



GAME ON!

TAKING ASB TO THE NEXT LEVEL!

December 2022

A GOOD OFFENSE IS A
GREAT DEFENSE

PRESENTER



Brandon Waldren, CPA, CFE, CFI
Senior Manager –
Fraud and Forensics

TOPICS OF DISCUSSION

Gathering the Team: Creating an ASB or Club

Registering: Record Retention

Practice: Cash Receipting

Regular Season: Fundraising

- Basics
- Revenue Potential Forms
- Ticket Sales
- Raffles/Bingos/Raffles
- Food Sale/Student Store
- Vending Machines

Equipping the Players: Expenditures

TOPICS OF DISCUSSION (CONT.)

Vendors – Getting To Know The Trainers

Game Time: Monthly Reconciliation

The Championship: Year-end Reconciliation

Overtime: Findings

Rulebook: Tough Questions Asked and Answers

Penalties: Fraud in ASB

Final Review



GATHERING THE TEAM: CREATING AN ASB OR CLUB

- Promote the general welfare, morale, and educational experiences of the student body.
- Great Outcomes:
 - Field-trips;
 - Class projects;
 - School improvements;
 - Class and school activities.
- Board approval of entity and bank account.





Unorganized ASBs:

- Students do not govern the ASB organization:
 - delegated by Board to site Principal/Administrator.
- K-8, Adult, Continuation, Special Education & ROP.

Organized ASBs:

- Student council responsible for:
 - adoption of budget,
 - approval of expenditures,
 - authorization of fundraising activities.
- Middle Schools, Junior Highs and High Schools.



ORGANIZED ASBS

- **Constitution:**
 - Name and purpose of organization
 - Time and place of council meetings
 - Title and duties of officers
 - Election guidelines and terms of office
 - Representatives other than students
 - Financial responsibilities (ex. budgeting, revenue and expenditure procedures)

QUESTIONS TO CONSIDER FOR CONSTITUTIONS?

1. What will happen if the current ASB president decides to leave?
Does the ASB vice president take over or is there a new vote?
2. If there are funds leftover for a particular class, what happens to them after they leave?
3. What happens if the ASB treasurer is not available to sign the requisition or purchase order? Is there a set backup or can any student sign?
4. Is there a statement that says that money can't be deposited into a personal account before being deposited into the District ASB count?

CREATING A CLUB



- Composed entirely of students:
 - Budgeted and approved by Student Council.
- Submit a Charter or Constitution to Student Council containing:
 - Title, powers, and duties of officers and manner of their election;
 - Scope of proposed activities;
 - The name of the club.
- Annual Budget.
- Minutes.

RECORD RETENTION

- Permanent – Electronic Formats Permitted:
 - ASB Constitution, Bylaws and Charters;
 - Equipment Inventory.
- 4 Years:
 - Club and Council Minutes;
 - Budgets;
 - Invoices and Approval Documents;
 - Bank Statement, Deposit Slip, Cancelled:
 - Checks and other Banking Records.
 - Financial statements and other:
 - Accounting Records.



POP QUIZ #1

What is the main factor in an Unorganized ASB program?

- The students are not governing the program. They still get to decide, but they are not governing the program.

Can a Constitution be ratified to fit current practices or times?

- Yes. The Constitution can be updated and approved by the Board.

How long must the records for the ASB program be kept?

- 4 years



PRACTICE: RECEIPTS

RECAP OF BASICS

1. Don't leave cash unattended or in an unsafe place

- It will not be there when you get back.

2. Recommend 2 people for everything

- Ever hear the term “CYA”. Have a witness to cover yourself and the ASB club.

3. SIGN OFF ON EVERYTHING

- An audit trail saves you, saves others, and makes it easier to find fraud or mistakes

4. STAY AWAY from the ARC Problem (Segregation of Duties)

- A = Authorization, R = Recording, C = Custody
- No one should have 2 or more of the duties listed above.
- Example: The person who collects the cash also records it in the books.



CHANGE OF CUSTODY!

DOCUMENT
DOCUMENT
DOCUMENT

RECEIPTS
LOGS
RECONCILIATIONS
DUAL-VERIFICATION



- Master Receipt Book Log-Main Office/ASB Bookkeeper:
 - Why?
 - Missing receipts are potential missing funds.
 - Issue receipt book to all active teachers and advisors:
 - Record name, class/club and receipt number series in log.
 - Collect receipt books:
 - Before issuing new receipt book;
 - At year-end and log them in.



THE LEVELS OF THE 3 TIER RECEIPT BOOK

White Copy = Issued to the person who provided the ASB program with the money.

Yellow Copy = Issued internally to the person in charge of depositing the funds.

Pink Copy = Remains in the receipt book. There is no reason these should be removed. If they have been, treat this as a huge red flag.



Deposit:

- Deposit money as soon as possible or per District policy:
 - Never leave money in classroom over weekend;
 - Total all your receipts and/or logs/rosters since your last deposit:
 - This total is the amount to reconcile actual cash to.
 - Total the cash on hand:
 - Compare total cash to total value of receipts/log.
 - Complete cash count sheet.
- What to include in deposit?
 - Cash;
 - Carbon of receipts issued with tape of total;
 - Copy of logs/class rosters;
 - Sales recaps/reconciliations;
 - Cash count sheet/site deposit slip.

DISTRICT POLICY REGARDING DEPOSITS

Your District requires ASB
Programs to have receipts
deposited into the ASB
Account in **7 days!**

ASB BOOKKEEPER: RECEIPTS & DEPOSITS

Count the deposit in presence of teacher/advisor.

Agree cash total to amount on the Cash Count Sheet.

Agree Cash Count Sheet to Sub-receipt tape total.

After verification, issue receipt to teacher/advisor:

- If unable to verify at time of deposit:
 - Accept money and backup documentation;
 - Issue receipt for amount on Cash Count Sheet, note on the receipt deposit is "UNVERIFIED" (documents change of custody).

ASB BOOKKEEPER: RECEIPTS & DEPOSITS

Deposit is verified:

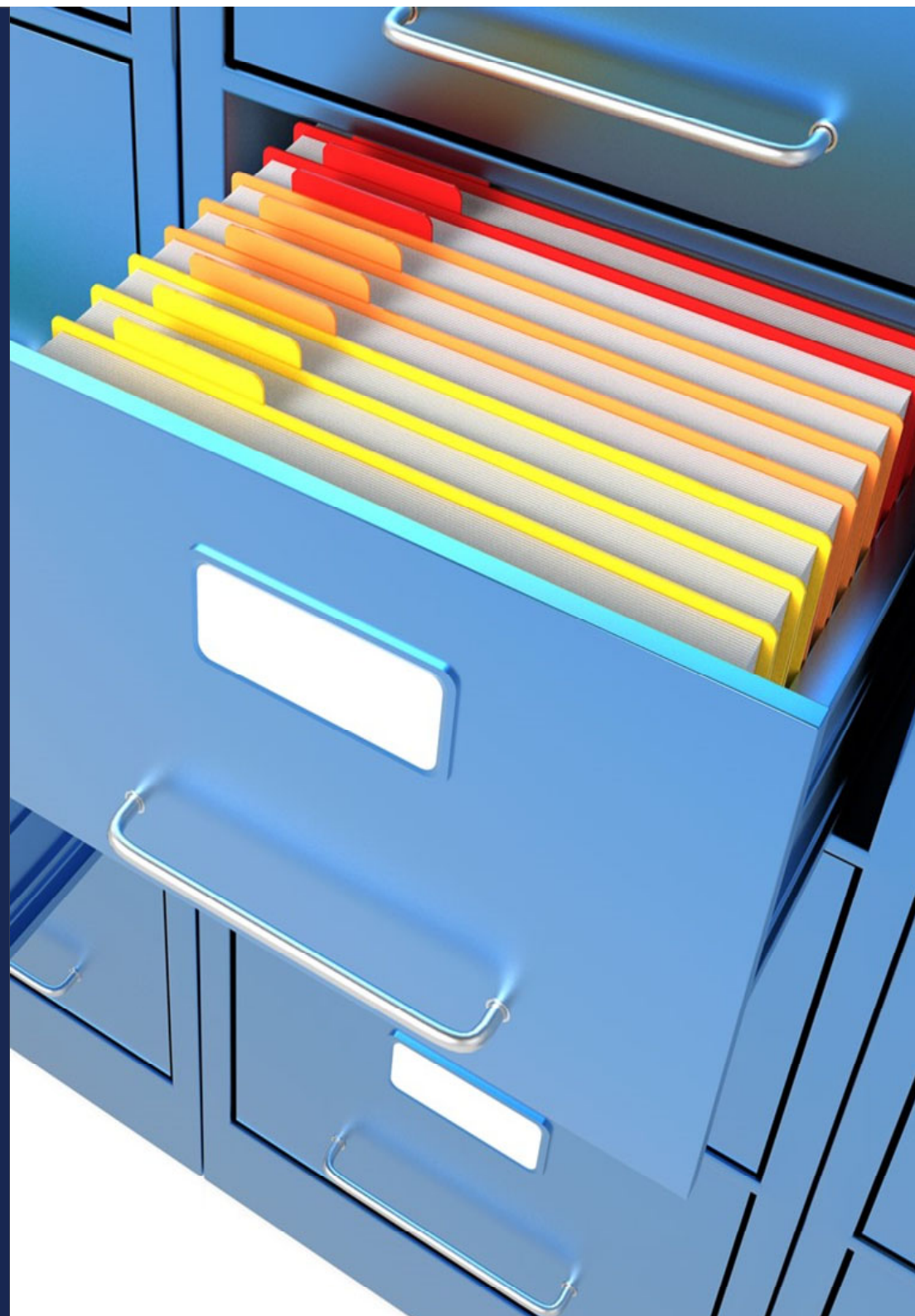
- Cross out the “unverified” on the receipt;
- Put “verified” on the receipt & initial;
- Give a copy of the verified receipt to the teacher/advisor:
 - Discrepancy noted - contact the teacher/advisor before finalizing verification;
 - Verification should be performed by end of day.
- File Cash Count Sheet & sub-receipts and secure cash in safe:
 - Do not place paperwork and money in the safe together.

Bank Deposit:

- Total all receipts written since last deposit:
 - The total is the amount to reconcile actual cash to.
- Total up cash on hand;
- Compare total cash to total value of receipts;
- Complete Cash Count Sheet & prepare bank deposit slip.

Deposit paperwork to be filed:

- All sub-receipts;
- All class rosters/cash logs;
- All cash count sheets;
- All receipts & ten-key tapes;
- Bank deposit slip;
- Bank deposit receipt.



ADVICE FOR THE SAFE

- When the money has been collected and not deposited yet, it **SHOULD BE IN THE SAFE!**
- It is recommended to have a combination safe and not a key safe. With a key safe, it is easier for someone to get unauthorized access to the safe.
- Have a limited amount of individuals that know the combination. If the money goes missing, make the suspects or persons to interview small.
- Organize the safe as best as you can.
- Examine and completely empty the safe once a year (recommended to do at the end of the school year). Make sure there is no undeposited funds.
- Do not have multiple safes. This could cause confusion of where the money is being kept.

TAKING CASH RECEIPTS TO THE NEXT LEVEL

- Label receipts with identifying details in the system. For example, instead of labeling a receipt “T-shirt Fundraiser,” label it with the following: Event Name – Purpose – Date – Receipt #. Never lump them together.
- Deposit summaries should be printed and provided to the person reviewing the prepared bank reconciliation. The reviewer verifies that the deposits were made to the bank. Receipts not in the bank should be stored in the safe.
- Connect an automated receipt system to the financial accounting software. That way, any manual entry to the receipt process will be easily recognized.
- Reset the safe combination today. Issue the new combination to select individuals and have them sign a form stating they will not share it with anyone at the District.

POP QUIZ #2

Where is the pink copy for the receipt book supposed to go?

- No where. It is supposed to stay in the receipt book.

Can I postpone recording a receipt in the system?

- No. It is recommended that all receipts be recorded at the same date of which they were received.

What is your District's policy for having ASB Funds deposited?

- Within 7 days.

What is the number one thing you need to cover yourself?

- The receipt for the deposit.

What happens if we do not have support for a deposit?


- Not having support for a deposit is quite important to research and should not stop until resolved. The site principal should be notified and get involved when other avenues are exhausted. If nothing can be found, this would be a sign of potential fraud or, at the very least, poor chain of custody of cash.



REGULAR SEASON: FUNDRAISING

REVIEW OF FUNDRAISER BASICS

- They must contribute to the educational experience. Not conflict w/educational programs.
- Student participation needs to be voluntary:
 - If they decide to participate, they can not be excluded from activity for not participating.
- Must benefit entire ASB or club:
 - Proceeds raised cannot be attributed to a specific student based on what they raised.
- The fundraisers must be Pre-approved BEFORE doing them!
- Cash overage or shortage must be documented!

- 
- Funds collected must be deposited in their entirety.
 - Expenditures should **NEVER** be made from un-deposited monies.

NEGATIVE EFFECTS OF DOING IT

HOW IT GOES UNDETECTED

- The documentation is altered to match the actual amount, instead of what happened.
- The receipts are not recorded individually, but in a lump sum.
- Nothing is needing to be done, because no one is reviewing the information, so it goes undetected.
- The reconciliation is forced with adjustments or journal entries recorded.

EXAMPLE

RECORDED		ACTUAL	
RECEIPTS AMOUNT		RECEIPTS AMOUNT	
1	\$50.00	1	\$50.00
2	\$200.00	2	\$200.00
3	\$300.00	3	\$300.00
4	\$600.00	4	\$600.00
5	\$700.00		
6	\$1,000.00	6	\$1,000.00
7	\$250.00	7	\$250.00
8	\$300.00	8	\$300.00
DEPOSIT <u>\$3,400.00</u>		DEPOSIT <u>\$2,700.00</u>	

REVENUE POTENTIAL FORM EXAMPLE

Revenue Potential (Fundraising Budget versus Actual Statement)

Name of School: _____

Name of Club: _____

Revenue Potential/Fundraising Budget versus Actual Statement

Fiscal Year: _____

Name of Event: _____

Date of Event: _____

Date Form Completed: _____

EXPECTED REVENUE:	BUDGET	ACTUAL	DIFFERENCE
Sales quantity x Sales price	\$ _____	\$ _____	\$ _____
OTHER REVENUE:			
Donations, Sales of ads, etc.	\$ _____	\$ _____	\$ _____
TOTAL REVENUE (A)	\$ _____	\$ _____	\$ _____
EXPENSES:			
Product quantity x Cost (per invoice)	\$ _____	\$ _____	\$ _____
OTHER EXPENSES:			
Freight	\$ _____	\$ _____	\$ _____
Advertising	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____
TOTAL EXPENSES (B)	\$ _____	\$ _____	\$ _____

WHY DO YOU NEED TO FILL OUT THE FORM

- It is a great way to determine what fundraisers were successful and which ones shouldn't be repeated.
- This is the number one way to determine if cash is missing from the fundraiser.
- Helps the person planning the fundraiser to get an idea of what is needed.
- A one stop shop way of being in compliance with the District and FCMAT policies.

CASH BOX

Take inventory before starting and after closing

Reconcile inventory/sales

- Any variances should be explained on reconciliation.

Count Cash and prepare Cash Count Sheet

- Should agree to inventory/sales reconciliation.

Deposit to ASB Bookkeeper

CASH BOX

Take inventory before starting and after closing

- Have a set amount for the beginning of the event (For example: All events start with \$50 in the cash box).
- Have two people sign off before starting and after if possible.

Reconcile inventory/sales

- An variances should be investigated, explained, and DOCUMENTED.

Count Cash and Prepare a Cash Count Sheet.

- Make sure the math is correct on the count sheet. Once you sign, you are stating the calculation is correct.

Deposit the Cash Box with the money and paperwork to the bookkeeper

FUNDRAISING: BINGOS, RAFFLES AND AUCTIONS

- Schools & Districts cannot conduct Bingos, Raffles & Auctions for Fundraisers.
- Federal & State rules govern these events
 - For example a City permit must be used for other organizations to hold these types of events.
 - Revenue & Taxation Code 23701(d) = This states that you must have a tax-exempt status required.
 - Penal Code Sections 320.5 & 326.5

UNALLOWED FUNDRAISERS

Best policy and in some cases insurance provisions include a list of unallowed fundraisers:

- Dunk tanks
- Games where objects are thrown at people
- Use of pointy objects
- Trampoline activities



TAKING FUNDRAISERS TO THE NEXT LEVEL

- Go over the revenue potential forms with the students after they have been filled out. Document their discussions in the minutes.
- Have a list of fundraisers that is pre-approved by the Board at the beginning of the school year.
- Have a tracking system that summarizes the fundraising activity for the year in one location. Compare this to the amount of money received for the year.

EXERCISE #1 – FUNDRAISING TRACKING LIST

NAME OF EVENT	GROUP	START DATE	END DATE	CLUB			ESTIMATE REVENUE	ESTIMATE EXPENSE	ESTIMATE D PROFIT	ACTUAL DEPOSIT	ACTUAL EXPENSES	ACTUAL PROFIT
				ADVISOR APPROVAL	BOOKKEEPER APPROVAL	PRINCIPAL APPROVAL						
Ceramin Whistle Sale	Ceramics	2/11/2022	6/3/2022	YES	YES	YES	300.00	100.00	200.00	280.00	77.50	202.50
Valentines Day Grams	Ceramics	1/31/2022	2/14/2022	YES	YES	YES	200.00	50.00	150.00	200.00	67.50	132.50
Day Time Dance Off	Class of 2023	2/17/2022	2/18/2022	YES	YES	YES	400.00	300.00	100.00	650.00	250.00	400.00
Chiptole Coupon Card Fundraiser	Anime Club	1/12/2022	2/15/2022	YES	YES	YES	3,000.00	500.00	2,500.00	5,000.00	500.00	4,500.00
Cookie Sales	Track & Field	2/25/2022	2/25/2022	YES	YES	YES	50.00	25.00	25.00	40.00	25.00	15.00
Car Wash	Track & Field	2/26/2022	2/26/2022	YES	YES	YES	1,000.00	50.00	950.00	500.00	400.00	100.00
Movie Night Event	Class of 2024	1/13/2022	1/27/2022	YES	YES	NO	-	-	-	-	-	-
Round Table "Fundraiser Night" w/ Bake Sale	Anime Club	12/16/2021	12/16/2021	YES	YES	YES	250.00	60.00	190.00	207.00	59.13	147.87
World's Finest Chocolate Fundraiser	Cooking Club	11/16/2021	11/17/2021	YES	YES	YES	300.00	-	300.00	400.00	-	400.00
Tournament Fundraiser	Chess Club	11/1/2021	1/31/2022	YES	YES	YES	3,000.00	1,800.00	1,200.00	1,000.00	1,800.00	(800.00)
Pre-Order Eggrolls	Asian Club	2/11/2022	2/11/2022	YES	YES	YES	1,000.00	500.00	500.00	2,000.00	300.00	1,700.00
Choc. Bar Sales	Boys Soccer	3/15/2022	4/15/2022	YES	YES	YES	4,000.00	2,000.00	2,000.00	7,256.75	3,395.00	3,861.75
Car Wash	Girls Soccer	10/15/2021	3/15/2022	YES	YES	YES	5,400.00	3,400.00	2,000.00	4,985.00	2,647.50	2,337.50
Drawing Portraits on Campus	Anime Club	11/1/2021	11/18/2021	YES	NO	YES	75.00	20.00	55.00	75.00	20.00	55.00
Drive-Through Spaghetti Feed	Football	10/25/2021	11/20/2021	YES	YES	YES	20,000.00	7,000.00	13,000.00	-	-	-
Fan Cloth Sales	Native American Club	10/19/2021	10/21/2021	YES	YES	YES	500.00	-	500.00	100.00	200.00	(100.00)
Movie Night Event	Anime Club	9/24/2021	9/24/2021	YES	YES	YES	92.50	59.13	33.37	92.50	59.13	33.37
Silent Auction Dinner	Cheer	7/26/2021	8/16/2021	YES	YES	YES	7,000.00	-	7,000.00	8,000.00	-	8,000.00
Pie Throwing Contest	Cheer	7/6/2021	7/16/2021	YES	YES	YES	100.00	-	100.00	100.00	-	100.00
TOTAL							46,667.50	15,864.13	30,803.37	30,886.25	9,800.76	21,085.49

ANALYSIS FUNDRAISER TRACKING SHEET

NAME OF EVENT	GROUP	START DATE	END DATE	CLUB			ESTIMATE REVENUE	ESTIMATE EXPENSE	ESTIMATE D PROFIT	ACTUAL DEPOSIT	ACTUAL EXPENSES	ACTUAL PROFIT
				ADVISOR APPROVAL	BOOKKEEPER APPROVAL	PRINCIPAL APPROVAL						
Ceramin Whistle Sale	Ceramics	2/11/2022	6/3/2022	YES	YES	YES	300.00	100.00	200.00	280.00	77.50	202.50
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Movie Night Event	Class of 2024	1/13/2022	1/27/2022	YES	YES	NO	-	-	-	-	-	-
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Tournament Fundraiser	Chess Club	11/1/2021	1/31/2022	YES	YES	YES	3,000.00	1,800.00	1,200.00	1,000.00	1,800.00	(800.00)
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Pie Throwing Contest	Cheer	7/6/2021	7/16/2021	YES	YES	YES	100.00	-	100.00	100.00	-	100.00
TOTAL							46,667.50	15,864.13	30,803.37	30,886.25	9,800.76	21,085.49

POP QUIZ #3

True or False: A student can say they do not want to prepare for the fundraiser, but they want to participate in it. You can deny them.

- False. The student is always allowed to participate, whether they assist with the preparation of the fundraiser or not.

What form needs to be filled out before and after the fundraisers?

- The Revenue Potential Form

True or False: If I have an overage, money isn't missing so I don't need to put the reason why.

- False. Overages can help detect theft as well.

Can I fundraise money to be provided to a student battling cancer?

- No. Fundraising must benefit the whole club or student body. This would be a donation, which will be discussed later.



TICKET SALES



- Ticket Sales:
 - ASB Bookkeeper's Responsibility:
 - Maintain ticket rolls in secure location:
 - Equivalent to cash.
 - Maintain Master Ticket Log:
 - Log should include:
 - Ticket color, ticket price, issued to, activity, issue/return date, beginning/ending number.
 - When issuing tickets, record beginning ticket numbers, colors and price on Ticket Sales Recap – see example.

TICKET SELLER'S/ACTIVITY ADVISOR RESPONSIBILITY

Complete Ticket Sales Recap

Return Remaining Tickets

- Balance Cash to Ticket Recap and Complete Cash Count Sheet:
 - When balancing, remember to deduct any Startup Cash:
 - Deposit all monies to ASB Bookkeeper with reconciliation paperwork.
 - Dances.
 - Generated by site, should be pre-numbered.
 - Elementary – tally sheet.

TICKET LOG EXAMPLE

Ticket Inventory

Name of School:

Name of Club:

Ticket Inventory

Fiscal Year:

Fundraiser:

Date of fundraiser:

Color of ticket roll:

Numbering:

to:

Date	Event	Beginning Number	Ending Number	Number of Tickets Sold
Text				

A separate ticket inventory control log must be used for each ticket roll. Use multiple sheets until the entire ticket roll is consumed.

Submitted and Approved by:

Student Club Representative:

Signature, Title and Date

Club Advisor:

Signature, Title and Date

Principal/School Administrator:

Signature, Title and Date

Recorded in ASB Student Council Minutes on:

Date



FOOD SALES

FOOD SALES

Elementary Schools:

- Item approved by Board.
- Not served by Food Service.
- Cannot be sold until after lunch period.
- Food item must meet nutrition requirements – EC 49431 & 49431.5 (low-fat/low sugar requirement).
- Food item cannot be prepared on campus or at home.
- No more than four sales per school:
 - Restrictions do not apply for sales held ½ hour before or after the end of the school day or off school premises.



FOOD SALES

Middle and High Schools:

- Four food sales annually for all student groups:
 - Four days during the year.
- No group gets own specific four days.
- One Student group – Student Council/Schoolwide Student Representative Group Can sell anytime:
 - Board approved;
 - May sell up to 3 food items daily;
 - Must meet nutritional requirements;
 - Not sold by Food Service;
 - Commercially prepared.
- Restrictions do not apply if:
 - Sales take place off campus;
 - Sale takes place at least ½ hour before school;
 - Sale takes place at a school sponsored event after school.





STUDENT STORE/SNACK BAR/CONCESSION STAND

The Basics Sales Tax:

- Must have seller's permit different from District.
- If you buy at wholesale and do not pay sales tax at time of purchase, you should charge sales tax on all applicable items and file a sales tax form.
- If you buy at retail and pay tax at time of purchase, you owe sales tax on the difference between purchase price and selling price.

Taxable Items:

- Items sold for fundraisers are exempt however, student store sales are not.
- Food products not taxable but only certain items qualify as a "food product" (See tax code).

IMPORTANT EDUCATION CODES

- CA Education Code Section 51520 - (a) During school hours, and within one hour before the time of opening and within one hour after the time of closing of school, pupils of the public school shall not be solicited on school premises by teachers or others to subscribe or contribute to the funds of, to become members of, or to work for, any organization not directly under the control of the school authorities, unless the organization is a nonpartisan, charitable organization organized for charitable purposes by an act of Congress or under the laws of the state, the purpose of the solicitation is nonpartisan and charitable, and the solicitation has been approved by the county board of education or by the governing board of the school district in which the school is located.

IMPORTANT EDUCATION CODES

CA Education Code Section 51521 - No person shall solicit any other person to contribute to any fund or to purchase any item of personal property, upon the representation that the money received is to be used wholly or in part for the benefit of any public school or the student body of any public school, unless such person obtains the prior written approval of either the governing board of the school district in which such solicitation is to be made or the governing board of the school district having jurisdiction over the school or student body represented to be benefited by such solicitation, or the designee of either of such boards.

The prohibitions of this section shall not apply with respect to any solicitation or contribution the total proceeds of which are delivered to a public school, nor to a solicitation of a transfer to be effected by a testamentary act.



VENDING MACHINES

A close-up photograph of a person's hand inserting a coin into the coin slot of a vending machine. The machine has a digital display and a numeric keypad. The background is blurred, showing shelves of various items.

Vending Machines:

- Need to follow nutrition guidelines as required with food sales.

Reconciling Sales:

- Cash Register.
- Reconcile “Z” tape (tape of daily sales) to cash.
- Prepare cash count sheet with deposit to ASB bookkeeper.
- Attach tape to cash count sheet and submit.
- GET A RECEIPT! - Change of Custody.

INVENTORY

Perform
physical
inventory
quarterly

- Count items on hand.
- Summarize description, # of items, cost of items.
- Perform sales analysis and reconcile to physical count.
- Beginning inventory, plus purchases, less sales (net of profit), less cost value of items given away should be close to physical inventory cost value.



DONATIONS

- Can fundraise for a Non-profit, such as Red Cross, Coats for Kids.
- If you fundraise for an individual, such as needy family or funeral costs:
 - FCMAT – indicates as prohibited expenditure;
 - Allowed on a very limited basis.
- Must clearly indicate the purpose of the fundraiser and that it is not for the general welfare of the ASB.
- Contributions for PTA, Boosters should NOT be received by ASB.



EQUIPPING THE PLAYERS: EXPENDITURES

All expenditures for budgeted items

Approval before spending:

Unorganized

Site Administrator/Principal

**Organized
ASBs**

Student body representative,
in-charge certificated advisor,
and designated employee:

- In ASB minutes
- Reimbursements – limited use
- Open Purchase order

Allowability of Expenditures

- Must comply with the District Policy
- Benefits entire student body or group of students – Cannot be considered a “gift of public funds”:
 - No individual gifts;
 - No staff appreciation meals.
- Not a responsibility of District.
- NEVER commingling of funds. PTA, Boosters, other nonprofits are NOT part of the School District.

HELPFUL HINTS

- Can it stand up to public scrutiny?
- If unsure about appropriateness, contact District Office personnel.
- It must support the purpose of the club.
- Government Accounting Standards Board 34? (GASB34):
 - Must report equipment purchases over \$5,000 to District office.
- \$500 Equipment purchases:
 - Maintain compliant inventory just as District office.



CERTIFICATE

EXCEPTIONS

Scholarships:

- Awards:
 - No cash awards – due to lack of internal controls.
- Gift Certificates/Cards:
 - Must be inventory log of certificates;
 - Maintained in secure location (Cash equivalent);
 - Use care when purchasing gift certificates – parents approve.

Where is the best place to go to find out what is allowed and what is not allowed?

Chapter 14

Chapter 14 – Allowable and Questionable Expenses

Anything purchased by a district must be in compliance with the law and local board policy, and cannot be considered a gift of public funds. Because ASBs are part of the district, ASB organizations must follow the same laws and local policies, as well as ensure that the funds are spent appropriately. The principal/school administrator and ASB advisors are responsible for ensuring that ASB funds are used to purchase goods and services that promote the students' general welfare, morale and educational experiences. In general, ASB expenses that meet these criteria are allowable if they are directly linked to the students' benefit. With few exceptions (such as awards and scholarships, which are discussed later in this chapter), ASB expenditures will benefit a group of students rather than individuals. The expenditures must also be for goods and services other than those the school entity should provide from its own funding sources. Thus if the expenditure is the district's responsibility, or the district has paid for the expenditure in the past, or the ASB is being asked to pay for the item or service because of district budget cuts, it is probably not an allowable ASB expenditure. The district is responsible for the curriculum of the class or program; ASBs are supposed to pay for extras, meaning items in addition to the regular curriculum.

In high schools, middle schools and community colleges, the students should be the primary authority that decides how the ASB funds are spent. This helps ensure that the interests of the students are protected. In elementary schools, the students are often not involved in the decision-making and operations. Regardless of the school type, the principal/school administrator or designee is responsible for protecting the interests of the students and ensuring that the funds are spent for their benefit. Although the primary decision maker may

FCMAT Manual Chapter 14

TAKING CASH DISBURSEMENTS TO THE NEXT LEVEL

- All unprocessed payments need to be recorded in Accounts Payable and placed in a single lockable location. The lockable location prevents source documentation from being destroyed and allows someone to more easily assume the duties when the regularly assigned individual is absent.
- Limit the number of reimbursements. This will decrease the amount of data to review and the number of potential errors.
- Have the ASB student body approve purchase orders, as well as the invoices/payments.

POP QUIZ #4

You are the bookkeeper for the ASB program at your high school. Review the expenditures listed below and determine if they would be allowable for not:

1. Students want to buy a video camera stand for a display in the library
 - Allowable.
2. New iPad to practice playing chess at home
 - This is not allowable. The iPad would benefit one student and not the entire club.
3. Transfer of funds from the Athletic Fund to the Football program.
 - Depends. What is it for and did the students agree to it are the two questions that need to be answered.
4. Supplies for a fundraiser that is being approved.
 - This is not allowable. Purchases for fundraisers can't be made until after the fundraiser has been approved.
5. Purchase of participation certificates for sports
 - This is allowable, as long as it is for all students and are the same for all students.
6. Check payment made out to the Principal for ASB Reimbursement.
 - Allowable, if the proper support documentation is provided. Support documentation would include invoices, receipts, purchase orders, and approvals from the appropriate individuals, including an ASB student representative.



NEW VENDORS — GETTING TO KNOW THE TRAINERS

RECAP OF THE BASICS

- Segregate Duties. The person in charge of entering the new vendor information into the financial system (RECORDING) should not be the person signing vendor checks (AUTHORIZATION).
- Validate that the vendor is a bona fide business and in good public standing before conducting business with them. Request an IRS Form W-9, research the Secretary of State Business, Department of Consumer Affairs or County Clerk websites for licenses and registrations
- Support vendor payments with pre-approved purchases orders or contracts.

EXAMPLE OF VENDOR MASTER LIST

Name of Vendor	Tax ID	Address	Phone Number	Fax Number	Email Address	Notes
ABC Gas Station	39-2372160	1234 Sunset Boulevard	(925) 242-0924	(925) 242-0900	jeff@abcgas.com	(BW Added on 5/5/19)
Amazon	40-3483271	2345 Mendenhall Lane	(925) 342-5604	(925) 342-5600	tammy@amazon.com	(BW Added on 5/5/19)
DJ Wattzup	41-4594382	3456 Granada Court	(925) 798-6540	(925) 798-6500	DJWattz@gmail.com	(BW Added on 5/5/19)
Target	42-5605493	4567 Junction Road	(925) 819-9004	(925) 819-9000	brad@target.com	(BW Added on 5/5/19)
Emily Wright	43-6716504	5678 East Avenue Drive	(925) 562-7301	(925) 562-7300	Emily@gmail.com	(BW Added on 5/5/19)

** Any resemblance of this data to actual persons, business, or locations is purely coincidental.*

WHAT ARE “RED FLAGS” ON A VENDOR LIST?

Duplicate
Information

Empty Fields

Same
Information
as Personnel

Direct
Employee
Names



These are typical red flags in Billing Scheme Fraud.

According to the Association of Certified Fraud Examiners (ACFE) Report of Nations 2020, Billing Fraud was present in 17% of 338 cases of Government Entity Fraud. Median losses in those cases was \$100,000.

[BACK](#)

DUPLICATE INFORMATION

Name of Vendor	Tax ID	Address
Amazon	40-3483271	2345 Mendenhall Lane
Amazon*	40-3483271	2345 Mendenhall Lane
Amazon	40-3484271	2345 Mendenhall Lane
Am@zon*	40-3442718	4523 Mendenhall Lane

- Search for more than the obvious duplicates. Consider all possible duplicates.
- Look through the entire list and notice all duplicate information. Export data to *Microsoft Excel*, sort and organize to find all duplicates or similar accounts.
- At the end of the day, just ask yourself: Does this make sense to have so many accounts that appear for the same purpose?



1. Determine the name for the actual original vendor.
2. Run a report to determine the total amount paid to each of the duplicate vendors.
3. Follow up on results.
4. Combine accounts if necessary and delete duplicates.

[BACK](#)

EMPTY FIELDS

Name of Vendor	Tax ID	Address	Phone Number	Fax Number	Email Address
Target	42-5605493	4567 Junction Road	(925) 819-9004		brad@target.com
DJ Wattzup		3456 Granada Court	(925) 798-6540		DJWattz@gmail.com
Emily Wright					Emily@gmail.com

- An invalid/fraudulent vendor can be spotted when:
 - The tax ID is missing
 - Only one way to contact the vendor exists
- At the end of the day, just ask yourself: Does this make sense?



1. We recommend reaching out to clients and requesting information so that all of it has been completed and filled in.
2. We recommend putting NA where no information can be provided, but it has been asked.
3. We recommended following up on past information that is filled in to verify it needs to be updated.

SAME INFORMATION AS PERSONNEL

Name of Vendor	Tax ID	Address	Phone Number	Fax Number	Email Address	Notes
DJ Wattzup	41-4594382	3456 Granada Court	(925) 798-6540	(925) 798-6500	DJWattz@gmail.com	DJ Wattzup
Brad Volpe	NA	4567 Junction Road	(925) 798-6540	NA	brad@comcast.net	Vice Principal

- BIG RED FLAG!
- Issues that can be occurring – Billing Scheme to a Shell Company, Conflict of Interest with the District, Unauthorized Disbursement of Public Funds.
- At the end of the day, just ask yourself: Does this make sense?

[BACK](#)



1. Obtain the list of addresses, phone numbers, email addresses for site personnel. (Names are not necessary)

2. Perform the *Microsoft Excel* VLOOKUP function or Conditional Formatting: Use “Highlight Duplicate” to identify any duplicates.

DIRECT EMPLOYEE NAMES

Name of Vendor	Tax ID	Address	Phone Number	Fax Number	Email Address	Notes
Emily Wright	NA	5678 East Avenue Drive	(925) 562-7301	NA	Emily@gmail.com	Office Secretary
Kendall Bradley	NA	2461 Granada Boulevard	(925) 819-2424	NA	KBradley@gmail.com	Principal

- This is a huge red flag resulting in a possible audit finding or potential fraud.
- Gentle Reminder – Reimbursements need to be approved before the purchase
- Gentle Reminder - Support documentation needs to be provided for all reimbursements.
- At the end of the day, just ask yourself: Does this make sense?

[BACK](#)



1. Recommend typing in the position of the individual in the notes or Vendor Name for anyone that is issued a reimbursement or a direct check.
2. Triple check the support documentation for any check written to District personnel. Look for current and prior employee names.

WHAT SHOULD I DO NOW?

CLEARING THE PAST

- If you have any vendors with missing information, call the vendor and complete the field.
- If you identify District personnel in the vendor list, request the support documentation for past transactions.
- If you identify the duplicate vendors, combine the information into one vendor and delete the duplicate vendors. Ensure no duplicate payments were made for the same service/product.

MOVING FORWARD

- Establish a centralized process for setting up new vendors in the financial system.
- Periodically call vendors to validate legitimate business activity.
- Use the Sam.gov website to verify whether the business is registered to work with government agencies.

TAKING VENDORS TO THE NEXT LEVEL

- New vendor information input into the financial system should include vendor name, address, phone number, and email.
- The financial system should record the name of the person who added the vendor into the system. This can be accomplished manually or programmed into an automated system.
- Select a few vendors, call them, and validate the purchases made by the District. Example: “Can you please verify the amount of purchases our District made from your business?”
- Assign a District analyst to review the vendor list every 3 months to ensure employees are not being paid as vendors and that bona fide vendors are on the list.

EXERCISE #2 – WHAT NEEDS TO BE CORRECTED?

Name of Vendor	Tax ID	Address	Phone Number	Fax Number	Email Address	Notes
ABC Gas Station	39-2372160	1234 Sunset Boulevard			jeff@abcgas.com	
Amazon	40-3483271	2345 Mendenhall Lane	(925) 342-5604	(925) 342-5600	tammy@amazon.com	(BW Added on 5/5/19)
DJ Wattzup	41-4594382	3456 Granada Court	(925) 798-6540	(925) 798-6500	DJWattz@gmail.com	(BW Added on 5/5/19)
Target	42-5605493	4567 Junction Road	(925) 819-9004	(925) 819-9000	brad@target.com	(BW Added on 5/5/19)
Emily Wright	43-6716504	5678 East Avenue Drive	(925) 562-7301	(925) 562-7300	Emily@gmail.com	(BW Added on 5/5/19)
ABC Gas		1234 Sunset Boulevard	(925) 242-0924	(925) 242-0900	jeff@abcgas.com	
John Wilson	NA	NA	NA	NA	jwilson@wilsontshirts.com	Working on adding information (BW 5/6/19)



PLAYOFFS: MONTHLY RECONCILIATIONS

MONTHLY RECONCILIATION

The reasons why:

- Make sure your financial statement and check book are correct.
- To do a monthly review to verify cash is not missing or remaining in the safe and not getting deposited.
- To verify that checks are going out for allowable expenditures.
- To verify if the students are staying within the budget set at the beginning of the year.
- To help prevent and detect fraud in the club before it happens.

THE FIRST RECONCILIATION

End of Month:

- Manual Reconciliation – back of bank statement:
 - Bank Statement Ending Balance;
 - Deduct outstanding checks (from bank statement date back);
 - Add deposits in transit (added to checking account but not on statement);
 - Other Credits and Debits (monthly banking fee, NSF fee);
 - Electronic Reconciliation – input appropriate information into system.
- Verify that the reconciled bank balance agrees to total club and/or class account balances.
- Provide financial statements to each club/class account.

THE SECOND RECONCILIATION



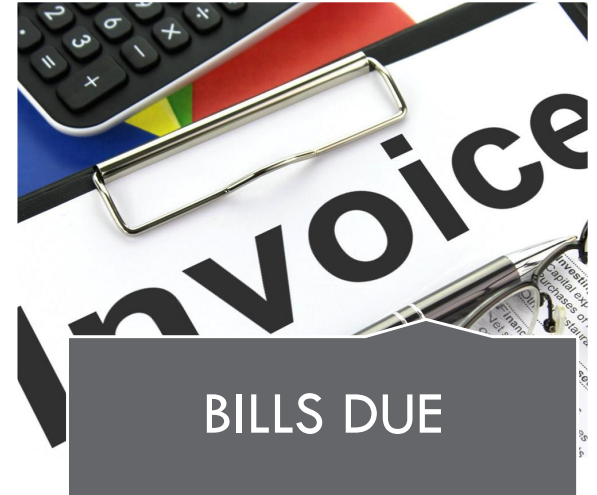
CASH

+



UNDEPOSITED
FUNDS

=



BILLS DUE

+



ACCOUNT
BALANCES

TAKING BANK RECONCILIATIONS TO THE NEXT LEVEL

- Provide basic accounting training to the reviewers of bank reconciliations. This includes Principals and Office Managers.
- Compare the scanned pictures of the cancelled checks and deposit slips to the bank reconciliation and the bank statement.
- Review the event calendar. Compare the information in the deposits and the checks to the list of events or activities that occurred in the month. Are there any missing? Are there any that older than one month?
- Always compare the balance sheet to the bank reconciliation. This will be a more comprehensive review of all activity.



YEAR END REVIEW — THE CHAMPIONSHIP

RECAP OF THE BASICS

- Review all accounts. Identify increases and decreases. Research any increase or decrease of 30% or more.
- The District analyst should have “read only” access to the Site’s ASB accounting software so they can review once a month.
- The District should verify that all Site cash has been deposited, all Site checks have been written, all transactions have been recorded, and all bank reconciliations have been completed no less frequently than the end of the school year.
- At the end of the day, ask yourself, does this make sense?

EXAMPLE: WHAT DO WE KNOW?

- All events, like the Prom and Grad Night have occurred.
- Expenses should be recorded in AP or paid in cash.
- Bills for the month of June will be paid in July per a discussion with the Site Principal.
- Football is preparing for the next year.
- The Site had more fundraisers in the current year than the prior year.

This information has been provided to you in this scenario. However, in your job assignment, you will need to obtain this information on your own. To do so, obtain these items: List the events that occurred at the Site, discuss the events with the Principal or other Site personnel, review emails regarding events or activities, and analyze the support documentation for all transactions.

YEAR-END REVIEW (AFTER 6/30)

ACCOUNT NUMBER	NAME OF ACCOUNT	CURRENT YEAR AMOUNT	PRIOR YEAR AMOUNT	AMOUNT DIFFERENCE	% DIFFERENCE
6001	CASH	\$9,710	\$6,000	\$3,710	62%
6002	UNDEPOSITED FUNDS	\$0	\$2,000	(\$2,000)	(100%)
6003	ACCOUNTS PAYABLE	\$4,460	\$0	4,460	100%
6004	CLASS OF 2019	\$100	\$500	(\$400)	(80%)
6005	CLASS OF 2020	(\$400)	\$1,350	(\$1,750)	(130%)
6006	CLASS OF 2021	\$550	\$900	(\$350)	(39%)
6007	GRAD NIGHT	\$0	\$2,500	(\$2,500)	(100)%
6008	FOOTBALL	\$4,000	\$1,000	\$3,000	300%
6009	PROM 2019	\$0	\$500	(\$500)	(100%)
6010	GENERAL	\$1,000	\$1,250	(\$250)	(20%)

TAKING YEAR END REVIEW TO THE NEXT LEVEL

- Make the top 3 variance percentages mandatory to investigate.
- Review the variance in the presence of the Site Principal. You both may be surprised by what is revealed.
- Minimally conduct this review at year-end. For ASB organizations with high volume and high dollar amount transactions, quarterly reviews are recommended.
- Evaluate consistent results and inconsistent results. Expand the sample size to more transactions or to more than one year. Sometimes manual entries, like journal entries, can conceal a fraud.



OVERTIME: FINDINGS

UNALLOWABLE PUPIL FEES

FREE EDUCATION:

- No pay to play-CDE Fiscal Management Advisory 97-02.
- Fees cannot be charged unless specifically allowed:
 - No student excluded from an activity due to inability to pay;
 - Must be used and taken:
 - home by student.
 - Field trip and athletic accident insurance;
 - School camp.
- Cannot require standard PE clothes if beyond the student's control (lack of funds).
- Fees collected required to be deposited to the District Office.

Revenue Potentials

- Not being used
- They are incomplete
- They are incorrect

Making purchases out of un-deposited cash collected from fundraiser.

Bank reconciliation incorrect or not timely.

Reconciled balance does not agree to total club account balances.

Deposit backup is a big MESS.

Deposits not timely

Unallowable Fees

Disbursements

- Not Pre-approved
- Does not have required 3 signatures
- Prohibited expenditures

No club charters

No Club Minutes

Year-end financials not completed

No student store/snack bar sales reconciliation.

Ticket Sales

- No master ticket log.
- No ticket sales recap prepared.

Lack of inventory controls

- No inventory listing maintained.
- Quarterly physical inventory not performed.



RULEBOOK: TOUGH QUESTIONS ASKED AND ANSWERS

(PROVIDED BY THE FCMAT QUESTIONS AND ANSWERS SECTION)

QUESTION: CAN I WE BUY GIFT CARDS TO USE FOR ASB ACTIVITY?

Things to consider for the answer:

1. Does the Board Policy allow them?
2. Does the District Office have control over how the money is spent?
3. Do the District have a strong process in place to track it?

Regardless, the proper approvals need to be in place. (Education Code 48933 (b)).

The funds shall be expended subject to such procedure as may be established by the student body organization subject to the approval of each of the following three persons, which shall be obtained each time before any of the funds may be expended: an employee or official of the school district designated by the governing board, the certificated employee who is the designated adviser of the particular student body organization, and a representative of the particular student body organization.

QUESTION: WHAT IF SOMEONE DONATES A GIFT CARD?

Once again:

1. Does the Board Policy allow them?
2. Does the District Office have control over how the money is spent?
3. Does the District have a strong process in place to track it?

The FCMAT though addresses this issue:

FCMAT considers a gift card to be a cash gift. The CSAM states that gifts are considered local revenue, so a gift card should be recorded in the general ledger with an entry of a debit to cash and a credit to local revenue either in the ASB's records or the district's, depending on the donor's wishes regarding who is to be the beneficiary. Before entering this donation into the general ledger, FCMAT recommends researching how the gift card came to be donated, which club or clubs were involved and how, so that the gift can be divided among clubs if necessary. After the donation has been recorded in either the ASB's or district's general ledger, all expenditures paid from the donation need to follow the applicable district and/or ASB expenditures rules.

QUESTION: CAN LOANS BE MADE TO ASB CLUBS FROM THE ASB GENERAL FUND?

Education Code 48936 - In addition to deposit or investment pursuant to Section 48933, the funds of a student body organization may be loaned or invested in any of the following ways: (a) Loans, with or without interest, to any student body organization established in another school of the district for a period not to exceed three years.

However, the District Board must approve the ability for this to happen. If it is not in the Board Policy, then it is not allowed.

Recommendation: The club should complete a formal loan agreement to the District in order to mark the loan and track it over the course of the 3 years.

QUESTION: CAN A SCHOOL SITE BE ASKED TO DONATE FUNDS TO START A NEW ASB PROGRAM?

Tricky Question. Tricky Answer.

Education Code 48936 - In addition to deposit or investment pursuant to Section 48933, the funds of a student body organization may be loaned or invested in any of the following ways: (a) Loans, with or without interest, to any student body organization established in another school of the district for a period not to exceed three years.

Although it says a loan can be established, there is nothing here that says that a program can be forced to donate funds to a new ASB. Per the FCMAT, they recommend that the District reallocate funds, instead of having clubs forced to assist.

QUESTION: CAN A SCHOOL SITE BE ASKED TO DONATE FUNDS TO START A NEW ASB PROGRAM? (CONT.)

Education Code 35564 - If the reorganization of a school district under this chapter results in the relocation of district boundaries so that a portion of the pupils will not be residents of the district thereafter maintaining a school previously attended by the pupils, and if there is in the school an organized student body, the property, funds, and obligations of the student body shall be divided as determined by the county committee, except that the share shall not exceed an amount equal to the ratio which the number of pupils leaving the school bears to the total number of pupils enrolled. The ownership of the property, funds, and obligations, which is the proportionate share of each segment of the student body, shall be transferred to the student body of the school or schools in which the pupils are enrolled after the reorganization. Funds from devises, bequests, or gifts made to the organized student body of a school shall remain the property of the organized student body of that school and shall not be divided.

QUESTION: IF A SCHOOL CLOSES, WHERE DOES THE ASB FUNDS GO?

Education Code 35564 applies here as well.

With that said, the school should do all they can to spend the funds for the organizations or clubs before the closure, as this was the intended use of the funds.

In addition, the Board Policy for the District should address how they would prefer the closure and reallocation of funds to be handled.

LEFTOVER FUNDS?

What should I do?

- If a class is graduating or a club is dissolving, you must have the students gift the funds.

Can I just transfer the ASB Funds to the General Account?

- No. Education Code Section 48930 prohibits this. The students must decide to gift the funds or else the transfer can not occur.

The class graduated or the club was already dissolved. Now what?

- If there is no provision in the constitution stating how the funds are to be handled, then the District Board needs to approve a revision to the Board Policies, stating that leftover funds will be transferred to the General ASB Funds upon graduation or dissolution.

HOW DOES THAT WORK?

Education Code 48930 also states the Board has the authority to discuss purposes and privileges of an ASB Program.

“Any group of students may organize a student body association within the public schools with the approval and subject to the control and regulation of the governing board of the school district. Any such organization shall have as its purpose the conduct of activities on behalf of the students approved by the school authorities and not in conflict with the authority and responsibility of the public school officials. Any student body organization may be granted the use of school premises and properties without charge subject to such regulations as may be established by the governing board of the school district.”



Does your District Board have anything in its Policies regarding this?

If not, maybe its time to do an update.

ATHLETICS - HOW DO I KNOW IF IT IS PART OF ASB?



Is the sports program operated by the students?

Does the sports program have a constitution or bylaws?

Is a certificated employee acting as the club advisor?



**IF YOU ANSWERED
NO TO ALL THREE
QUESTIONS, THEN IT
IS NOT PART OF ASB!**

WHAT DOES THAT MEAN?

IF ATHLETICS ARE PART OF ASB

- The funds for the sport must be deposited into the ASB designated account.
- The sport program must have its own constitution, certificated advisor, budget, meeting minutes, and other required documentation required for ASB Programs.
- Adults can not make the decisions. The decisions must be made BY the students, FOR the students.

IF ATHLETICS ARE NOT PART OF ASB

- The funds for the sport must be deposited into a separate District approved, non-ASB bank account.
- The sports program needs to have agreements in place with the ASB Program if they want to use specific resources (for example, the Student Store).
- The sports program can't have the ASB Program transfer or loan funds to the program, unless it is in a District Board approved agreement.



**IF YOU ANSWERED NO TO
ONE OR TWO, BUT NOT
ALL, YOU PROBABLY HAVE
AN ASB FINDING THAT
NEEDS TO BE FIXED!**

QUESTION: VENMO? PAYPAL? GOFUNDME?

This is addressed in the FCMAT ASB Guide.

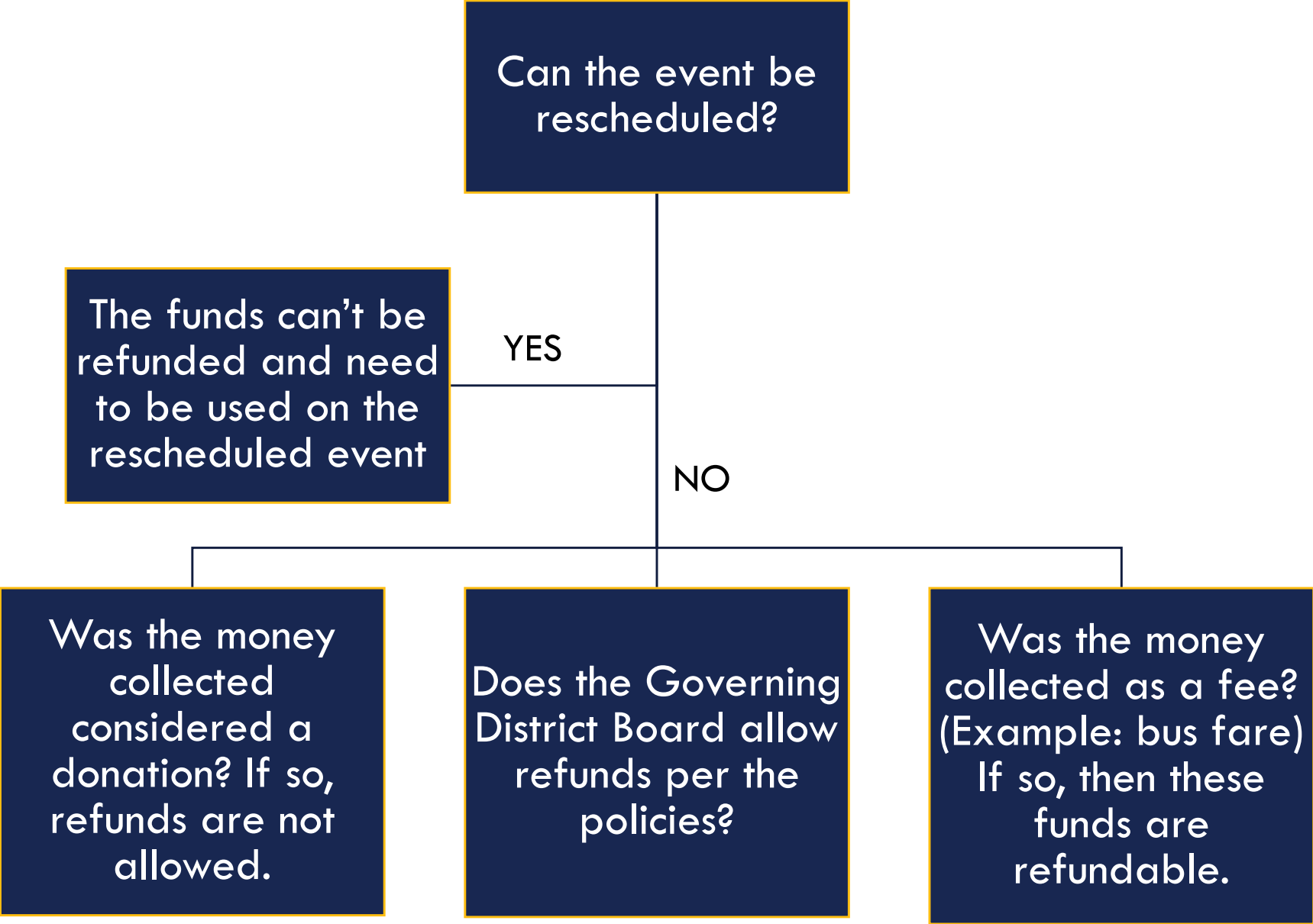
“Online fundraising is an emerging issue. The number of fundraising websites is increasing, as is their use by school district employees to raise funds for educational programs, even though there are often no district guidelines or controls related to their use. Increasingly, individual staff members are establishing their own accounts for specific classrooms, clubs or programs without fully understanding the potential issues or implications.

Districts should establish guidelines and policies that prohibit staff from starting their own campaigns to raise funds via online fundraising sites with the intent to later donate the funds to a school program or ASB, unless the district has approved the use of the online fundraising site. A district should approve the use of such a fundraising site only if the district has been listed on the site as a registered or certified charity campaign. If the district is not listed as a registered or certified charity campaign on a donation website, the only way donations to the district can be tax-deductible is if they are donated directly to the district rather than through the online entity.”

THINGS TO CONSIDER FOR THIS DECISION...

1. You will still need to record the transactions into the accounting system.
 - Although the systems like Venmo and Zelle are tracking where the money is going and coming from, it does not tell us what it is for. This is why it still needs to be recorded.
2. There still needs to be a pre-approval before it happens.
 - A GoFundMe or other electronic fundraiser collecting services does not mean that pre-approval is not needed by staff or the District.
3. The information still needs to be reviewed for accuracy and completeness.
 - Although the systems like Venmo and Zelle are tracking where the money is going and coming from, it does not tell us what it is for. This is why it still needs to be recorded.

ASB PROGRAM FUNDRAISED MONEY FOR AN EVENT. EVENT WAS CANCELLED. CAN WE PROVIDE REFUNDS?



QUESTION: MONEY WAS STOLEN FROM ASB THAT WAS EARMARKED FOR AN ACTIVITY. WHAT DO WE DO?

FCMAT does not believe it would be appropriate for the district to replace the funds stolen from the ASB account with district funds. The district should account for the theft and document it appropriately in the ASB account. In cases of theft the amount of funds and club identity may or may not be known.

When the amount of loss and the club is known, record a journal entry to recognize the loss. The account to record the expense to would be labeled as “Stolen or Missing funds.”

If the funds can not be recovered, but are still needed, the ASB account can request a loan from the general ASB account or another program. The steps to do this has been listed in this presentation.



PENALTIES: FRAUD IN ASB

1 CASH THEFT – SKIMMING OR CASH LARCENY
Stealing funds before or after they are recorded.

2 FRAUDULENT DISBURSEMENTS
Spending money on items outside the ASB programs or clubs.

3 CORRUPTION
Two people working together to gain money for themselves.

CASH THEFT — IT'S ALWAYS THERE

- Due to the nature of the ASB, the stealing of cash is always going to be a possibility and will always be there.
- Skimming — Stealing the funds before they are deposited or entered into the system.
- Cash Larceny — Stealing the funds after they have been recorded in the system or been deposited in the accounts.



According to the ACFE 2020 Report of Nations, the Median Loss for Cash Larceny is \$83,000.

According to the ACFE 2020 Report of Nations, the Median Loss for Skimming is \$47,000.

Total of \$130,000!!

PREVENTING CASH THEFT

- First and Foremost – Follow the Best Practices highlighted earlier in the presentation.
- Minimizing Individuals Handling Funds – It helps to have only a few individuals that handle the money. This will help narrow down the individuals to investigate if money goes missing.
- Safe – Combination safe with only 2-3 people that know the combination. Combination safes are better than key safes. A key can be swiped and duplicated. If a combination is compromised, then at least you will have a small list of people who possibly shared it with others.
- Encourage Check and Credit Card Purchases – Most people prefer to use checks and credit cards in order to have a paper trail for their finances. Just go with it.
- Set List of Events – If you had 13 events and only 10 deposits, do you think money might be missing?
- Require cash to be deposited within the District's policy.

DETECTING CASH THEFT

- Compare the number of deposits to the number of events on your event list. If you do not have an official list, write down as many as many as you can think of.
- Check the Safe – If you notice that there is a lot of money in the safe, deposit it immediately. If there are no documentation with the cash in the safe, you may have a problem.
- Compare the financial records for the current year to the prior year – Large decreases, might mean funds are missing.
- Ask for help – Ask your annual auditors for advice or contact Eide Bailly's Fraud and Forensics Team. With 24 full time employees, they are available to immediately help you.

FRAUDULENT DISBURSEMENTS – THE COVID19 OF ASB PROGRAMS

- Ever see that newspaper article that discussed a coach or advisor going on vacation using student funds? That was done through ASB.
- As sad as this is, adults take advantage of the students and persuade them to approve unallowable expenditures.
- This is something that silently evolves in the ASB programs. Once fully matured, it severely damages the program, the District, and the community.



This is the second highest occurring fraud in an ASB program.

This is primarily done by using undeposited cash to make unallowable purchases.

PREVENTING FRAUDULENT DISBURSEMENTS

- First and Foremost – Follow the Best Practices highlighted earlier in the presentation.
- Have the bookkeepers and advisors attend ASB Workshops. Have them sign something showing that they received the training and know what they are doing.
- Review the FCMAT ASB Manual – Chapter 14 is a great place to start.
- Have the students for the club or ASB Leadership approve a budget at the beginning of the year. If its not listed in the budget, should you really be making the donation or purchase?
- Require multiple approvers on the approval forms to reduce risk of fraudulent disbursements.
- Remember CA Education Code Section 51520? Since all organizations that conduct fund-raising to benefit clubs, schools, students, or the district must have prior approval from the district's governing board...talk about it with them.
- Last, always do a thorough review of the bank reconciliations each month.

DETECTING FRAUDULENT DISBURSEMENTS

- Take a look at descriptions of the checks in the register. If the names appear odd to you or not clear, request to see the invoice or PO for those checks.
- Inquire with someone else if the questionable money spent was done last year as well. If the answer is yes, it doesn't mean necessarily that it is allowable, but if two people agreed it was okay last year, chances are it might be okay.
- Compare the amount of money spent on the particular vendor in the current year to the prior year. If there is a large increase, ask why?
- Notify the elected officials that you have a suspicion that someone is spending money on unallowed expenditures. They will look into the matter or notify the auditors.

CORRUPTION – THE SILENT KILLER

The four types of corruption that can occur are Conflicts of Interest, Bribery, Illegal Gratuities, and Economic Extortion.

- **Conflicts of Interest** – A situation in which a member, who is in a position of trust, has a competing professional or personal interest.
- **Bribery** – The offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust.
- **Illegal Gratuities** – When someone gives something of value to a public official because that public official does or fails to do some act.
- **Economic Extortion** (aka “Blackmail”) – A member demands the payment from a donor to influence or make the decision of the ASB Club.



“The corruption of the best things gives rise to the worst.”

David Hume

“The biggest disease is corruption. The vaccine is transparency.” Bono

EXAMPLE OF CONFLICTS OF INTEREST

School District Board Member owns a sports supply store. The Football sports are thinking about buying goods/equipment from that store. The District Board member encourages and approves the purchase, without notifying the Football sports that he owns the business.

EXAMPLE OF BRIBERY

If you allow my child to be placed on the varsity wrestling team, I can make a charitable donation to the program in the name of the wrestling club.

EXAMPLE OF ILLEGAL GRATUITIES

The District Board Member did not deny the request from the ASB to hold a questionable event. A member sends them two tickets to Disneyland.

EXAMPLE OF ECONOMIC EXTORTION

A student is being reviewed for expulsion from the District. The parent is a member of the ASB Program. The Principal says if the parent won't donate \$10,000 to the football program, the student will be expelled.

PREVENTING CORRUPTION

- First and Foremost – Follow the Best Practices highlighted earlier in the presentation.
- Transparency – The description of why something is being done, needs to be asked and obtained before the disbursement of the funds.
- Have the Board Members and Elected Officials fill out a Form 700 (the same form the school district have to fill out), which openly discloses what business/professional interests they have outside of their position.
- Have multiple people involved in every transaction. The more people that are involved, the less likely something illegal will happen.

DETECTING CORRUPTION

- GET HELP!!!
- This is by far the hardest fraud to prove. It takes experienced professionals, with advance technology, and interviewing skills in order to detect these types of schemes.
- Plus, if you've ever seen a movie involving corruption (for example Godfather – “make him an offer he can't refuse.”), you might consider not sticking your nose in that business until you know for certain something is going on.
- With that said, DON'T BE SILENT! Call tip hotlines or the auditors/forensic investigators directly to investigate the problem.

LAST YEAR ENGAGEMENTS

1. High School suspected money was stolen by two students. The ASB Storekeeper did not lock the safe, left the doors unlocked, and video showed two students enter their office.
2. District performed the second reconciliation on their high school ASB. The results showed the accounts should have \$80K in them, but the bank only showed \$25K in cash. Issue was not all accounts were reconciled for 7 years. This resulted in negative account balances for the clubs.
3. School diocese was having one person doing everything for the books with no review or supervision. Resulted in 2 years of no bank reconciliations performed and \$88,000 worth of reimbursements to the individual for purchases made on their personal credit card.

POP QUIZ #6

What is the difference between Skimming and Cash Larceny?

- Skimming is cash stolen before it is recorded. Larceny is cash stolen after it is recorded.

How is unallowable and fraudulent disbursements often made?

- With undeposited funds that are in the safe.

What should you do if you suspect corruption in your District?

- Get help! Call the auditor hotline or notify a Board Member that does not have control of the finances.

What is a very each thing to do in order to help detect multiple schemes or frauds?

- Compare the results from the current year to the prior year.

FINAL REVIEW

TIME TO SEE WHAT YOU
LEARNED!



CPAs & BUSINESS ADVISORS

FINAL REVIEW #1 – RECORD RETENTION

How long must the ASB keep their meeting minutes, invoices, bank reconciliations and other important documents?

- A. 7 Years
- B. 4 Years
- C. 2 Years
- D. 10 Years

Answer: B

FINAL REVIEW #2 – CASH RECEIPTS

True or False: I can lump all receipts into one line item in the Accounting System.

Answer: False. Detail all information recorded in the ASB Accounting System.

FINAL REVIEW #3 - FUNDRAISING

True or False: I can't do a joint fundraiser with a PTSA or Booster club.

Answer: False. You can, as long as there is a signed agreement with them, the PTSA or Booster club run the event, and then pay the ASB program the agreed upon amount. FCMAT says ASB can not make payments to a PTSA or Booster Club.

FINAL REVIEW #4 - EXPENDITURES

What expenditures would you expect not to be allowable below:

- A. Purchase of gift cards for the teachers
- B. Transfer of funds to another club for services rendered
- C. Buying cameras for the video production club
- D. Purchasing food for the pie throwing fundraiser
- E. Payment for the referees of the game
- F. Providing a donation to a museum, instead of paying for the fieldtrip.
- G. Paying for a new safe to be installed for the ASB Bookkeeper

Answers: A, B, F, G

FINAL REVIEW #5 – VENDOR LIST

What are the red flags to notice in reviewing the vendor master list?

- A. Duplicate Entries
- B. Missing Information
- C. Employee Information Listed
- D. Same Information as District Personnel
- E. All of the above

Answer: D

FINAL REVIEW #6 – MONTHLY RECONCILIATION

What could be wrong if the first reconciliation is good, but the second reconciliation does not reconcile?

- A. Not all transactions have been entered in the system, including a possible missing account
- B. The bank reconciliation has been altered or forged
- C. Checks have not deposited by the vendors
- D. All of the above

Answers: D

FINAL REVIEW #7 – YEARLY REVIEW

What percentage is a good starting place for investigating certain account variances?

- A. 20%
- B. Whatever you think is best
- C. 30%
- D. 40%

Answer: B

FINAL REVIEW #8 – ISSUES FOUND

True or False: If I find something wrong, is there fraud at my school?

Answer: False. Human error is a real thing. If you find one thing wrong, it could be a mistake. If you find one thing wrong multiple times, it could be fraud or a mistake. If you find many things wrong multiple times, then it most likely is fraud.

FINAL REVIEW #9 – FRAUD IN ASB

True or False: Illegal Gratuities are when an agreement, understanding, or discussion occurred before the event.

Answer: False. This is Bribery and not Illegal Gratuity.

FINAL REVIEW #10 - OVERVIEW

True or False: The ASB funds are for the District or School to use.

Answer: False. The funds are FOR the students and to be spent BY the students.

QUESTIONS?

This presentation is presented with the understanding that the information contained does not constitute legal, accounting or other professional advice. It is not intended to be responsive to any individual situation or concerns, as the contents of this presentation are intended for general information purposes only. Viewers are urged not to act upon the information contained in this presentation without first consulting competent legal, accounting or other professional advice regarding implications of a particular factual situation. Questions and additional information can be submitted to your Eide Bailly representative, or to the presenter of this session.

THANK YOU

Our firm offers both accounting consulting to train staff one on one at both the site and District level. Should the District determine it needs further investigation into any suspected fraud or misappropriation of assets, our firm has a team trained in fraud and forensic accounting to investigate. Please contact: Caroline Larson, Accounting Consulting Partner calarson@eidebailly.com or Brandon Waldren, Fraud & Forensics Senior Manager, bwaldren@eidebailly.com for more information



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