

# Mastering School Activity Funds: Managing, Budgeting, and Growing Your School's Resources

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# Class Objective

This course will address what a school finance official needs to know to effectively manage Activity Funds.

We will be covering the following topics:

- Policies and Procedures
- Cash Handling and Revenue Collection Procedures
- Allowable Expenditures - Best Practices
- Fundraising & Booster Club/PTO Guidelines
- Internal Controls

# Purpose of Activity Funds

The Activity Fund is a fiduciary fund type. Activity Funds are considered a part of the total fiscal operation of the District, and therefore are subject to the policies and regulations established by the Board of the district in the same manner as regular district funds. Activity Funds are accumulated from various school-approved fund-raising activities, student dues or fees, vending receipts, commissions, and donations. Funds derived from school authorized clubs and organizations shall be expended to benefit the specific club or organization and, insofar as possible, to benefit those students currently in school who have contributed to the accumulation of these funds.

Activity Funds should be used to promote the general welfare of the school and the educational development and morale of all students. As in all District funds, every effort should be made to use the funds in a manner that would further enhance student achievement.

All monies collected within the District's schools shall be handled in a proper fiscal manner and prudently safeguarded.

# Activity Audit Findings

Four unauthorized withdrawals totaling \$9,828 were made from the District's Activity Fund in December 2021. Personnel in the District's administration office discovered the unauthorized withdrawals upon reconciliation of the affected bank account, and all funds were recovered from the bank.

# Risks Related to Activity Funds

## **Decentralized operations**

- Often various groups/schools collect funds, which are handled outside the main business office
- Disbursements outside main business office

## **Large numbers of transactions**

- Fundraisers
- Athletic admissions & concessions
- Inventory
- Field trips
- Disbursements

# Risks Related to Activity Funds

## **Numerous parties handling money**

- Teachers
- Volunteers
- Parents

## **Lack of understanding related to internal controls**

- Normally, individuals involved do not have a “financial” background and/or understanding of internal control procedures.

# Internal Controls

## What is Internal Control?

A process, affected by the Board of Education, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in one of the following categories:

- Efficiency and effectiveness of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

# Basics of Internal Controls

- Internal controls should benefit rather than encumber management;
- Internal controls must make sense within each School's unique operating environment;
- Internal controls are not stand-alone practices. They are woven into day-to-day responsibilities of the people involved; and
- Internal structures and controls should be cost-effective.



# Which are Components to Achieve Effective Internal Controls?

- A. Control environment
- B. Risk assessment
- C. Control activities
- D. Information and communication
- E. Monitoring
- F. All of the above

# Control Areas for Activity Funds

- **High Risk Areas**

- Collection of Funds
- Receipts/Deposits
- Fundraisers
- Disbursements
- Account Activity

# Non-Employees Handling Activity Cash

**Responsibility of Administrator on Duty:** The administrator on duty is tasked with coordinating with the employee director or sponsor to manage the money boxes. This includes receiving the money boxes and counting the money before and after use, ensuring accountability and security.

**Requirement for Visibility:** When parents or volunteers are involved in collecting money for fundraising, they must do so in an area that is monitored by cameras. This measure is likely in place to ensure transparency and deter any potential issues with mishandling funds.

**Limit on Start-up Cash:** The administrator is instructed not to provide a parent or volunteer with a money box containing more than the school approved limit in start-up cash. This is a precautionary measure to minimize the risk of loss in case of theft or mishandling. Additionally, the starting cash amount should be agreed upon and documented, possibly through a form provided by the Chief Financial Officer (CFO).

# Non-Employees Handling Activity Cash

**Explanation of Receipting:** It's important for the administrator or trained employee director/sponsor to explain to the parent or volunteer how to properly issue receipts for any money collected. This ensures transparency and accountability in documenting the funds received.

**Monitoring During the Event:** Throughout the fundraising event, the administrator or designated personnel should actively monitor the activities of the parent or volunteer handling money. This ensures compliance with the established procedures and helps address any issues promptly.

# Activity Audit Findings

A review of Activity Fund revenue revealed a total of \$2,954 in student fees was collected but not deposited. Of these undeposited funds, \$1,638 was used for cash purchases of meals and beverages. Due to revenue not being properly receipted, we were unable to determine if all revenue collected was accounted for.

The District discovered activity funds and daycare tuition totaling \$1,180 and \$780, respectively, were stolen from various classrooms beginning in January 2022. On May 2, 2022, the District's Student Resource Officer interviewed evening custodian, Sherry Page, who admitted to taking \$140 in cash from the classrooms. Subsequently, Page was charged with theft of property and criminal mischief, and a trial is scheduled for February 2023.

# Revenue Procedures

- Establishment of Accounts:
  - Create separate accounts for each activity/club
  - Ensure each account is properly labeled and designated for its intended purpose.
- Authorization/Designation of Responsible Personnel:
  - Designate a responsible faculty member or administrator to oversee each activity fund account.
  - Assign specific individuals, such as faculty members or administrators, to be responsible for handling cash transactions within each activity fund account.
- Training and Authorization:
  - Ensure that designated personnel receive training on proper cash handling procedures, including counting, recording, and depositing cash.
  - Require authorization from a supervisor or designated authority for individuals to handle cash.
- Secure Storage:
  - Provide secure storage for cash, such as locked safes or cash boxes, accessible only to authorized personnel.
  - Implement protocols for the secure transfer of cash between storage and transaction points.

# Revenue Procedures

- **Receipting Procedures:**
  - Issue numbered receipts for all cash transactions, including fundraisers, ticket sales, and donations.
  - Maintain duplicate copies of receipts for record-keeping purposes.
- **Counting and Verification:**
  - Count cash receipts promptly and accurately upon receipt, preferably in the presence of at least two authorized individuals.
  - Verify counts against accompanying documentation, such as receipts or sales logs.
- **Documentation and Record Keeping:**
  - Record all cash transactions promptly and accurately in Efinance.
  - Keep detailed records of cash receipts, including date, amount, purpose, and source.

# Revenue Procedures

- Deposit Procedures:
  - Deposit cash receipts into the designated activity fund account promptly, following established deposit schedules and procedures.
  - Utilize tamper-evident deposit bags or other secure methods when transporting cash to the bank.
- Reconciliation and Balancing:
  - Reconcile cash receipts against recorded transactions regularly to ensure accuracy and detect discrepancies.
  - Balancing should be performed by someone other than the individual responsible for handling cash.
- Segregation of Duties:
  - Implement segregation of duties to prevent any single individual from having control over all aspects of cash handling, including receiving, recording, and depositing cash.



# Activity Audit Findings

The District used general activity funds to purchase \$1,216 in gift cards, candy, and key chains for staff appreciation gifts. Use of beverage contract funds for these purposes appears allowable under the contract but conflicts with Ark. Const. art. 14, §§ 2-3, as interpreted in Op. Att'y Gen. no. 91-411, which supersedes the contract.

# Allowable Expenditures

- Enhancements to education
- Incidentals used in seasonal programs
- School assemblies, special programs, class events, student dances
- Sponsors / chaperones' expenses for an approved school event
- Contest/Tournament entry fees
- Awards for student achievement
- School supplies
- Funds to waive fees for at-risk children
- Beautification of the school, classrooms, and playgrounds

# Disbursement Controls

- **Proper Approval**
  - Prior to purchase
  - Authorized approver(s)
- **Purchasing Guidelines**
  - Approved vendor list
  - Quote/bid procedures followed
- **Decentralized Disbursements**
  - Control over check stock
  - Dual signatures

# Activity Audit Findings

The District discovered, and we verified, unaccounted-for fundraising proceeds and state dues totaling \$1,833 in the FCCLA Activity Account for the period July 1, 2019 through June 30, 2022. The sponsor, who was custodian of the funds, signed a garnishment agreement allowing the District to deduct \$100 per month from her paycheck until all funds have been recouped. As of the report date, the District has recovered \$700 of the funds.

Analysis of an EAST Lab fundraiser revealed that approximately \$5,160 in revenue should have been deposited. However, only \$4,075 was deposited in the District's Activity Fund bank account, leaving unaccounted for fundraising proceeds of approximately \$1,085. The EAST Lab sponsor was custodian of these unaccounted for funds.

# PTO/Booster Clubs

PTOs and Booster Clubs can play a crucial role in providing financial support for AR initiatives in schools, ultimately enhancing the educational experience for students and teachers alike.

One school-wide Booster Club is recommended. Raising money for our students and their activities and providing permanent assets not provided by the Little Rock School District is the goal of a Booster Club. It is formed to support all school competitors, whether academic, fine arts, or athletic. Working committees of the different groups are established within the Booster Club. It is more efficient, and therefore recommended, to work together as one Booster Club per school. Only if a school finds that the diverse groups are unable to collaborate may separate Booster Clubs be formed.

# PTO/Booster Clubs

Booster Clubs may operate in one of two modes. In the first mode, they are a part of the PTO, controlled and operated by the PTO. The rules of the PTO govern their operations. This PTO group must contract with the district for any concession operations performed on district facilities with a written agreement. In the second mode, the Booster Club exists as a separate group. This group should have a separate tax identification number.

- **Executive Board**
  - Chairperson
  - Vice Chairperson
  - Secretary
  - Treasurer
  - Various Committees
    - Chairpersons

# Fundraising Regulations/Policies

- Mandatory profit percentages?
  - Many fundraisers have a set percentage profit on sales.
- Allowable items to sell when fundraising?
  - Are you following your wellness policies?
  - Are you following smart snack requirements as defined by USDA?
- Depositing Requirements?
  - How often is the money being collected?
- Method of sales?
  - Solicitation Guidelines
  - Flyers
  - Social Media

# Fundraising

- Approval Process
  - Who is approving fundraisers?
- Fundraiser Calendar
  - Do you know when money is being collected?
- How is revenue being collected?
  - Cash
  - Online payment
- Reconciliation Process
  - After the activity has completed, receipts and expenditures should be reviewed to determine profit/loss?



# Fundraising Red Flags

- Fundraiser occurring, but no deposit of funds
- Only turning in checks for deposit
- Spending money collected
- Not issuing cash receipts
- Lack of funds to pay invoice
- Consistently losing receipts for reimbursement
- Not completing fundraiser permission request and or operating report
- Shortages
- Using wrong vendor (especially after being told)
- Set up PayPal or similar method to collect funds
- Complaints from parents, students, and/or other sponsors

# Electronic Payments/Receipt Systems

- District Financial Software
- Activity Funds Software
- Online Payments & Fees
- Crowdfunding Solutions
- Purchasing Cards

# Controls Related to Electronic Payments & Receipts

- Integration of Systems
- Reconciliation Between Separate Systems
- Reconciliation With Bank and Electronic Payments
- System Generated Receipt Numbers & Check Numbers
- Automatic Posting of Receipts
- Deposit Created and Posted
- System to Set-up and Monitor Payments
- System Security Limits Access
- Audit Trails
- Type of Reports

# Activity Audit Findings

District administration reported, and we verified, missing funds related to the Junior High cheer activity account. Our review of receipts and canceled checks retained by parents and Cash App transactions revealed that activity funds totaling \$3,087 were not deposited into the District bank account; however, because the subsidiary receipt book utilized by the Cheer Sponsor could not be located, we were unable to determine if additional amounts were not deposited.

# Crowdfunding

## Is it Allowed?

- Develop policies & procedures
- Authorization form
- Site approval
- Ownership & fund disbursement
- Ability to monitor/audit collections & disbursements

# Purchasing Card

- Implement a documented credit/purchasing card policy
  - Develop a guide or handbook
- Require employees to sign purchasing card agreement
- Maintain inventory of all district cards
- Identify if any use by terminated employees
- Identification of dormant accounts
- Monitor for abuse or circumvention of other purchasing policies; credit/purchasing

# Which of the Increase Opportunities to Commit Fraud?

- A. Controls and standard procedures break down
- B. Segregation of duties is not practical and/or breaks down
- C. Transactions which are exceptions to the rule(s)
- D. Supervisory review is absent
- E. All of the above

# Implementing Internal Controls

## **Provide Training**

- Some individuals involved in process may lack an understanding of proper internal control processes

## **Document Procedures**

- Ensuring procedures are documented enable processes to be handled consistently, and controls are not circumvented.

## **Segregate Duties**

- Ensure that no one person has custody of assets and is also responsible for recordkeeping, or reconciliation of documentation
  - Example: No one person should be able to prepare and sign checks, record disbursements, and reconcile bank accounts

## **Monitor & Review**

- Perform periodic inspections/audits (inspect what you expect)



# Segregated Duties

- Functions that need to be segregated include
  - Those who initiate, authorize or approve transactions
  - Those who execute transactions
  - Those who record transactions
  - Those who reconcile transactions
  - Those responsible for the item resulting from the transaction

# Activity Handbook Example

## FORWARD

This handbook has been prepared to provide guidance for the handling of all Activity Funds.

The policies outlined in the handbook comply with statutory requirements and policies as established by the Board of Education of the BEST School District. Through these policies, it is hoped that all Activity Funds of the District will be managed and accounted for in a responsible, effective manner.

I have read the BEST School District Activity Fund Handbook and understand the procedures outlined.

As an activity sponsor, I understand that it is my obligation to see that these procedures are followed.

School/Location \_\_\_\_\_

Print Name \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

# Thank You for your Time, Attention, and Participation!!!

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