

Procedures for Fundraising and Other Revenue Programs at the Local School

Accounting Issues Related to Fundraisers, Cash Receipts, Go Fund Me, and Similar Programs

AASBO LSFM CERTIFICATION PROGRAM
SONJA PEASAPANEN
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FUND RAISERS



ALSDE Local School Financial Procedures Manual

SECTION 4

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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:

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| <ol style="list-style-type: none"> 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 | <ol style="list-style-type: none"> 7. Description of fundraising activity, such as: <ol style="list-style-type: none"> 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. |
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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.

Within a reasonable time after completion of the fundraising activity, a form should be submitted to the Principal that documents the result of activity.

Fundraising

Each school fundraising activity should be approved by the Principal.

A form requesting authorization for a fundraising activity must be approved by the Principal before the start of the fundraising activity.

Fundraising

All funds collected must be delivered to the Principal for a Master Receipt.

DO NOT USE FUNDS TO CASH CHECKS!

Fundraising collections must be deposited on a timely basis. Collections should not be held until all funds are collected.

Sales awards to students should be pre-determined and approved by the Principal.

Do not make payments from funds collected.

A school employee cannot receive a gift or gratuity from the fundraising vendor.

Fundraising

After completion of the fundraising activity, a form that documents the result of the fundraising activity should be submitted to the Principal and reconciled to the Master Receipts.

Communicate with parents and support organizations that Elementary students cannot sell items door-to-door.

Non-employees collecting money are not covered by the school's fidelity bond

Booster organizations that are "on the books" must follow the schools revenue collection procedures

Fundraising – Finding

The Board's Local School Financial Manual requires a "Fundraiser Request Form" to be completed by the sponsor and approved by the Principal before any fundraising activity is started. The following matters were noted at xxx High School relating to local school receipting: Fundraiser request forms were not completed for several fundraisers.

◦ The Board should ensure that procedures related to local school receipting are followed. A financial advisor (Assistant Director of Finance) will be assigned to xxx High School to provide additional training regarding the proper handling of cash receipts.

Adequate records were not always maintained for fundraisers to determine if money was remitted timely for deposit.

◦ Hired Central Office Local School employee; New procedures, forms, and monthly meetings

Fundraising – Finding

The Board requires a form requesting authorization for a fundraising activity be approved by the principal prior to the start of the fundraising activity. The Board also requires all fundraisers be approved by the Superintendent. Additionally, these procedures require a form to be submitted to the principal to document the results of the fundraiser within a reasonable time after the completion of the fundraising activity. During the review of fundraising activities for local schools, it was noted that proper procedures were not followed for fund raising activities.

- Principal will be responsible for following the Board's policy in regards to fundraising activities.

Fundraising – Finding

Money collected for school sponsored activities should be accounted for through the school accounting system. A teacher / cheerleader sponsor, collected money from students for the cheerleading activity. The teacher deposited some of the funds into her personal account and paid cheerleading related expenses with personal checks.

- The teacher was informed that these actions violated Board policies and procedures and that any future noncompliance issues could result in disciplinary action. Also, the CSFO reviewed the Board's policies and procedures with the principals and bookkeepers and asked that they inform their staff.

Crowdfunding

Crowdfunding is the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet. Crowdfunding is a form of crowdsourcing and of alternative financing.

Although similar concepts can also be executed through mail-order subscriptions, benefit events, and other methods, the term crowdfunding refers to Internet-mediated registries. This modern crowdfunding model is generally based on three types of actors: the project initiator who proposes the idea and/or project to be funded, individuals or groups who support the idea, and a moderating organization (the "platform") that brings the parties together to launch the idea.

Crowdfunding - Examples

Go Fund Me

- Fundraising by individuals, groups, organizations, etc.
- Monetary donations

Snap-Raise

- Specifically for schools and teachers
- Monetary donations

Donors Choose

- Specifically for schools and teachers
- Donations made to the site; Items purchased for teacher/school

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Crowdfunding - Advantages

Utilizes technology

- Create a Fundraising Campaign
- Share with Family & Friends
 - Facebook
 - Twitter
 - Email

Easily Accept Donations

- Receive funds raised by requesting a check or bank transfer
- Enjoy the Results
 - Make changes, post updates, and send thank you notes from your dashboard

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Crowdfunding - Advantages

Companies partner with some sites, which helps with employer matching contributions.

Reaches family and friends around the country and gives them the opportunity to donate without having to buy something and have it delivered.

Student safety

Funds collected by third party. One payment is made to the school.

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Crowdfunding - Disadvantages

Cost

- Free to create and share the fundraiser
- Administration fee deducted from each donation received (Ranges from 5% - 25%)
- Processing fee also deducted (3%)
- If goods, instead of funds are sent
 - Was it the best price?
 - Will there be shipping costs billed to the school?

Take away – Could you do this fundraiser for less and with the same success & How much of the profit from product sale fundraisers do you receive?

Crowdfunding - Disadvantages

Fraud

- Make sure it is a legitimate site
 - Do your research – new sites pop up every day
 - Don't be fooled by a fancy website – Make sure the company is not outside the country
 - Can they also withdraw from your account if you allow direct deposit
- Do they sell donor lists?
 - Could create potential for scams

Potential Ethics Violation if procedures are not followed

- Funds received by employee, not school
- Purchases made with funds outside of the school's books

Crowdfunding - Discussions

Question – Lately I have had an issue with employees going on crowd funding websites and starting fundraising without approval. Currently we do not have a Board policy regarding crowd funding. I don't know where the State Department of Education stands and wanted your guidance.

Answer – The state minimum requirements for fundraisers are in the Local School Procedures Manual. The employees should be required to complete your school system's fundraiser approval form before starting the crowd funding. If an employee uses their position to raise funds through crowd funding and the payments go to the employee then the employee is likely in violation of ethics laws. In general the process would be that the principal approve the fund raiser in advance; the funds go directly to the school (preferably by check); the funds be receipted, deposited, and recorded in the proper account (usually a public account); a document showing income, expenditures and profit be prepared; and the funds expended appropriately. Some school systems designate the specific crowd funding sites that are allowed because new ones keep popping up and some take a bigger fee than others.

Crowdfunding - Discussions

The SDE hasn't taken a position on whether or not school systems should participate in crowdfunding sites such as Go Fund Me.

Review your school system's Board Policy and Procedures to determine if crowdfunding fundraisers are allowed

Crowdfunding - Discussions

If your system chooses to allow the use of sites like Go Fund Me, you will need to make sure that employees realize this is still fund raising and must follow the fund raising policies and procedures of the school system. The following are a few items that have been shared with the CSFOs:

- LEAs can allow an employee to set up a "GoFundMe" account under the system's fundraising procedures. The funds would have to go to the school and would be public funds. The funds should not be direct deposited in the school's bank account, but would need to be received by check made payable to the school.
- If you discover an account that has not followed the fund raising procedures, you may have to report the employee to the Ethics Commission if the employee does not bring in documentation that all funds received were used for the students. Even if you receive the requested documentation, the situation will need to be evaluated to determine if it should be reported to the Board under the Fiscal Accountability Act.
- If an employee sets up an individual account, there may be individual tax implications related to the funds raised.

Crowdfunding - Discussions

Other areas to consider

- LEAs also have the option of not allowing this type of fund raising either through specific policy or through principal training as they would be the individual approving / denying the fund raiser request.
- There are fees associated with using "Go Fund Me". Are these fees reasonable? Are there other methods of fund raising that have no fee or a lesser fee, resulting in more of the donation going to the school?
- FERPA
- Title IX

Crowdfunding - Discussions

From ASBO International List Serve – response to an inquiry about GoFundMe.

- We allow student clubs and teams to use online sites if approved and set up by the club sponsor or team coach. We don't allow direct deposits into our District accounts. Checks are required to be made out to the school and must be deposited into our Activity Fund Accounts. The Activity Fund Accounts have two party signatures required for use/disbursements - usually the Sponsor/Coach and a building administrator.

Crowdfunding - Discussions

From ASBO International List Serve – response to an inquiry about GoFundMe.

- Crowdfunding is the process of requesting a specific gift or donation to fund a specific purchase or project, typically through websites or social media designated for this purpose. Crowdfunding does not include requests for donations the District makes using the District's own website or social media.

Crowdfunding - Discussions

From ASBO International List Serve – response to an inquiry about GoFundMe.

- Because crowdfunding is a unique form of fundraising, the following rules will apply whenever the District, a District employee, or other volunteer or agent of the District seeks gifts and donations through a crowdfunding website intended to benefit the District, District employees acting in their capacity as District employees, or the District's students.
- Before any donation is requested, the CFO must be informed of the request to ensure that the request does not conflict with other fund-raising efforts, to verify, if classroom supplies or other property are requested, that the District does not already have the requested supplies/property and to ensure that the District can adequately support, store or maintain the gift if received.
- All donations or gifts that are requested using the District's name, referencing the employee's position with the District even if the District is not named, or requested on behalf of District students specifically or in general are considered District property. The Chief Financial Officer must be informed if donations or gifts are received using crowdfunding so that the gift may be appropriately acknowledged by the District, and the donation may be deposited in the appropriate District account or a gift may be inventoried.

Ethics Violation

Section 36-25-5

Use of official position or office for personal gain.

(a) No public official or public employee shall use or cause to be used his or her official position or office to obtain personal gain for himself or herself, or family member of the public employee or family member of the public official, or any business with which the person is associated unless the use and gain are otherwise specifically authorized by law. Personal gain is achieved when the public official, public employee, or a family member thereof receives, obtains, exerts control over, or otherwise converts to personal use the object constituting such personal gain.



CONCESSIONS

Concessions – Findings

The Financial Procedures for Local Schools developed by the State of Alabama Department of Education provides guidelines for the proper accounting of concessions and school stores. Procedures recommended including collecting funds on a timely basis, issuing a master receipt at the time the funds are actually received and accompanying the funds collected with supporting documentation of items sold. The following matters were noted at related to school snack sales:

- There are only 3 master receipts noted during the audit period that indicated the funds being collected were for snack sales.
- There were purchases totaling \$4,305.31 coded to an activity with "school snacks" noted on the purchase order, however there were only \$477 in receipts coded to the same activity with "snacks" noted on the master receipt.
- The school does not maintain an inventory of snack items sold.
- CSFO, Comptroller, Director of schools met with principal and bookkeeper. Procedures for inventory, receipting, snacks, and account coding for local schools were discussed in detail to ensure principal and bookkeeper was aware of their respective responsibilities. Financial will provide additional oversight during FY2017 school year.

Concessions – Findings

Adequate records were not maintained for concession sales to determine profitability or timeliness of deposits.

- Hired Central Office Local School employee; New procedures, forms, and monthly meetings

Revenues and expenditures must be recorded in such a way that profitability can be monitored. At 2 schools, losses were reported for concession activities

- Bookkeepers will utilize a special use code to indicate revenue and expenditures for concessions and be asked to monitor their profit/loss during the school year

Procedures not in place to ensure all funds from snack sales are properly recorded in the accounting system

- New forms & procedures for handling inventory have been put in place and training has been provided



BOOSTERS

Boosters – Findings

The Financial Procedures for Local Schools as provided by the Alabama Department of Education contains guidelines for school-related organizations. These guidelines require athletic activities to be under the control of the school principal. Several athletic booster accounts are maintained outside of the school's financial records. As a result, these booster accounts are not under the control of the school principal to ensure proper accountability

- The Board of Education will encourage booster organizations with significant amounts of receipts related to athletic events to be maintained in the related local school's accounting records.

Boosters

Section 94 of the Constitution of Alabama 1901, as amended by Amendment 558, prohibits the Board from giving public money to a private person, corporation or association. The Financial Procedures for Local Schools, as provided by the Alabama Department of Education, defines gate receipts from athletic events as public funds and that the receipts are subject to the control of the school principal. Additionally, all of a school's money is required to be receipted and deposited in the school's bank account. At the High School, none of the gate receipts for baseball games were deposited into the school's bank account. This was discussed with the School Principal who stated that baseball game gate receipts were retained by the baseball booster organization, of which the financial activity is not reflected on the school's books.

- The Board of Education will require gate receipts to be deposited into the athletic funds at the local school.

Boosters

Several organizations were using the Board or Local School's EIN number and/or accounting records for the organization were maintained by school employees

- Central Office will monitor that outside organizations are not using the Board's EIN and that accounting records of outside organizations are not maintained by school employees.
- Require an updated list of each school's external organizations and proof of compliance with the SDE Financial Procedures will be required.

Supplements were paid by a booster organization.

- Booster organization were reminded of the proper procedures for paying employee supplements and principals were reminded of their responsibility to be aware of the booster club activities, since they represent the school



TICKET SALES

Ticket Sales

Financial Procedures for Local Schools adopted by the Board requires tickets be sold at all events where admission is charged and a report of ticket sales form be provided which shows the beginning and ending ticket numbers of the tickets issued and the tickets not sold. During the review of local schools, an instance was noted of tickets not being sold at an event. Therefore, determination could not be made as to the accuracy of the gate collections. Additionally, other reports of ticket sales reviewed only included the ticket numbers sold. As a result, unused tickets could not be accounted for.

- Control sheets for athletic gate receipts will indicate which tickets were sold and which tickets were returned in order for gate receipts to be properly verified.
- Tickets will be sold at all events where admission is charged.

Ticket Sales

Pre-numbered tickets should be sold at all events where admission is charged.

Tickets sold for different amounts for the same event should be different number series in order to account for funds at varying ticket prices.

The ticket collector should not be the ticket seller.

Ticket Sales

A report of ticket sales should be issued to each individual responsible for selling tickets.

The Principal or responsible school official should enter the following information on the report of ticket sales when the tickets are issued to the individual seller:

- Name and date of event.
- Name of seller.
- Beginning and ending number of each series of pre-numbered tickets issued to seller.

Ticket Sales

When ticket sales have ended, ticket seller should complete the following information on the report of ticket sales:

- Beginning and ending number of each series of tickets not sold.
- Reconciliation of tickets sold to cash.

The Principal or school official receiving the cash and unsold tickets will sign the report.

Ticket Sales

A Master Receipt should be issued to the responsible individual for the cash collected from ticket sales after counting the funds.

A separate Master Receipt should be issued to the responsible individual for the change cash after counting the funds.

Do not use cash collected or change cash to cash checks, including school checks issued for officiating, security, ticket sellers, or ticket collectors.

The Principal cannot issue any complimentary passes without the express authority of the local school board.

Ticket Sales

Finding – Internal control procedures relating to gate receipts at the local schools require gate receipts to be supported by complete and accurate control sheets and check-up sheets with beginning and ending ticket numbers and ticket seller signatures. The following problems were noted in testing ticket sales reports at the local schools:

- Calculations on ticket sales reports were not always accurate. Number of tickets sold per the report did not agree with amount reported as gate receipts.
- Ticket sales reports did not always contain adequate information needed to determine the number of tickets sold.
- In some instances signatures were not obtained from all individuals involved in the sale of tickets.
- Change funds used for the gate start-up money were not properly recorded in the accounting records.

Recommendation – The Board should ensure that proper internal control procedures are in place to make certain that the gate receipts are supported by complete and accurate ticket sales reports and that the use of change funds is properly recorded.

Corrective Action – Proper procedures and Board policies will be reviewed with the Principals and Secretaries at all schools on how to properly issue and complete control and check-up sheets relative to ticket sales and accounting procedures for change funds. The CSFO will periodically examine the progress of the schools and report to the Board any procedures which do not adhere to Board Policies.

Ticket Sales

Finding – The Board has established policies and procedures for all local schools requiring each school to complete a Ticket Sales Report Form ("the Form) for each athletic event, dance, talent show, etc. The Board's policy also requires the local schools to deposit funds from those events in a timely manner and retain an inventory of issued and unused tickets. At xxx High School, for 6 of the 10 athletic events tested, funds were not turned in to the bookkeeper for deposit in a timely manner. Also, the required form was not being properly completed because ticket numbers overlapped each other.

◦ **Response** – Local school accounting personnel from the central office provide regular training to school bookkeepers and principals on the proper procedures to follow, including a workshop for all principals that is usually conducted in the summer. There will be another one conducted this summer that will focus on the audit findings. The entire local school accounting office staff will continue to work with all schools and monitor for compliance of local and state auditing standards – including xxx and other secondary schools for proper handling of athletic events funds.

Ticket Sales

Finding – The Board's Local School Financial Manual requires a "Ticket Sales Report" to be completed for each event held on school property, including athletic events. The bookkeeper is responsible for filling in the beginning ticket number on the report before the event and the ending ticket number after the event, based on the unused tickets returned by each cashier. Unused tickets are required to be retained for subsequent review. The following matters were noted pertaining to athletic ticket sales at xxx High School:

- Unsold tickets from the 2011 football season were not retained for subsequent review.
- A sequence of tickets reflected as "sold" on a Ticket Sales Report were actually included with the unsold tickets from the 2012 football season.
- Not all of the unsold tickets from the 2012 football season could be accounted for.
- Proceeds from a softball game did not appear to have been receipted and a Ticket Sales Report for the game was unavailable for review.
- Some gate receipts did not appear to have been remitted to the office bookkeeper in a timely manner.

Response – A financial advisor (Assistant Director of Finance) will be assigned to xxx High School. The financial advisor will be required to review and approve all financial related items. The financial advisor will also provide additional training to the office coordinator at this school.

Questions??



Sonja Peaspanen
speaspanen@alsde.edu
334-353-9886
