

Board of Education Policy

**RULES FOR THE SAFEGUARDING, ACCOUNTING, AND AUDITING
OF EXTRA-CLASSROOM ACTIVITY FUNDS
ADMINISTRATIVE REGULATIONS**

General

There are certain principles and procedures that should be followed in establishing an adequate accounting system for extra-classroom activity funds. The following basic devices are essential to the proper management of such funds:

Basic Principles

- A. Two separate and independent sets of records of receipts and expenditures shall be maintained, one by the Extra-classroom Auditor and/or Treasurer and one by the Student Activity Treasurer.
- B. The authority to expend monies shall be distinct and separate from the custody of these monies.
- C. At least two individuals shall take part in each act of disbursing money; e.g., the Student Activity Treasurer, Extra-classroom Treasurer, or Extra-classroom Auditor.
- D. The custodian of funds and either the Extra-classroom Treasurer or Extra-classroom Auditor shall report to the Board of Education or its designated representative regularly and independently.
- E. All accounts shall be audited at least annually, by the independent auditor.
- F. Procedures shall be established which will ensure a prompt and careful examination and check of each receipt and each payment.
- G. The accounting system shall be such that it will yield the largest possible educational return to students without sacrificing the safety of funds or exposing students to undue responsibility or unnecessary routine.

Appointment of Officers

The Board shall appoint, on the recommendation of the Superintendent of Schools, members of the regular faculty and clerical staff to fill the following positions:

- 1) Extra-classroom Treasurer;
- 2) Extra-classroom Auditor;
- 3) Faculty Adviser;
- 4) Independent Auditor.

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The Building Principals shall be Chief Faculty Counselor(s) and shall recommend to the Superintendent Faculty Advisors for each extra-classroom activity. Each extra-classroom activity shall elect an activity President, Secretary, and Student Activity Treasurer (students).

Function and Duties of Officers

1) Extra-classroom Treasurer (appointed by the Board of Education)

It shall be the duty of the Extra-classroom Auditor and/or Treasurer to have custody of all funds. All disbursements of funds shall be by means of pre-numbered check forms signed by the Extra-classroom Treasurer and Extra-Classroom Auditor upon receipt of a payment order signed by the Student Activity Treasurer, Faculty Adviser, and Principal. The Extra-classroom Treasurer shall have no part in the approval of payments but shall disburse funds only on the presentation of a properly signed payment order providing, of course, that there are sufficient funds available in the account. The completed check will be sent to the vendor after posting. The Extra-classroom Treasurer in conjunction with the Extra-classroom Auditor shall sign a receipt for all funds placed in his/her custody and he/she shall deposit these funds promptly in a bank designated by the Board of Education. The Extra-classroom Auditor shall keep an account listing the receipts and disbursements of each individual activity and post a register of all the receipts and disbursements of the combined pupil organization on ledger forms prescribed by the Board of Education. Once each month, the Extra-classroom Auditor and/or Treasurer shall receive and verify the bank statements and at least once each quarter prepare reports for presentation to the Extra-classroom Treasurer and Auditor and the Board of Education. The Extra-classroom Treasurer in conjunction with the Extra-classroom Auditor will review the reports and reconciliation of bank balances to the Board which show beginning balances, receipts for the month, disbursements for the month, and the ending balances for each organization, as well as a copy of the bank reconciliation.

2) Extra-classroom Auditor (appointed by the Board)

The function of the Extra-classroom Auditor shall be distinct and separate from the duties of the other officers. The person appointed as Extra-classroom Auditor shall have no part in the approval of payments and the planning of income.. The Extra-classroom Auditor will review each payment form for proper approvals and documentation. The Extra-classroom Auditor in conjunction with the Extra-classroom Treasurer shall sign a receipt for all funds placed in their custody and they shall deposit these funds promptly in a bank designated by the Board of Education. This Regulation prohibits the appointment of a Building Principal or the Superintendent of Schools as Extra-classroom Auditor inasmuch as the Building Principal should serve as Chief Faculty Counselor, and the Superintendent of Schools would have general supervision of the entire system and would be responsible for the decisions of the Chief Faculty Counselor and the Faculty Advisers. In order to establish the

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responsibility of the Extra-classroom Treasurer and to make available to this office adequate evidence of all financial transactions, the Extra-classroom Treasurer shall receive once each month from the Extra-classroom Auditor, a complete statement of the accounts showing the balance for each activity and the total balance for all accounts. In addition, the Extra-classroom Auditor may call in the ledgers kept by the Student Activity Treasurers at least twice a year in order to compare the balance as shown on the Extra-classroom Auditor and Treasurer's report with the balance recorded in the ledger of the Student Activity Treasurer. The Extra-classroom Auditor should also examine various transactions and paperwork to determine if correct procedures are being used. He/she shall certify on these pages as to the accuracy of the entries posted and the available balances listed. The Extra-classroom Auditor in conjunction with the Extra-classroom Treasurer will prepare reports and reconciliation of Bank Balances for the Board which show beginning balances, receipts for the month, disbursements for the month, and the ending balances for each organization, as well as a copy of the bank reconciliation.

In the event that the ledgers of the Student Activity Treasurer do not agree with the ledger kept by the Extra-classroom Treasurer, the Extra-classroom Auditor shall base his/her investigation on the supporting evidence kept by the Student Activity Treasurer and the Extra-classroom Auditor in the form of audited receipt statements, signed deposit slips, original audited bills, signed pay orders, canceled checks, and bank statements. The entries in the Extra-classroom Treasurer's and Auditor's books and Student Activity Treasurer's ledgers are in the final analysis, based on forms, bearing not only the signature of the Student Activity Treasurer, but also the counter signature of the Faculty Adviser.

3) Chief Faculty Counselor (the Building Principal)

It shall be the duty of the Chief Faculty Counselor to coordinate the financial planning of all projects of the various pupil organizations in his/her building; to consult with the Faculty Advisers; to recommend Faculty Advisers for each activity in his/her building on a year-to-year basis to the Superintendent of Schools for Board approval; and to submit to the Superintendent of Schools all new activity organizations initiated by the students for Board approval. He/she shall investigate all problems and disputes concerning the student organizations under his/her jurisdiction and shall effect action that will enable these problems and disputes to be resolved. In addition, he/she shall be charged with implementation of a corrective action plan developed as part of the audit of the activities under his/her jurisdiction.

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4) Faculty Advisor (appointed by the Chief Faculty Counselor)

It shall be the duty of the Faculty Advisors to guide and advise the pupil officers in planning extra-classroom activities and the planning of financial budgets. The Faculty Advisors shall assist the Student Activity Treasurer in the preparation of statements of profit and loss. They shall audit these statements and sign them as acknowledgments of verification of the activity statement to be attached to deposit slips. The Faculty Advisors shall guide the Student Treasurers in posting their account ledgers and from time to time shall check the balancing of the Student Activity Treasurers' accounts and the completeness of their supporting evidence. The Faculty Advisors shall supervise disbursements by ensuring that funds are available before approving each proposed purchase and by signing all pay request forms drawn on the Extra-classroom Activity Account and approved by the Student Activity Treasurer for disbursement of funds. The Faculty Advisors are responsible for determining which of the activities of their organizations are subject to sales tax and for taking steps to see that all tax information is accurately recorded and sent to the Extra-classroom Treasurer. The Faculty Advisors shall constantly work toward the goal of insuring the largest educational return from the activities participated in by the pupils.

Each Faculty Advisor shall receive a copy of Board policy governing the conduct and operation of extra-classroom activity funds and shall sign a declaration that they have received, read, and understand said policy and declare that the activities of the club shall be conducted in accordance with said Board policy prior to appointment. Failure to adhere to Board policy may result in disciplinary action.

5) Student Activity Treasurer (elected by the pupils of each organization)

The Student Activity Treasurer shall receive all monies raised by the activity and shall immediately deposit such funds with the Extra-classroom Treasurer and/or Extra-classroom Auditor. Deposit slips shall be made out and signed by both the Faculty Advisor and Student Activity Treasurer. A copy of these slips is to be retained by the Extra-classroom Auditor and/or Treasurer, and one, after being signed by the Extra-classroom Auditor and Extra-classroom Treasurer, is to be returned to the Student Activity Treasurer together with an Extra-classroom Auditor's receipt.

The Student Activity Treasurer shall pay all bills by issuing payment orders signed by himself/herself and the Faculty Adviser. This form is to be completed in order for the Extra-classroom Treasurer to issue a check for payment of the invoice, which shall be attached to the payment order. The Extra-classroom Treasurer and Auditor will keep one copy of the payment order and return the other copy together with the completed check to the Student Activity Treasurer. The Extra-classroom Activity Treasurer and/or Auditor will then send the check to the vendor involved after posting. The Student Activity Treasurer shall keep a ledger showing all receipts and disbursements and indicating a daily

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running balance, which shall be on a form prescribed by the Board of Education. He/she shall file all supporting data chronologically as evidence for the entries made in the ledger.

6) Independent Auditor (appointed by the Board)

The Independent Auditor is appointed by the Board of Education to make an annual audit of all District finances and should be required to include the extra-classroom activity fund as a part of his/her annual audit. This audit should include a statement of receipts, disbursements, and balances for each activity together with a reconciliation of cash.

Procedures in Handling Funds

Pre-Audit of Receipts

Confusion and sometimes loss of funds can be traced more often to a lax checkup and recording of money taken in than to any other single cause. For this reason, every reasonable precaution should be taken to protect the individual concerned and the money collected. Consequently, the most important functions are the prompt checking, recording, and depositing of receipts.

Extra-classroom activities funds are derived from a number of sources such as admissions, membership dues, sales, campaigns, and donations. The procedures used in collecting and pre-auditing (checking) these several types of receipts will naturally vary. So far as possible, devices should be used that will make it possible to determine in advance the amounts that should be received.

To facilitate the pre-audit and recording of receipts, statements should be completed by those collecting money. Such a statement should, on the face of it, give all the essential data for a complete check and audit of the receipts. A determination should be made as to whether the activity falls within the provision of the New York State Sales Tax Law, and an estimate should be obtained as to the amount of sales tax that will be collected. *An Individual Project Profit or Loss Statement* may be prepared to enable those collecting money to prepare a complete report and to verify the money turned over to the Student Activity Treasurer. In addition, the *Individual Project Profit or Loss Statement* will afford protection for those handling funds, facilitate a check and serve as documentary evidence that can be used for accounting purposes. A pre-audit of receipts should make only reasonable allowances for errors in making change.

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Admissions

Pre-numbered tickets shall be used so that the Faculty Advisor may, by reference to the beginning and ending ticket numbers, determine the amount that should be collected. A different color should be used for each occasion, thus making it difficult for anyone to use old tickets, and ticket collectors shall destroy each ticket by tearing it in two, giving one part to the customer and retaining one.

Receipts from Sales, Campaigns, Etc.

Pupils collecting monies should, whenever possible, issue pre-numbered receipts in duplicate, the original to be given to the purchaser and the duplicate to the Student Activity Treasurer of the activity after the audit has been completed. In those cases where receipts are not practical, for example, a candy sale, the Student Activity Treasurer with the assistance of the Faculty Adviser should prepare a statement whereby the exact amount to be realized by the sale is determined in advance. Each salesperson should be given a statement showing the amount he/she is to receive. After the sale, each salesperson should then turn in that amount in cash and unsold goods. Each salesman shall log inventory distributed for sale and returned on an Inventory Control Sheet.

Inventory

Inventory items held for resale must be adequately safeguarded in a secure location and properly accounted for, including an accounting of and reconciliation of amounts on hand at all times.

Donations

Gifts or donations are usually made in lump sums and should be recorded in the minutes of the activity. The Student Activity Treasurer should issue a receipt and deposit the gift with the Extra-classroom Treasurer and/or Auditor.

Receipt of Moneys

Upon receiving money, the Student Activity Treasurer will take the following steps:

- 1) Ensure that if the money received is from a fundraising event, that a completed *Individual Project Profit Or Loss Statement* is on file or accompanies the money received;
- 2) Count the money received and reconcile with the *Individual Project Profit or Loss Statement* that is involved in the transaction. The Faculty Adviser should sign the statement next to the signature of the Student Activity Treasurer, check any Student Activity Treasurer receipts involved, place

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the receipts in a bank deposit bag, and place the bag in the school vault until the next school day. No activity money should be taken home by anyone;

- 3) Prepare the deposit slip, obtain the signature of the Faculty Adviser on the deposit form following his/her review, and deposit the funds with the Extra-classroom Treasurer and/or Auditor;
- 4) Return all funds used for making change;
- 5) Receive the copy of deposit form with a transaction listing signed by the Extra-classroom Treasurer and/or Auditor;
- 6) Enter the amount of the deposit in the activity fund register indicating the source from which the funds were received; and
- 7) File chronologically the supporting data consisting of the duplicate deposit slip, and, if applicable, the *Individual Project Profit or Loss Statement*. These forms provide the evidence for the entries made in the Student Activity Treasurer's books.

Payments

When merchandise is to be purchased, the Faculty Adviser is responsible for making sure the purchase is proper in all respects. When the goods are received and the invoice arrives, the student Activity Treasurer, under the Faculty Adviser's supervision, shall check the goods and invoice to see that there are no discrepancies. When it is determined that the invoice is correct, the following steps are taken:

- 1) The payment form is prepared in duplicate and signed by both the Student Activity Treasurer and Faculty Adviser.
- 2) The final audited invoice is attached to the original payment form and both are given to the Extra-classroom Treasurer.
- 3) The Extra-classroom Treasurer records the payment form and prepares the check.
- 4) The Extra-classroom Treasurer and/or Auditor makes the entries in his/her books and files both the original payment form and the invoice as evidence for the entries.
- 5) A copy of the payment form will be sent to the Activity Advisor to give to the Student Activity Treasurer.

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- 6) The Student Activity Treasurer makes the necessary entry in his/her books indicating to whom the check is made out and the reason. The Extra-classroom Treasurer and/or Auditor then sends the check to the vendor. The Extra-classroom Treasurer and/or Auditor files the payment form, as supporting documentation for the entry.

Transfer of Funds From One Activity To Another

It may be necessary or desirable occasionally to transfer funds from one activity to another. This may be done by the use of a payment order. The Student Activity Treasurer of the activity managing the donation will upon proper authorization draw a payment order stating all essential facts. The Extra-classroom Treasurer and/or Auditor will then effect the necessary transfer in his/her accounts, and no money will actually change hands.

Bonding of the Extra-classroom Auditor

The Board shall arrange for the bonding of the Extra-classroom Auditor and Treasurer of the extra-classroom activity fund for no less than the amount of the average cash balance of the fund.

Investing Extra-classroom Activity Account Monies

The Extra-classroom Treasurer may entrust a portion of the fund in a time deposit account, a certificate of deposit, a savings account, or other investment approved by the Board of Education. The investment of this money must be authorized by the Board of Education and shall be credited to each activity account based on its prorata principal investment.

Closing Out of Inactive Accounts

Prior to the termination of a student organization, all funds will remain in the custody of the Extra-classroom Treasurer and Auditor for six months and then disposed of in one of the following ways:

- 1) Expended by vote of the organization controlling these funds as provided for in the bylaws;
- 2) Transferred to another student organization following the standard withdrawal procedure; or
- 3) An account that is inactive for two years should be terminated with the monies transferred to the activity representing the general student organization or student council.

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Graduating Class Accounts

Upon graduation, all funds in the Senior Class Treasury will be disposed of in one of the following ways:

- 1) Expended by vote of the organization controlling these funds as provided for in the bylaws.
- 2) Transferred to the general student organization or student council.

Sales Tax

A school district is not exempt from the provisions of the Sales Tax Law whenever it becomes the vendor of services or property ordinarily sold by private persons. Each Faculty Adviser must determine which of the activities his/her organization undertakes are subject to sales tax and take steps to see that all sales tax information is accurately recorded and sent to the Extra-classroom Treasurer.

Below are selected events (not all-inclusive) and their taxability status.

Sale of Candy Bars

Tax Law §1115 (a) (1) generally provides an exemption for the sales and purchases of food, food products, and beverages sold for human consumption. However, the exemption does not apply to candy or sodas and soft and fruit drinks, which contain less than 70% natural fruit juice.

Spaghetti Dinners

Tax Law §1115 (a) (1) generally provides an exemption for the sales and purchases of food, food products, and beverages sold for human consumption. However, the exemption does not apply to catered situations, where the students of the club would be serving, assisting in serving, cooking, or otherwise providing services with respect to the food items in question.

Bake Sales

Tax Law §1115 (a) (1) generally provides an exemption for the sales and purchases of food, food products, and beverages sold for human consumption. This provision exempts bake sales from the collection of sales tax.

Vending Machine Sales

Where tables, chairs, benches, etc. are provided where the vending machine operations are conducted, the sales through the vending machine are taxable. Where no eating facilities are provided, the sales are exempt from NY sales tax.

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Food or Beverage in a Heated State

All sales of prepared food sold in a heated state (where the food is maintained at a temperature warmer than surrounding air temperature), such as pizza, barbecue chicken, popcorn, coffee, tea, etc. are subject to sales tax.

Purchases of Prepared Food for Resale

The purchase of the prepared food is subject to NY sales tax, and sales tax must be collected upon the subsequent resale. (Sales tax paid on initial purchase may be taken, as a credit against tax required to be collected upon subsequent resale).

Admission Charges

Exemption is provided from NY sales tax for admissions to dramatic or musical arts performances, which do not include variety shows, magic shows, circuses, ice shows, and similar performances. Included in the exemption is an admission charge to choreographed performances to music, which may exempt color guard admissions. Admission charges for entertainment or amusement are taxable, such as social dances.

Sale of Newspapers/Periodicals

Exempt from NY sales tax.

Sale of Yearbook

Taxable under provisions of NY Tax Law, however if the entire cost of the yearbook is underwritten by the Board of Education, the sale of the yearbook becomes an exempt transaction. Advertising space sold in the yearbook is not taxable.

Sweatshirt, T-Shirt, Jacket Sales

Clothing and footwear sold for less than \$110 per item or pair, and items used to make or repair such clothing, are exempt from NYS sales and use tax (but such exemption does not apply to local sales and use taxes, unless the County or City imposing the taxes elects to provide this exemption). Tax Law §1101 (b) (4) provides that property purchased for resale is expressly excluded from NY sales tax (BUT ONLY IF A RESALE CERTIFICATE IS ISSUED TO VENDOR). Tax Law §1105 (a) provides that sales tax is imposed on the sale of tangible personal property. When a student organization purchases merchandise for resale, vendors are required to collect the sales tax unless they receive a Resale Certificate (NYS Sales Tax Form ST-120) from the buyer.

Accounting Records and Their Use

A. The Extra-classroom Auditor and Treasurer should keep the following records:

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1. Register of Receipts (Control) – On this form he/she will record chronologically all receipts from whatever activity or source. This record should include the date, source of funds, receipt number, amount, and activity to be credited.
2. Register of Disbursements (Control) – On this form he/she will record chronologically all payments for whatever activity or purpose. This record should include the date, person receiving payment, check number, amount, and activity to be charged.
3. Extra-classroom Auditor and Treasurer’s Receipt and Expenditure Ledger – There shall be a separate account for each activity. Postings shall include: date, person to whom payment is made, or from whom money is received, and receipt or voucher number. One column is used for recording receipts, one for payments and one for balances. The Extra-classroom Auditor and Treasurer will keep such an account for each activity.
4. Extra-classroom Auditor and Treasurer’s Receipt – The Extra-classroom Auditor and Treasurer’s receipt form shall be pre-numbered and copied in duplicate; the original shall be given to the Student Activity Treasurer and the copy retained by the Extra-classroom Auditor and Treasurer. Every cent taken in by the Extra-classroom Auditor and Treasurer shall be accounted for in this manner. In addition to serving as a deposit slip, this will also furnish the Extra-classroom/Independent Auditor with information needed for checking receipts.
5. Voucher Check – This document should be pre-numbered and issued in duplicate. Signatures need appear only on the original. The original is the check, and the Extra-classroom Treasurer keeps the copy. The voucher part of the document should be in sufficient detail to clearly identify and describe the payment. It is to be used for posting purposes.
6. Inter-Organization Transfers – On occasion, one organization will want to transfer funds to another organization for services rendered or the general student organization may make appropriations to various activity organizations of the school. Transfers of this kind shall follow the customary procedure for making withdrawals through preparation of a payment order.

After making the necessary entries in the record books, the Extra-classroom Treasurer and Auditor instead of writing a check shall use an inter-organization transfer form. The original shall be given to the Student Activity Treasurer whose organization will receive the funds and the duplicate copy shall be sent to the organization paying the funds. When the Student Activity Treasurer receives the form, he/she shall make the necessary entries in the books and file the transfer form as evidence to support the form.

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7. Extra-classroom Auditor and/or Treasurer's Report on Extra-classroom Activity Accounts – In accordance with Part 172.3 (b) of the Regulations of the Commissioner of Education, the Extra-classroom Auditor and/or Treasurer of the extra-classroom activities fund shall submit a monthly financial report to the Board pertaining to the receipts and expenditures for all accounts in his/her custody.

B. The Student Activity Auditor and Treasurer should keep the following records:

1. Student Activity Auditor and Treasurer's Receipt and Expenditure Ledger – The various extra-classroom activity organizations shall prepare budget estimates of their needed income and expenses under the guidance and with the assistance of their Faculty Advisers. The final drafts of these budgets shall be prepared in quadruplicate and copies filed with the Chief Faculty Counselor, the Extra-classroom Auditor and Treasurer, the Faculty Adviser, and the Student Activity Treasurer.

An average activity will need one sheet for its receipt and expenditure ledger. A more complex activity should use one sheet for its Building Principal ledger and as many sheets as necessary for subsidiary accounts. As an example of a complex activity, the yearbook activity account may use three sheets for subsidiary revenues (advertising, sales, and other) and four sheets for subsidiary expenses (printing, and layout, photography, artwork, binding). At a given point in time, the total of the subsidiary accounts will equal the balance on the Building Principal ledger.

By contrast, a chess club activity may not need subsidiary accounts. At regular intervals fixed by the Chief Faculty Counselor, the Student Activity Treasurers shall balance their ledgers and present them for the examination of the Extra-classroom Auditor. Space should be provided for the signature of the Extra-classroom Auditor indicating approval of the balance after verifying the records.

The Faculty Adviser shall supervise the posting of the Activity Treasurer's ledger when approving payment orders on the Extra-classroom Treasurer. At the end of the school year, the Activity Treasurer's ledgers shall be turned over to the Faculty Adviser after the completion of the final audit and be placed on file for the inspection and guidance of succeeding officers. Each Student Activity Treasurer will keep such an account for his/her activity.

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2. Deposit Receipt – The deposit receipt form shall be prepared in duplicate by the Student Activity Treasurer. A copy of the detailed statement of the source of the receipts being deposited, signed by the Faculty Adviser, shall accompany the deposit receipt and is filed with the Extra-classroom Auditor and Treasurer. The Extra-classroom Auditor and Treasurer shall acknowledge the receipt of these funds by signing and dating the receipt and entering the consecutive register number on the receipt. The original copy shall be filed with the Extra-classroom Auditor and Treasurer along with detailed statement or report of the income. The Student Activity Auditor and Treasurer shall retain a copy.
3. Student Activity Treasurer’s Receipt – The Student Activity Treasurer’s receipt shall be a pre-numbered form used by the Student Activity Treasurer of each activity for acknowledging receipt of money. These forms shall be stamped with the name of the activity before the blanks are issued to the Student Activity Treasurer. This receipt and some other documentary evidence, such as a statement of admissions, shall together account for all the money taken in by the activity.
4. Payment Order – The Student Activity Treasurer shall prepare the payment order in duplicate whenever a payment or withdrawal is to be made. The Student Activity Treasurer shall secure the signature of the Faculty Adviser as recording approval of the contemplated expenditure. The Faculty Adviser shall certify the amount of the balance available. This information shall be recorded on the payment order for the guidance of the Extra-classroom/Independent Auditor when the transactions are being audited and for the purpose of confirming the proper posting of the Student Activity Auditor and Treasurer’s records. If the balance recorded does not agree with the balance shown on the Extra-classroom Auditor and Treasurer’s ledger, the issuance of the check shall be held up until the Faculty Adviser can determine the cause of the discrepancy. The Student Activity Treasurer, after securing the approval of his/her Faculty Adviser, shall present the form.

All payment orders shall be accompanied by a final audited invoice, which shall be filed with the Extra-classroom Treasurer. The Extra-classroom Treasurer shall acknowledge receipt of the payment order by entering his/her consecutive register number on the order and also by recording the number of the check issued in compliance with the properly drawn payment order. The Student Activity Treasurer shall retain a copy.

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