigned their own special activity account number. These monies will be used solely for the purposes prescribed by the donor.

2.2 Responsibility

Principals are charged with the responsibility for efficient and effective management of their school's activity funds as set forth in the Manual and interpreted by the Business Manager. The Principal will appoint and supervise reliable and capable personnel for the physical handling of receipts, deposits, disbursements, and other duties associated with activity fund operations as specified in the Manual.

Principals are also responsible for notifying the Business Manager if they are aware of any significant problems with regard to their school's activity funds.

The Principals are not responsible, however, for funds collected, disbursed and controlled by parents, patrons or alumni organizations, and these funds should not be accounted for in a school district's activity funds.

2.3 Auditing of Activity Fund Records

The Business Manager will conduct periodic audits of activity funds. The purpose of these audits is to determine if the policies and procedures established for activity funds are being followed correctly and in a businesslike manner, and also to determine that the transactions and balances as reported on the annual reports are an accurate summary of activity fund receipts and disbursements. The Business Manager, based upon the quality of internal controls present at the time of the audit, will determine the scope of these audits. Activity fund records will be kept current so that procedural reviews or audits may be conducted at any time.

At the conclusion of the audit, the Business Manager will discuss the results with the school Principal and a report will be submitted to the Superintendent.

The Campus Principal, Business Manager, or Superintendent may request in writing a special audit if a situation or event warrants it.

SECTION 3: ACTIVITY FUND ACCOUNTS

3.1 Decentralized Activity Fund Accounting

Proceeds into campus activity accounts include sales, fees, and commissions from the students as a whole. Examples of these proceeds may be profit from student pictures, vending machine sales, library fees, book fair sales, school store sales, and sales by the school of items and supplies rather than by a specific club.

Proceeds from all activity fund accounts are receipted into the Campus checking account, related costs are paid for out of the campus checking account, and profits maintained in the Campus or Student Activity Funds. These profits can be spent on a wide range of items of benefit to the school. However, they must be spent for the purpose for which they were collected. Detailed bookkeeping is performed at the campus level by designated bookkeepers. Records must be maintained for five years.

Expenditures must be made in accordance with the purchasing procedures in place for expenditures from the General Operating Fund. School personnel making any purchase in the name of the school without getting prior written authorization from the Principal may be personally responsible for the purchase.

If a school accumulates enough funds in their general activity fund for a major or

unusual purchase as determined by the campus Principal, the Superintendent as well as the school Principal must then approve it.

Proceeds from all accounts should be receipted first into a separate subsidiary receipt book. For instance, all textbook collections should be receipted into a pre-numbered receipt book used only for textbook collections. Amounts deposited into the main bookkeeping system should be easily reconciled with the subsidiary receipt book. All receipt copies should remain intact in the receipt book, even if voided.

Club or class accounts consist of funds collected by student and faculty groups for the purpose of financing legitimate and beneficial activities and projects. These funds belong to these groups and are held by the school for safeguard and convenience.

The school as represented by the Principal is responsible for insuring that the funds are protected; and that clubs do not expend monies, which they do not have. **Deficit balances are not allowed.**

The members and sponsors of the club or class according to the rules of the club must approve all expenditures of these monies. Copies of this approval must be kept in the school's activity files and the audit files on campus.

Sponsors of clubs or classes are required to keep accurate financial records of fund-raising collection, dues and other expenditures. For specific policies on fund-raising by clubs, see Section 4.12.

Any donations to the club for any purpose by any person or group, such as a Booster Club, must be deposited first into the campus bank account so there are adequate records of transactions. There also must be a letter from the donor stating the amount and purpose of the donation.

Each school may have a faculty club, but the scope and type of collections and expenditures vary from school to school. Each faculty club is required to keep accurate records of receipts and disbursements.

3.2 Donation Accounts

Donation accounts consist of monies donated to the school by groups or individuals, firms, philanthropic social or service groups, associations, societies, etc. The use of a donation may be unconditional or conditional, depending on the terms of acceptance between the donor and the District. Expenditures from accounts of conditional donations are permitted only for those items specified by the donor. A letter from the donor, detailing the amount and intended use of the donation, should be placed in the school's activity fund files.

In some cases, money will be donated for the general benefit of the school with no intended purpose in mind. These are unconditional donations with no restrictions on its use. The donor's letter should state this clearly. In these cases, the Principal may use the donated monies at his or her discretion to benefit the largest possible number of students, or to help the neediest students at their school. Monies may never be transferred in or out of these accounts except with the approval of the Business Manager or to clear out very small amounts (\$10 or less) to close the account.

Campus Activity Fund donation accounts are designed for small individual donations. However, there is no limitation on the amount of a donation to a club account.

SECTION 4: ACTIVITY FUND PROCEDURES

4.1 Account Codes and Titles

When a new account is created, the Business Office should be given the account title, and a description of the purpose of the account.

Should the school have any questions as to what category type a new account falls under, the Business Manager should be contacted for clarification.

4.2 Responsibility of Club Sponsors

The Sponsor of each school club is required to maintain adequate financial records of all cash received by the club for fees, dues, fund-raising activities, etc. These records are subject to review by the Business Manager.

All cash collections received by the club must be recorded on duplicate pre-numbered cash receipts and a bank deposit slip. All collections must be deposited in the campus activity bank account. The sponsors are required to reconcile their records to amounts deposited with the school activity fund. Any discrepancies between Sponsor records and Principal's records should be reported to the Business Manager.

4.3 Banking Procedures

Schools will have separate bank accounts for campus activity funds. All monies received by the school activity funds must be deposited into the appropriate account at the District's depository bank and all disbursements will be made by a check drawn on these accounts.

If a Booster Club or PTO has a bank account, someone other than a Tatum ISD employee must control it.

- a. The account must be independent of the District bank account.
- b. The name on the account must state "Booster Club" or "PTO."
- c. Physical control over the account and checks must be maintained by someone other than a Tatum ISD employee. A parent's address or post office box must be used for the current address.
- d. No Tatum ISD employee can be listed on the account's signature card as approved check signers.
- e. Any exceptions must be approved and documented by the Superintendent.

4.4 Receipt of Monies by Activity Fund Bookkeeper

All cash and checks shall be receipted by the Activity Fund bookkeeper, or a clerk designated by the Principal. The original cash receipt should be issued to the person remitting the money. All monies remitted by a teacher or sponsor should be accompanied by a copy of the pre-numbered receipt forms. In the case of small amounts collected from students, a list form, "Tabulation of Monies" may be used in lieu of individual receipts. The total of these forms must agree with the monies turned in.

If at all possible, the person signing the receipt in the presence of the person turning in the money should conduct an actual cash count. If this cannot be done immediately the monies should be counted as soon as possible. If there is a discrepancy between the actual cash count and the total on the pre-numbered receipt forms, the bookkeeper shall recount the money. If the cash count still does not match the total on the receipt forms, the bookkeeper will inform the teacher or sponsor. Since a receipt can only be prepared for the actual monies received, it is the responsibility of the teacher or sponsor to locate the error. Cash receipts must be issued in numerical sequence and must show the date, amount received (in longhand and numeric), intended purpose of the funds (dues, candy sales, etc.), the activity account number, the person submitting the money and the signature of the party completing the receipt. Receipts can only be issued in one name for one account. Receipts should be written using permanent ink.

At the time of issuing the receipt, the activity account number should be written on the upper left corner of all checks included in that receipt. Postdated checks should not be accepted by the school.

If a mistake is made in completing a receipt, the original must be attached to all carbons and clearly marked "void". Voided cash receipts should be kept intact in numeral sequence in the receipt book.

4.5 Deposit of Funds

Bank deposits should be made daily as necessary to prevent large sums from accumulating, and to prevent money remaining on campus overnight. Procedures for making bank deposits follow:

- a. All checks should be endorsed "For Deposit Only" with a deposit stamp bearing the account number.
- b. For each deposit, a bank deposit slip should be completed, which includes the following: date of deposit, list of checks by maker and amount, a recap of the deposit by total of checks, coin and currency, the activity fund account number, and a brief explanation of the deposit.
- c. Do not substitute personal checks for cash collections. Submit source of revenue and all money to the financial clerk in same form as collected.

Bank deposit slips shall be prepared in duplicate for each deposit. The original deposit slip will be retained by the bank, two copies validated by the bank at the time of deposit and returned to the school. The other copy retained by the Principal's office or Sponsor with copies of receipts or other supporting reconciling documentation for audit purposes.

School deposits will be placed in a locked deposit bag if left in an overnight deposit box at the bank. The bags are obtained from the bank and numbered. The Bookkeeper should place the deposit in a bag, lock it and remove the key.

The Principal or Principal's secretary should take deposits to the bank, never the sponsor or teacher who originally collects the funds.

If the bank issues a memo showing your deposit was over or short of what is listed on the deposit slip, every effort should be made to determine which receipt was over or short. If the overage or shortage is not identifiable, the account with the largest receipt included in that deposit should be adjusted.

4.6 Expenditures from School Checking Account

All expenditures from activity funds will be made by check. In other words, **NO expenditures should be made using undeposited cash.** Before a check can be written, a purchase order must be completed.

All payment requests must be authorized by the person requesting payment, such as a sponsor or teacher, and approved by the Principal. The Principal, in his/her position as a guardian of the activity funds, should inquire of the

bookkeeper the balance of any account a request is prepared for before approving the request. In the case where the Principal is the payee, authorization for the payment should be by the third person authorized to sign requests. Students are not permitted to authorize expenditures. In the case of student activity funds, the sponsor is to sign the request. All requests must have proper documentation that the student group has requested or approved the expenditure. Proper documentation includes:

- a. The vendor's original invoice. Periodic statements ordinarily do not constitute acceptable support.
- b. Other documentation (letters, application forms, renewal notices, etc.) when the vendor does not issue invoices.
- c. A statement by an individual requesting payment. This statement, which may be a form designed by the school, must provide a description of services rendered or materials delivered, the amount of money requested, and the signature of the person requesting payment. If the item provided is personal services, such as a speaker or author, the social security number of the person being paid should also be included on the statement.

Once the Principal has approved the request, the bookkeeper will forward it to the campus secretary for payment as soon as possible. If a purchase is to be made and the dollar amount is unknown, the School should either estimate the cost and issue a check or have an employee make the purchase and reimburse him once the dollar amount is determined. If estimating and the check issued is for more than the purchase price, the resulting change is to be redeposited into the activity fund account, with a notation on the deposit slip.

4.7 Voided Checks

If it becomes necessary to void a check, the sponsor should inform the campus secretary and an entry should be recorded in the activity account ledger indicating a voided check and the reason for the void.

4.8 Supplemental Pay

Any time an amount is to be paid to an individual, who is already an employee of Tatum ISD, for services rendered, payment **MUST** be routed through the Payroll Department. A time sheet must be completed with a full explanation of the service performed and the activity fund from which payment is to be made in the "remarks" column. This time sheet must be approved and sent to the payroll department in the Tatum ISD Business Office.

All payments to individuals who are not District employees must be made by the Business Office due to IRS 1099 considerations. Examples of individuals who perform services to the District and should be paid by accounting are authors or

other speakers at assemblies, security officers, game officials, contest judges, consultants, etc.

Request for payment should not be made until the service is completed. This reduces the need to void checks if the person does not complete the task or works hours different from those scheduled. Checks may, from time to time, be completed, but not disbursed, prior to the service. Examples of this would be for such expense as disc jockeys, program presenters, etc.

4.9 Trips

Monies raised by clubs/student groups to finance trips related to student activities for faculty sponsors and students may be expended with the approval of the Principal. Trips may also be financed from the General Fund account but must have the approval of both the Principal and the Superintendent.

4.10 Returned Checks

Occasionally a check, which was previously deposited, is returned by the bank unpaid. When a check is returned, the bank automatically charges the school's checking account and mails the debit memo along with a copy of the returned check back to the district. Necessary adjustments need to be made to the activity account.

4.11 Fixed Assets/Inventory

Fixed assets are items that are tangible in nature, have a life expectancy greater than two years, have a \$5,000.00 or more dollar value at the time of purchase, may be reasonably identified through a physical inventory system, and will be depreciated as required by GASB 34. These include machinery, furniture, and other equipment; intended to be held or used over a long period of time. Any purchases involving capital outlay must be processed and approved by the Purchasing Department using standard purchasing procedures.

Purchases from Activity Funds will follow the same competitive bidding requirements as other funds of the District as outlined in the Tatum ISD Purchasing Procedures Handbook. These must comply with the provisions of the Texas Education Code, Section 21.901, and will be referred to the District Purchasing Department for development of bid specifications, advertising and processing. When capital equipment is bought with Activity Fund monies, the Business Office must be notified in order for these items to be included in the District's capital outlay.

Donations of fixed asset items are discouraged - monies should be donated first via the General Operating Fund through a budget amendment, then the purchase

processed and approved by the Purchasing Department using standard purchasing procedures. If a fixed asset donation is acceptable and does occur, the Business Office must be notified so that the District's fixed asset master files may be updated. If questions concerning donations arise, Principals should consult with the Business Manager prior to taking any action with regard to the donated items or monies. In order to process a donation, a check for the amount to be donated should be made out to Tatum ISD; a letter from the person or group donating the money stating the purpose of the donation must be attached; a purchase order and a budget amendment must be completed and forwarded to the Business Manager. Upon receipt of the aforementioned, the budget amendment will be passed to the School Trustees for approval. Once approved, the Purchasing Department will process the purchase order.

4.12 Fund-raising

4.121 Fund-raising in General

In order to provide administrative control over the extensive fund-raising activities promoted by the various school organizations, certain procedures are required before schools can start fund-raising projects. Fund-raising projects are subject to state law and must be approved by the Superintendent.

Community-wide sales campaigns should be coordinated through the school administration to minimize simultaneous sales campaigns. No solicitation of funds from businesses or residents will be permitted without prior approval of the Superintendent. This means that before goods are ordered, agreements are made, or contracts signed for a fund-raising project, the Superintendent must approve the project.

Sales campaigns should be planned carefully to ensure that the projects provide dollar value for items sold, and that most of the money raised stays at home; otherwise, donations are often more rewarding than letting the major part of the money go to outside promoters.

Fund raising activities should support the educational goals of the school, and should not exploit students. Activities and projects should be investigated carefully before committing the school's support.

Funds should be used for school activities, not for non-school activities. To do so would violate the public trust through which funds are earned.

The club sponsor or activity chairman is responsible for keeping accurate records of all fund raising activities. Such records should include at a minimum: distribution lists, daily collection reports, tabulation of sales tax collections, original cash receipts received for money turned in to the financial clerk. In addition, each activity fund sponsor or chairman must submit a monthly financial

report stating agreement with the District financial records.

Upon completion of fund raising activities a report indicating gross collections, expenses incurred relative to the activity merchandise, and disposition of the net proceeds (profits) should be prepared and retained for audit purposes.

4.122 Fund Raising Activities of Booster Clubs, PTO Groups, etc.

The following guidelines for Tatum ISD Booster Clubs, PTO Groups and Organizations will be followed in addition to the recommended UIL guidelines:

Booster clubs, PTOs, and other fund raising organizations shall not be allowed to use the District's tax identification number. Non-profit status may be obtained from the IRS.

Prior approval of the Superintendent is required for the formation of any new fund-raising support group or organization.

No telephone solicitations will be permitted by any outside organization or by any contracted company for the purpose of selling advertisements for calendars, seat cushions, plastic footballs or basketballs or any other products without prior approval of the Superintendent.

No organization is permitted to have more than one fund-raising group. Example: Band may not have a Band Booster Club and a Majorette Booster Club and Athletics may not have an Athletic Booster Club and a Girls' Athletic Booster Club. All Booster Clubs will adhere to the UIL Booster Club Guidelines.

The Superintendent will approve major trips. When a major trip is planned, the organization must submit an estimated 'cost per student' document that lists all out-of-pocket expenses. This cost must be approved by the Superintendent prior to assessment or collection.

The Superintendent will determine the merit of all proposed trips on the basis of the following criteria:

- * Adherence to fund-raising rules
- * Destination and loss of school time
- * Cost of trip per student
- * Performance/competition involved

State competition will not be categorized as a "trip". However, only those students who qualify as participants in the state competition may attend.

All Booster Clubs, PTO Groups, and organizations must keep updated

constitutions, by-laws, and guidelines on file in the Superintendent's office. Any organization that does not have governance documents will be considered non-existent until such documentation is accepted and filed in the Superintendent's office.

Booster Club funds can be used only when the organization is representing Tatum ISD. All revenues generated by Booster Clubs, PTO Groups, and organizations must be used specifically for the benefit of students involved in that organization or for Tatum ISD schools. Specifically, funds raised by an organization or Booster Club must benefit all of the students involved, as a group.

Student participation in approved fund-raising activities is limited to members of the specific organization involved (i.e. nonmembers nor future members may not participate in an organization's fund-raising activity).

4:13 Sales Tax

Generally, all items purchased by a school for its own use in providing education are exempt from the Texas sales tax. For its "own use" means the school making the purchase intends to make exclusive use of the item and will not offer it for resale.

A purchase order issued by a school is sufficient proof the school is exempt from payment of sales tax. If a vendor does not accept purchase orders, an exemption certificate should be used. No identification number is required on exemption certificates.

A school or school organization purchasing taxable items for resale must issue a resale certificate to the seller in lieu of paying sales tax. When the items are resold, the school or school organization must collect and remit the sales tax to the state. A resale certificate must include the Tatum Independent School District's taxpayer number, 1-75-6002565. The Tatum ISD state identification number may not be utilized by parents, patrons, or alumni organizations to secure exemption from sales taxes.

Taxable items include:

1. School-purchased supplies sold directly to students, including athletic equipment and physical education uniforms.
2. Fees for materials when the end product becomes a possession of the student.
3. Student publications such as yearbooks and football programs. See Tax-free Item #8 below, however.
4. Uniforms, T-shirts, and any type of school spirit materials such as pennants, ribbons, pom-poms, etc.

5. School pictures.
6. Any material used in the classroom if the end product becomes a possession of the student, such as dress material or art supplies.
7. All sales of items such as handicrafts, candles, and books.
8. Stationery, note pads, etc., produced in classroom or vocational class.
9. Supplies for musical instruments or music.
10. A school newspaper is exempt if it meets the following requirements: is printed on newsprint, is printed more than once a month, and costs less than 75 cents per copy.

Tax-free items include:

1. Fees and admission tickets, including football and play tickets.
2. Club memberships.
3. Deposits or down payments on tax-free items.
4. Vending machine sales of food and soft drinks.
5. Food and drinks sold at PTO carnivals.
6. School sponsored trips - meals purchased by the school for athletic teams, bands, etc., on authorized school trips are exempt from the sales tax if the school contracts for meals. The school must pay for the meals and provide the eating establishment with an exemption certificate. Individual members of the athletic team, band, etc., may not claim exemption from the sales tax on the meals they purchase while on a school-authorized trip. (An exemption may also be claimed by the school from the State Hotel Occupancy Tax if the school contracts and pays for the accommodations.)
7. Food - sales tax is not collected on meals and food products, including candy and soft drinks, served in an elementary or secondary school during regular school day or by a school, student organization, or PTO pursuant to agreement with school authorities. This exemption from the sales tax applies to guests, employees, or teachers served in a school cafeteria or a teacher's lounge during the regular school day. Sale of food, including candy and soft drinks, is exempt from the sales tax when sold by an organization associated with a public or non-profit private school (Band Booster, Future Homemakers, etc.) if:
 - a) The sale is part of a fund-raising drive sponsored by the organization, and
 - b) All net proceeds from the sale go to the organization for its exclusive use.
8. **The State allows each organization to have two one-day fund-raisers that are exempt from sales tax.** A sale, such as yearbooks, can qualify as a one-day sale as long as all the items sold are delivered to the purchasers on one day. (If any yearbooks should be left over they may still be sold later on, but sales tax would have to be paid). Care should

be taken to properly identify on the records the deposit(s) that are being claimed as the organization's one-day exemption sales. When using a one-day sale a new exemption certificate must be issued each year. During a tax-free sale lasting only one day, the organization is not required to collect sales tax on the sales price of taxable items sold for \$5,000 or less.

9. Magazine subscriptions - if subscription is for 6+ months and utilizes 2nd class mail.

The school shall collect sales tax on all taxable sales. If bookkeepers do not know what tax rate applies to their school, they should contact the Business Office.

All sales tax collected by the school shall be deposited into the same account as the proceeds of the sale. The amount due is computed by completing a Quarterly Sales and Use Tax Return form by the Business Office.

The quarterly sales tax report is due by the 15th of the following month. Transfers from each account owing sales tax should be made from the activity fund in which the proceeds were deposited to the State Comptroller. This transfer of sales tax monies is made from the Tatum ISD Business Office.

4:14 Transfers

Transfers may not be made out of a Donation account except to clear very small residual balances, or with the approval of the Business Manager. Club account transfers should be documented and approved by the sponsor/teacher of the account that is transferring money out.

4:15 Activity Fund Files at Campus Level

Cash receipts and disbursements journals should be kept in their own files and in date order. The ledgers should be filed together. All of the records should be kept current and are subject to audit at any time.

There should be a separate file for each individual account. These files will include all receipts, purchase orders with supporting documentation, memos, letters and information concerning unusual transactions. Examples of file set-up might be a notebook system, folder system, or file system. These files must be kept in an orderly fashion and up to date. There should be separate files for monthly reports, deposit records, payment authorizations, etc.

All prior year bookkeeping files should be boxed up by year and stored safely at the school. The files of the immediate preceding year should be convenient to both the bookkeeper and the Business Manager. All bookkeeping files should be

retained for five years.

4:16 Monthly Reports

In general, all monthly reports will be completed by the Campus Secretary after the end of the month. The Business Manager will review bank reconciliations and the Superintendent will sign. This report will list the balances of all activity accounts, which must then be approved and signed by the sponsors and campus Principal. If the transactions and balance does not correspond with the sponsor's files, contact the Business Office about the discrepancy. At least one copy of all reports should be kept in your activity fund files for your reference.

4:17 Internal Audit Reports

Internal audit reports will be provided by the Business Manager upon completion of the audit. The Business Manager will provide a copy of the audit report to the Superintendent and the appropriate Principal. The Superintendent and Business Manager will review the report with the appropriate Principal.

The Principal will prepare a written explanation of the audit exceptions noted and his/her corrective action plan for resolving the exception. The plan will be submitted to the Business Manager with copies forwarded to the Superintendent.

The Business Manager will confirm, with the Principal and the Superintendent, acceptance of the corrective action plan or recommend modification to insure compliance with activity fund accounting procedures.

The Business Manager will continue to monitor to determine compliance with procedures approved.