

Procedures and Internal Controls for Internal Accounts

OVERVIEW

Ionia Public Schools maintains a bank account to account for revenues that are received and disbursed for the sole purpose of supplementing student and athletic extracurricular activities. This bank account is known as Internal Accounts and shall be maintained and operated within state and federal law, board policy, administrative guidelines and district established procedures.

In accordance with GASB #84, the District has determined that all revenues maintained within the internal accounts meet the definition of a Governmental Fund. Therefore, all revenues will be maintained in the Special Revenue Fund (29) and will be classified as public funds. As a result of this determination, these revenues are subject to the same legal restrictions as all public funds unless a legal exception applies.

Each internal account maintains individual funds that the District has administrative control and operates for the sole purpose of supplementing student and athletic extracurricular activities. Each of these funds shall have a district employee or 3rd party designated coach/advisor identified as the individual responsible for managing that fund (hereby known as the "fund manager"). The building principal and/or athletic director (hereby known as the "administrator") have administrative responsibility over the internal account for their respective area. The administrator may also serve as the fund manager.

The administrator shall ensure that a clear and specific purpose has been identified for each fund. It must be for a public purpose, that aligns with the scope and nature of the District, and supplements student and athletic extracurricular activities. It must identify the particular group of students that the fund has been established to support. It must include a brief description of the objectives, activities and limitations of the fund. The fund purpose may not be broad and generic. This purpose shall be in writing and on file with the district business office and building/athletic secretary upon establishment and operation of the fund.

The administrator and fund manager do not have any ownership over the fund as all revenues collected are under the ownership of Ionia Public Schools. At any time, the Superintendent or Associate Superintendent of Business & Finance may assume administrative control over the internal accounts and remove the authority of an administrator or fund manager from their respective responsibilities.

Ionia Public Schools is the sole owner of all items purchased with internal account funds. Items shall be kept in the physical possession of Ionia Public Schools when they are not being used for the group of students that the fund has been established to support. No individual shall use any item for personal benefit.

RECEIPTS

Receipts for internal accounts are generally received through fundraising activities and donations. The administrator and fund manager shall ensure that the intended use of the funds is clearly communicated to everyone involved with the fundraising efforts and to prospective donors. This process is essential as donors have the right to “earmark” their donation for a specific purpose and this communication ensures agreement between the donor and District.

Receipts shall be in the form of cash or check. Check is highly preferred over cash. All checks shall be made payable to Ionia Public Schools and shall not be made payable to the fund manager or any other individual.

Fund managers will not make deposits directly to the bank. All athletic related internal account deposits shall be submitted to the athletic director or athletic secretary for deposit. All non-athletic internal accounts shall be submitted to the designated secretary for deposit. When the fund manager collects the receipts, they shall be turned in to the appropriate individual for deposit. The fund manager shall fill-out an internal account deposit form signifying the total amount of the receipts and which fund the receipts are to be deposited into. A log of cash and checks received must be maintained by the fund manager and attached to each deposit. The fund manager shall also include any correspondence or documentation deemed relevant to the receipts. If a discrepancy exists, then the depositor and fund manager shall work together to rectify the difference. All deposits must be verified by two people prior to depositing.

Deposits shall be on a regular basis in-order to minimize any money kept on hand in the District. Any receipts that have not been deposited shall be kept locked in a safe or in a secure location that is first approved by the Associate Superintendent of Business & Finance. The funds shall not be used to make change or spend in any form of petty cash type transaction without the approval of the Associate Superintendent of Business & Finance.

The fund manager/secretary shall record all deposits in the Google sheet specific to their internal account. All internal account deposit receipts and supporting documentation shall be filed with the Accounts Payable Specialist and a copy retained with the fund manager/secretary.

DISBURSEMENTS

Disbursements shall only occur for transactions that are directly related to the purpose of each internal account fund. These disbursements must be in accordance with state and federal law, board policy, administrative guidelines and district established procedures. It is both the fund manager’s and administrator’s responsibility to ensure that all disbursements occur within the appropriate requirements.

Internal accounts are considered public funds which must be expended in accordance with law and policy. Administrators, fund managers and building/athletic secretaries shall have a clear understanding of costs that are unlawful and/or unallowable.

The following is a non-exhaustive list of items that are **not** allowable and shall not be purchased using internal account funds:

- Any item or service that does not directly support the fund that the disbursement is being expended from.
- Any item or service that violates law or board policy.
- Meals, snacks or beverages that solely support administrators, coaches, teachers, etc. that is not for benefit of the whole group that the fund was established for.
- Staff picnics, flowers for funerals or showers, and gifts of any kind.
- Donations to a charitable organization. (An exception could be when the sole purpose of the fundraising activity is to go towards a charitable organization.)
- Donations to an educational foundation.
- Fees for administrators, coaches, teachers, etc. to attend a social event.
- Travel expenses for administrators, coaches, teachers, etc. that are not for benefit of the whole group that the fund was established for.
- Gas or gift cards of any kind.
- Any item or service that directly supports a non-public school.
- Any item or service that may cause an actual or perceived conflict of interest in accordance with board policy.

Payments to individuals and businesses for services provided will be required to complete a W-9 form and may receive a form 1099. Ionia Public Schools employees shall not be paid out of the internal account, and must be paid through payroll.

The internal account may not be used to pay for enhancements to the District's buildings, grounds or athletic facilities. The only exception to this is if the fund was established with this express purpose and receipts were collected accordingly. The Associate Superintendent of Business & Finance, Facilities & Grounds Director, and/or the Athletic Director shall be actively involved in the planning and completion of any such work.

Only the fund manager, administrator, Associate Superintendent of Business & Finance or Superintendent may obligate funds from the internal account. The fund manager must receive prior written authorization from the administrator for any purchase greater than \$1,000. This includes both, purchases ordered from a vendor and any costs incurred and paid by the fund manager that is subsequently seeking reimbursement. The written authorization shall be attached to the internal account transaction form/invoice upon submission for payment.

It is strongly recommended that purchases be made through the District instead of an individual purchasing and seeking reimbursement. The District has numerous vendor relationships which may provide advantageous pricing along with the ability to purchase tax exempt.

Under certain circumstances it may not be possible for activities to be paid by check or credit card in advance of or after the activity concludes. Examples may include field trips or athletic trips whereby admission, meals, transportation/lodging cost, etc. will vary. The administrator may authorize an advancement of payment. The fund manager is responsible for managing this advance payment in the same manner as required by board policy and administrative guidelines.

ANY PURCHASE MADE OUTSIDE OF THESE PROCEDURES IS NOT AUTHORIZED BY IONIA PUBLIC SCHOOLS AND MAY NOT BE PAID FOR. THIS MAY RESULT IN THE INDIVIDUAL THAT MADE THE PURCHASE BE PERSONALLY LIABLE FOR THE FINANCIAL OBLIGATION.

Payment for any authorized and allowable expenditure will be made by the Accounts Payable Specialist. An internal account transaction form and/or invoice, shall be completed and submitted to the administrator for approval. Once approved, the fund manager will record the transaction on the account Google sheet and submit to the Accounts Payable Specialist. A check will be created and mailed to the vendor. The internal account transaction form and/or invoice, check stub and any other supporting documentation shall be filed together in a designated location for internal account transactions.

If an administrator has approved payment that is believed violates these procedures, the Accounts Payable Specialist shall not issue the check and must immediately contact the Associate Superintendent of Business & Finance.

Internal account checks shall not be made payable to "cash", "bearer" or something of similar meaning. The Associate Superintendent of Business & Finance's signature is required on checks. Check stock is pre-printed and shall be kept locked in a safe or in a secure location that is first approved by the Associate Superintendent of Business & Finance.

OVERSIGHT

It is the administrator's responsibility to maintain oversight of all internal account funds.

The Accounts Payable Specialist will complete the bank reconciliations monthly and reviewed by the Associate Superintendent of Business & Finance. A review of each building's internal account Google sheet will be conducted periodically throughout the year.

Any questions regarding these procedures shall be directed to the Associate Superintendent of Business & Finance.

Board policy and administrative guidelines can be found at www.ioniaschools.org.