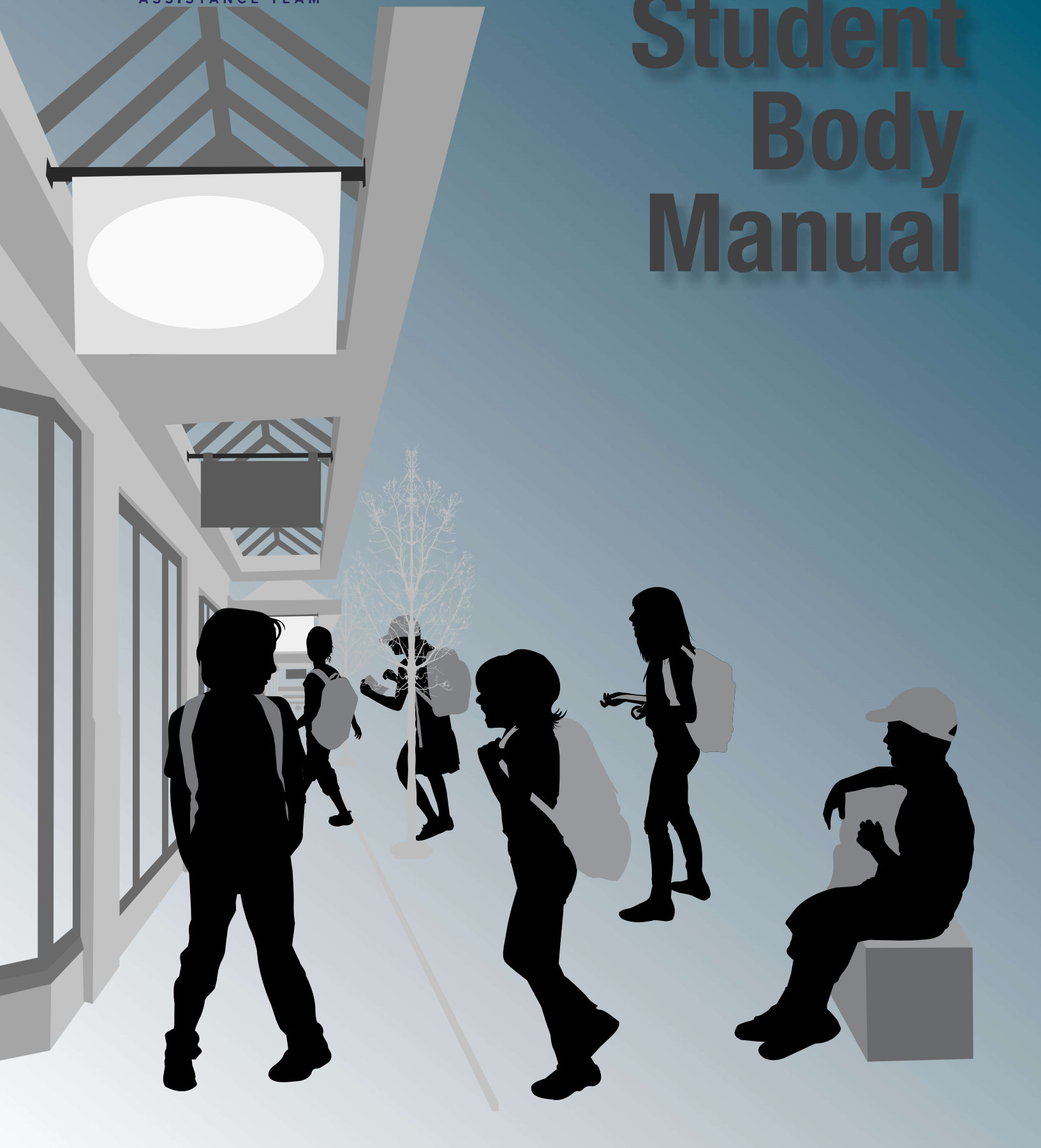
FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Associated Student Body Manual



This page intentionally left blank.

Publishing Information

The FCMAT *Associated Student Body Manual* is published by the Fiscal Crisis and Management Assistance Team (FCMAT)
(mailing address: 1300 17th Street, Bakersfield, CA 93301).

© 2026 by Fiscal Crisis and Management Assistance Team
All rights reserved.

Date of last revisions: May 21, 2026.

A complete, printable version of this publication may be downloaded or reproduced at no charge at fcmat.org.

This page intentionally left blank.

Table of Contents

Foreword XIII

Chapter 1 – Introduction 1

ASBs 1

Intent and Use of the ASB Manual 1

ASB Laws 2

Importance of Board Policy 2

Guidance, Standardization, and Training 3

Chapter 2 – Roles and Responsibilities – Administration of an ASB 5

The State of California 5

Importance of Board Policy and Administrative Regulations 5

Board Policy and Administrative Regulations Govern ASB 5

All Board Policies and Administrative Regulations Apply Equally to ASB 6

The Authority of the Governing Board Over Student Decisions 6

The Superintendent 6

The Business Office's Role In Successful ASB Operations 7

The Principal/School Administrator 8

Unorganized ASBs 8

Organized ASBs 10

The ASB Advisor 11

Certificated Requirement 11

Accountability and Penalties for Misconduct in Administration of ASB Funds 13

Classified Employee 13

The Advisor/Student Activities Coordinator's Responsibilities 14

The ASB Bookkeeper 16

The Student Council 17

Organized ASB Student Council 17

Unorganized ASB Student Council 17

The Independent Auditors 18

The Food Service/Cafeteria Program 18

Food Sales Rules and Regulations 18

Groups That Should Not Administer or Supervise Activities of Student Organizations 19

School-Connected Organizations: Booster Clubs, Foundations, Auxiliary Organizations and other Parent-Teacher Associations 19

Chapter 3 – Laws and Regulations 21

Laws and Regulations Overview 21

Education Code 21

California Code of Regulations – Title 5 21
Penal Code 21
Health and Safety Code 21
Revenue and Taxation Code 21
Internal Revenue Code 22
California Constitution 22
Importance of Good Business Practices 23
Board Policy and Administrative Regulations 23
Recommended Legal Background Knowledge 24
General Guidance Provisions of Law – TK-12 24
Fundraising Activities Provisions of Law – TK-12 25
Taxes 25
Tax-Exempt Status and Donations 25
Laws Governing TK-12 Food Sales 26
School-Connected Organizations and Groups 27
Chapter 4 – Forming an ASB 29
Organized vs. Unorganized ASBs 29
Unorganized ASBs may Operate as Organized, but Organized ASBs Cannot Operate as Unorganized 29
Unorganized ASBs: Elementary, Combined TK-8 and TK-12, Adult Education, Continuation Schools, Special Education, and ROCPs 29
Organized ASBs: Middle, Junior, and High Schools, and Middle and Early Colleges 30
It's All About Students 30
Student Organization and Club Trust Accounts 34
Club Formation 35
Types of Trust Accounts 35
ASB Accounting for Trust Accounts and Subaccounts 36
Club Requirements 36
Principal/School Administrator Approves Non-ASB Clubs 37
Sports and Athletic Clubs 37
Athletics Within ASB 37
Athletics as One Club for All Sports 38
Athletics as One Club for Each Sport 38
Athletics Outside of ASB 38
How To Close Out Athletics Balances from ASB 39
General ASB/Student Council – Fundraising and Use of Funds 40
Individual Versus Ongoing Fundraisers 40
Use of ASB Student Council Funds 40
New Club Startup Grants 40
Inactive Clubs and Club Dissolutions 41

Disposal or Sale of Equipment – Active, Inactive and Dissolving Clubs 42
Changing a Club's Name 42
Merging Clubs 43
ASB Closure/School Closure 43
Club Constitution or Bylaws Govern Club Closure 44
No Existing Guidelines for Dissolution 44
Disposition of ASB Equipment 44
District Reorganization 44
Student Council, Class Group and Club Meetings 44
Virtual Meetings 44
Minutes of Meetings 45
New Schools 47
Chapter 5 – General Business Practices and Internal Controls 55
The Business Operating Cycle 55
Establishing the Bank Account 55
Savings Accounts and Certificates of Deposit 55
Good Business Practices for Bank Account Management 56
Internal Controls 56
Definition and Importance 56
Segregation of Duties 57
Internal Control – Basic Components 58
Internal Controls Checklists 59
Internal Controls Checklist by Job Responsibility 60
Access Controls 70
Maintaining ASB Records 70
Good Business Practice for Record Retention 70
Retention Guidelines for Student Body Records 70
Public Records Requests 71
Temporary Loans 71
Loans Between Clubs 71
Approval of Loans 72
Loans May Be Problematic 72
Insurance 72
Whistleblower Hotlines and Fraud Reporting Websites 73
Information Summary, Document Checklist and Questionnaire 73
Chapter 6 – Budgets and Budget Management 79
Student Council / Club Budgets 79
Unorganized ASBs 79

Organized ASBs 79
Preparing a Budget 79
Budget Monitoring 84
Budget Revisions 84
Carryover of Unexpended Balances 84
Repurposing ASB Funds 86
What Happens when a Class Graduates? 86
Funds Do Not Follow Students to Another School 87
Chapter 7 – Accounting and Financial Management 93
Accounting Systems 93
Manual Accounting Systems 93
Computerized Accounting and Tracking Systems 93
Journal Entries and Transfers 94
Prepaid Transactions 94
Accounting for Theft or Loss 95
Centralized versus Decentralized Accounting 95
Chart of Accounts 97
Assets 97
Liabilities 97
Trust Accounts 97
Equity/Fund Balance/Net Assets 97
Revenue 97
Expenses 98
Standardized Chart of Accounts 98
Financial Reporting and Closing the Books 98
Standard for Unorganized ASB Operations 98
Standard for Organized ASB Operations 98
Types of Financial Reports 99
Profit and Loss Statement 99
Balance Sheet 100
Closing the Books 100
District Business Office Support 101
Annual Audit 101
ASB Items for the Annual Audit 104
Bank Reconciliations 104
Challenges of Bank Account Reconciliations 104
Good Business Practices for Bank Account Management and Reconciliation 105
Chart of Accounts for Small ASBs 108
Chart of Accounts for Large ASBs 109

Balance Sheet – Small ASB 111

Chapter 8 – Fundraising Events 115
Approval of Fundraisers 115
Fundraising Approval by the Board or Board Designee 115
Fundraiser Priority Status 115
School-Connected Organization Fundraising 115
Good Business Practices for Fundraising Approval 116
Fundraising for Events with Tiered or Limited Participation and Entrance Fees 116
Revenue Potentials for Individual Fundraiser Events 117
Parameters for Fundraising Events 117
Unapproved/Disapproved Fundraisers 118
Fundraising – Internal Controls 118
Scheduling Fundraisers 118
Extra Credit for Fundraiser Participation 119
Shared or Joint Fundraisers 119
Student Council Fundraising for Other Clubs 119
Door-to-Door Sales 119
Unreturned Cash Sales or Unreturned Items 120
Frequency and Scheduling of Fundraising Events 120
Typically Allowed Fundraising Events and Revenues 121
Disposal of Equipment/Inventory Without ASB Approval 124
Fundraisers That May Not be Allowed 125
Shall Not Allow — Raffles or Games of Chance 125
May Not Allow — Opportunity Drawings 126
Shall Not Allow — 50/50 Raffles 127
Shall Not Allow — Other Forms of Drawings 127
Shall Not Allow — Trading Student Labor for Fundraising Donations 127
May Not Allow — Activities that Pose Liability, Safety or Risk Concerns 127
Should Not Allow — Rental of District-Owned Equipment or Facilities to Outside Groups 128
Should Not Allow — Collection of AP Testing Fees by or for ASB 128
Fundraising Support from School Administration 129
Board Guidance and Approval 129
Procedures for Reporting Revenue Sources 129
Nonstudent Group/School-Connected Organization Fundraising 129
ASB Accounts are not Pass-Through Accounts 130
Fundraising Websites 130

Chapter 9 – Student Fees, Deposits, Refunds, and Other Charges 143
Fees — Legal Challenges 143
Free Public School System 143

Fees for Participation in an Educational Activity or Class 144
Requesting Donations 144
Allowable Fees 145
Prohibited Fees 149
Cap and Gown Fees 152
Physical Education Clothes 152
Volunteer (e.g., Parent Service) Hours 152
When Considering Fees, Obtain a Legal Opinion 153
Refunding Charges 153
Fees vs. Fundraising 154
Student Store Refunds 154
Charter Schools 154

Chapter 10 – Vending Machines 157
Purpose 157
Products Sold 157
Elementary Schools 157
Junior High, Middle and High Schools 157
Issues with Vending Machines 158
Good Business Practices Related to Vending Machine Operations 159
Good Business Practices for Business Office Leadership 159
Good Business Practices for School ASB Leadership 160
Vending Machine Operations 160
Vending Machine Management – Option I 161
Vending Machine Management – Option II 161
Vending Machine Management – Option III 161
Advantages and Disadvantages of Various Vending Machine Operations 162
Procedures for Managing Vending Machine Stock 162
Procedures for Collecting Cash from Vending Machines 163

Chapter 11 – The Student Store 169
ASB Store Operations 169
Certificated Student Store Advisor 170
Organized versus Unorganized ASB Student Store 170
Food Sales 170
Clothing Sales 170
School Supplies 171
Yearbook and Event Sales 171
Refunds 171
Sound Business Practices for Student Stores 172
Location and Security 172

Stock and Pricing Policies 172
Cash Handling 172
Inventory Count and Management 173
Accounting 173
Training and Practices 173
Sales and Use Tax 173
Ongoing Sales 175
Sales Tax Return 175
Use Tax 175

Chapter 12 – Gifts and Donations 185
Donations to a District for a Specific School or Program 185
Board Policy and Administrative Regulations Govern Donations 186
Donations to an ASB Organization 186
Donations to Students or Families in Need 186
ASB Fundraising as a Donation Drive 186
Refund of Donation 187
Restricted Donations 187
Donated Gift Cards 187
Donations of Material or Equipment to the ASB 187
Donations of Scholarships to an ASB Organization 188
Donations Between Clubs 188
Donations to ASBs from School-Connected Organizations 189
Good Business Practices for ASB Donation Management 189
Tax-Exempt Status and Disclosure Requirements 189
District Tax Identification Number 191

Chapter 13 – Cash Receipt Management and Procedures 197
Good Business Practices for Cash Procedures 197
Audit Findings and Preventive Action 197
Cash Control Procedures for Fundraising Events 198
Prenumbered Tickets 200
Cash Registers 201
Prenumbered Receipt Books 202
Tally Sheets 203
Cash Box 204
Counting and Transporting Funds with a Witness 205
Credit and Debit Cards 205
Credit Card Surcharges 205
Cash Control Procedures for the ASB Bookkeeper 206

Internal Controls for Cash After Receipt 207
Petty Cash and Change Accounts 209
Petty Cash 209
Change Account/Startup Cash 209
Clearing Accounts 210
ASB Funds Should Not be Deposited Into Personal Accounts 211
Accepting Electronic or Online Payments 211

Chapter 14 – Allowable and Questionable Expenses 227
Determining Allowable Expenditures 227
Good Business Practices 228
Student Authority over How ASB Funds are Spent 228
Examples of Generally Allowable Purchases/Expenditures 228
Costs Passed Through From District 229
Examples of Generally Prohibited Purchases/Expenditures 230
Student Compensation 231
Purchasing Gift Cards 231
Gifts are Never Allowed 232
Awards 232
Unapproved Purchases/Expenditures 233
Gratuities 234
Donations 234
Other Fundraising Options 235
ASB or School Donation Drive 235
Assistance to Individual Students or Families in Need 236
Food Drives 236
Scholarships 236
Employee Appreciation Meals from ASB 238
Employee Clothing 238
Indirect Charges and Other Assessed Costs 238
Using District Funds to Support ASB 238
Employee Professional Development 239

Chapter 15 – Contracts 241
Contract Situations 241
Potential Problems 241
Role of the Business Office 242
Uncompensated Service Agreements 243
School-Connected Organizations 243
Good Business Practices 243

Chapter 16 – Equipment Purchases and Management 245
Equipment and Capital Asset Ownership Options 245
Risk Management and Insurance Options 245
Inventory Practices 246
Delivery of Goods 246
Chapter 17 – Employees and Independent Contractors 249
ASB Employees 249
Good Business Practices for ASB Employee Payroll Management 249
District Employee Performs Extra Duties, Consulting, or Services for ASB 249
Guidelines for Determining Employee vs. Consultant Status 250
The ABC Test 251
Consultants 252
Federal Tax Reporting Requirements for Consultants 252
Good Business Practices for ASB Consultant Federal Tax Reporting 252
Summary of Payment Methods for Employee and Consultant 252
Chapter 18 – Cash Disbursement Management and Procedures 255
Internal Controls 255
Internal Controls that Apply to All ASBs 255
Internal Controls for Unorganized ASBs 257
Internal Controls for Organized ASBs 258
Internal Control Failures 263
Using Credit and Debit Cards 264
Reward Points Earned on Personal Credit Card Use 264
Other Methods of Purchases 264
Advance Payments 265
IRS Forms W-9 and 1099 265
Sales and Use Tax 266
Overview 266
Tax Regulations 266
Sales Tax 266
Use Tax 267
Exceptions for Student Organizations 268
More information 269
Chapter 19 – Cash Controls and Fraud 275
Fundraising and Deposits 275
Checks, Reimbursements and Advances 279
ASB Financial Reports 281
Club Advisors' Copies of Financial Documents 282

Chapter 20 – Charter Schools and ASBs 285
Those Overseeing ASB Funds are Trustees 285
Chapter 21 – School-Connected Organizations 287
Purpose of School-Connected Organizations 287
Legally Separate from the District 288
Student Participation 288
School-Connected Organizations Supplement School Programs 288
Fundraising Activities Approved by the Governing Board or Board Designee 289
Activities are Authorized by the District 289
Grandfathered/First Rights/Fundraiser Priority Status 290
Resources Should Not be Commingled 290
Separate Bank Account(s) 290
Regulations Governing School-Connected Organizations 291
Tax Identification Number 296
Recognition as an Exempt Organization 296
IRS Determination Letter — Tax-Exempt Status 296
Nonprofit Tax Return 296
California Nonprofit Tax Status 297
Sales and Use Tax 297
Financial Guidelines 297
Document Retention 298
Student Supervision 299
Solicitations on School Premises 299
School District Employees 300
Paying School District Employees 300
School Employees Serving as Officers 301
Donations of Supplies, Equipment and Transportation 301
Donations for Supplies or Equipment Purchases 301
Donations for Transportation and Field Trips 302
Student Recognition 302
Direct Student Recognition 303
Student Recognition — Donations to the School or ASB 303
Paying Stipends, Salaries and Consultants 304
Paying Compensation 304
Paying Consultants 304
Loaning Funds to ASB, Clubs, or Programs 304
Chapter 22 – Where to Go for Help 309
Organizations and Online Resources 310
Associations, News and Data 310

State Agencies 310
National Associations 311

Chapter 23 – Sample ASB Constitutions and Bylaws 313
Best Practices School Sample ASB Constitution 313
Best Practices School, Sample Associated Student Body Bylaws of the Constitution 316
Best Practices School, Sample ASB Club Constitution and Bylaws Combined as One Document 322

Chapter 24 – Sample Budgets 325

Chapter 25 – Legal References 327

Chapter 26 – Sample Board Policies and Administrative Regulations 329

Chapter 27 – Sample Internal Control Reference Checklist 361

Chapter 28 – FCMAT Online Knowledgebase and Help Desk 369

This page intentionally left blank.

Foreword

The Fiscal Crisis and Management Assistance Team (FCMAT) is proud to present the fifth revision of the FCMAT *Associated Student Body Manual* (FCMAT *ASB Manual*). Initially published in 2002, the manual continues to be a widely used resource in education. In this revision, FCMAT has added information in response to suggestions from users in the field, ASB workshop attendees, and many questions received and answered via FCMAT's online help desk. New information is also included based on updated laws and other clarifying information.

Established in 1991 by the Legislature as an independent and external state-funded entity, FCMAT helps California's local educational agencies fulfill their financial and managerial responsibilities by providing fiscal advice, management assistance, professional development, software and products, resources, and other related school business services. FCMAT's work ranges from the state policy level to the operational level at schools. This manual is an example of FCMAT's direct support, assistance and leadership for educational agencies statewide, including transitional kindergarten through grade 12 (TK-12) schools, community colleges, county offices of education, and charter schools.

The FCMAT *ASB Manual* is designed for school administrators, associated student body (ASB) and activity directors, fiscal services administrators, office managers and accountants, ASB bookkeepers, secretaries, teachers, students, and others who are responsible for student body activities. This manual responds to the increased demands on today's school leaders to augment funding for students and schools while maintaining fiscal accountability, transparency and accuracy.

The goal of the manual is to answer questions in many areas concerning ASBs, including laws, accounting, purchasing, student stores, vending machines, food sales, student council, clubs, internal controls, and overall roles and responsibilities. It will be especially helpful to new employees and those recently given ASB responsibilities. Readers are guided systematically through the major steps to initiate and maintain an effective student body program for elementary, middle, junior and senior high school students.

This manual is a guide to successful student body business management in a complex environment. It focuses on the wide range of decision-making authority of student councils, suggests useful tools and procedures, provides practical advice, and indicates legal constraints in specific areas. Most importantly, the FCMAT *ASB Manual* suggests the right questions to ask and how to assess the answers.

FCMAT will continue to publish periodic revisions to this manual. Suggestions about how to improve this document and make it more useful are always welcome.

FCMAT acknowledges the many people who have taken part in producing this manual and keeping it updated so that it remains useful in the field. Their time, dedication and shared expertise have been invaluable.



Michael H. Fine, Chief Executive Officer
Fiscal Crisis and Management Assistance Team

This page intentionally left blank.

Chapter 1 – Introduction

California law allows students in California's public schools to raise money and make decisions about how they will spend this money. Student organizations established to raise and spend money on behalf of students are called associated student body organizations, or ASBs.

ASBs

ASBs must be made up of current students and be located at the school where the funds are maintained. The funds raised and spent by student organizations are called associated student body funds or ASB funds. Public school officials, parents, and the general public often think of ASB funds as small proceeds from a few bake sales, magazine sales, dances, or car washes each year. However, in many cases, ASBs can raise significant funds for student organizations. An ASB at a large high school may raise millions of dollars a year.

Associated student body organizations and the management of ASB funds present students with opportunities not only to raise and spend money but also to learn the principles of operating a small business and acquire leadership skills while making a contribution to their school and fellow students and improving their own educational experience. As students and employees work together to plan projects and activities, students also learn project planning and many other skills.

It takes work and management by many individuals to ensure that an ASB is operated correctly. This manual provides guidance on how to run a successful ASB organization and to inform district business office staff, school administrators, ASB and activity directors, fiscal administrators, office managers and accountants, ASB bookkeepers, secretaries, students and others who are responsible for student body activities.

Intent and Use of the ASB Manual

Each of this manual's 28 chapters includes one or more critical areas in the administration of ASB. The manual is intended to be a comprehensive guide to student organization operations and was written for those involved in ASB operations. It is composed of checklists, sample forms and procedures, which may be copied directly from the manual or the FCMAT website to modify for an entity's own use. The manual can be used by TK-12 school districts and charter schools because all of these public entities can have ASBs. Although the manual may seem oriented to TK-12 districts, all guidance related to internal controls and best business practices can also be used by charter schools.

This manual can be used by educational entities to achieve successful ASB operations because it:

- Covers the policies, procedures, and internal controls ASBs should have when administering ASB funds and includes sample forms and procedures.
- Can be used as the basis for a district's comprehensive board policy and administrative regulations, or the governing board can adopt a policy that requires employees to adhere to the guidance in the manual.
- Is sufficiently comprehensive to guide both district office and school employees if the district has not produced its own manual for ASB operations.

TO TABLE OF CONTENTS >>>

- Includes information on effective oversight and support from the district's business office.
- Can be used as the basis for annual training either by a district's business office or by a trainer from outside the district.
- Includes sample forms in most chapters to help districts as they develop their own standard forms and procedures for communication and audit purposes.

ASB Laws

Because few laws govern ASB and current laws do not provide guidance for all ASB operations, the procedures in this manual extend beyond the law and official regulations to include information based on good business practices, sound internal controls, and the practices of successful ASB operations in school districts throughout California.

Educational entities with successful ASB operations have the following:

- Comprehensive board policies and administrative regulations regarding ASB operations that provide guidance beyond what is in the law, including district procedures, best practices, and internal controls. Comprehensive board policies and administrative regulations are the single most important addition to ASB operations; and serve as additional local laws the district should follow that specify what the governing board allows or prohibits.
- In addition to this manual, a comprehensive and user-friendly ASB handbook or other reference that has guidance for day-to-day activities, including describing in detail the district's allowable and prohibited ASB fundraisers, expenditures, and activities.
- A significant level of oversight and support from the district's business office. The business office is responsible for effective ASB operations and the internal control system.
- Annual training for all employees and students who work with ASB operations.
- Standard processes and procedures at all schools. All schools should operate using the same forms and procedures for unorganized and organized ASBs.

Importance of Board Policy

This FCMAT *ASB Manual* may be adopted as board policy or administrative regulations or may be adopted to supplement a district's existing board policy or administrative regulations regarding student organizations and school-connected organizations. Sample administrative regulation language for this is as follows:

> General and accounting procedures for the operation of the student body will be followed as detailed in the Fiscal Crisis and Management Assistance Team (FCMAT) *ASB Manual* and district board policy and administrative regulations. If the district develops and adopts its own ASB manual, handbook, or list of allowable and prohibited ASB activities and transactions that differ from those in the FCMAT *ASB Manual*, the district's documents shall prevail.

This type of language gives a district clarity and the flexibility to follow its own policies and procedures when they differ from those in the FCMAT *ASB Manual*. Chapter 26 - Sample Board Policies and Administrative Regulations includes examples of board policies and administrative regulations. FCMAT has created an example Administrative Regulation 3452, Student Activity Funds. It is shown near the end of Chapter 26 and is titled, FCMAT Suggested AR 3452 – Student Activity Funds.

Guidance, Standardization, and Training

Many issues can occur with ASB funds and operations if they are not managed correctly. In contrast to other funds that the district usually receives in the form of checks or wire transfers, ASBs may accept funds in numerous forms including credit card, other electronic payments and, in many cases, cash. It is always easier for fraud, abuse or human error to occur when dealing with cash, so internal controls are extremely important. However, internal controls over ASB funds are often overlooked or found to be inadequate.

Other issues arise as a result of decentralized student fundraising and operations by many individuals and groups throughout the district, without adequate communication, guidance and standardization. In addition, employees and students involved in ASB are often asked to use proper accounting procedures and internal controls even though they are not accountants and have probably received little or no guidance or training regarding the importance of correct procedures and controls and what could occur if they are not followed. Communication, standardization, training and oversight are essential to ensure that the correct processes and procedures are followed.

Local communities, parents, and other members of the public often pay close attention to ASB issues and are typically sensitive when they occur. The media are also often quick to report on ASB issues because the funds are raised by students and for students.

The district, under the direction of the business office, is ultimately responsible for how ASB funds are administered and spent. ASB funds are public funds. The independent audit of the ASB is a component of the overall district audit, which is overseen by the business office. Thus, board policies, administrative regulations, procedures and internal controls must start with the district's business office. This includes proper oversight and training of all those associated with ASB operations and student funds.

There is no universal or statewide master list of allowable and prohibited ASB transactions, activities, fundraisers, and expenditures. Each district's governing board determines what is best for their district and ASB, and is ultimately responsible for all ASB operations. The FCMAT *ASB Manual* offers significant guidance on what is typically allowable and prohibited, as well as best practices.

If the FCMAT *ASB Manual* is adopted in district board policy, then the guidance, best practices, and lists of allowable and prohibited activities, fundraisers, and expenditures discussed in the manual become part of the rules followed by the district.

The district's administrators are responsible for establishing and monitoring the procedures to carry out the policies and regulations adopted by the governing board. If robust ASB policies and regulations do not exist, FCMAT recommends developing policies that can

assist with future ASB questions. Comprehensive board policies, administrative regulations, board-approved manuals, handbooks, and/or lists of what is allowable and prohibited are the cornerstone of sound practices in student organizations.

Chapter 2 – Roles and Responsibilities – Administration of an ASB

Many individuals and entities are involved in administering and supervising the activities of student organizations.

The State of California

The State of California is responsible for establishing the laws and regulations that govern the activities of local educational agencies (LEAs), including student organizations. Examples of LEAs are school districts, charter schools, community colleges, and county offices of education. The Legislature writes the laws, and state agencies enact regulations based on those laws.

The State Board of Education adopts regulations through the formal rule-making process. These are codified in Title 5 of the California Code of Regulations for TK-12 school districts. The California Department of Education (CDE) and LEAs develop policies to implement the laws and regulations.

No one state agency monitors the operations of ASB organizations. Rather, the state relies on districts' governing boards, and typically governing boards rely on a district's business office, to ensure that ASB activities are carried out in compliance with the law, based on a district's board policies, administrative regulations, manuals, handbooks, and other internal policies and procedures. This is reviewed during a district's annual independent audit performed by an external certified public accountant (CPA) firm.

The Governing Board

The governing board of a school district, or charter school is ultimately responsible for the organization, including the activities of student organizations.

Under Education Code (EC) 48930, the governing board has the authority to approve the formation of a student body organization in the district. This means that governing boards are not required to allow student body organizations to exist. Some districts have chosen to stop student fundraising and student organizations because of continual and severe noncompliance issues, poor internal controls, and in extreme cases, fraud.

Importance of Board Policy and Administrative Regulations

In assuming the authority the Education Code gives them, governing boards establish parameters for local educational agency (LEA) operations through board policies and administrative regulations.

Board Policy and Administrative Regulations Govern ASB

An LEA's governing board will adopt policies, and the staff leadership will develop and approve administrative regulations to provide added detail and implementation of the policy. Typically, a district's business office will offer input on the policy for the governing board's approval and be the creator of the administrative regulations, including ASB procedures, manuals, handbooks, and lists of allowable or prohibited activities, transactions, fundraisers and purchases. These policies and administrative regulations should specify the following:

To Table of Contents >>>

- Whether a student body organization may exist at the district.
- How the student body organization will be established.
- How the organization's activities will be supervised.
- How the organization's finances will be managed.
- Which types of activities, fundraisers, transactions, and purchases may be allowed or prohibited.

All Board Policies and Administrative Regulations Apply Equally to ASB

Board policies and administrative regulations applicable to all other school district operations apply equally to ASB. Examples of these are as follows:

- Purchasing guidelines (e.g., allowable uses of blanket or open purchase orders).
- Scholarships (e.g., the criteria for consideration, establishment of selection committee, treatment of unclaimed funds).
- Travel and reimbursements (both in and out of state).
- Donations (e.g., student donations to charitable organizations).
- Procedures for checks returned because of insufficient funds (NSF checks).
- Guidelines for school-connected organizations.
- Allowable and prohibited fundraisers.
- Student awards.

The Authority of the Governing Board Over Student Decisions

Students raise funds for the benefit of the student body and can make decisions about the funds (with coapproval from an administrator); however, when there is a conflict, board policies and administrative regulations override ASB decisions because ultimately the funds are under the governing board's authority.

The Superintendent

The superintendent of a district is responsible for ensuring that board policies are implemented and that staff follow those policies. In addition, the superintendent is responsible for establishing the procedures employees use to remain in compliance with board policy. This is normally done by establishing and implementing administrative regulations.

The superintendent should communicate and make certain of the following:

- They act as the supervisor of the student body organization's activities. If they delegate this authority, the individual to whom that authority is delegated should be identified in board policy. This individual is often referred to as the "designee." If the designee also has the option to further delegate this authority, that too should be identified in board policy.
    - Documenting delegated authority is important to define who may act on behalf of the governing board. Sometimes a board will delegate its authority to the superintendent of a district, who will then delegate that authority to a principal/

school administrator. In other cases, the principal/school administrator may further delegate their authority to the vice principal or ASB advisor.

- All employees are familiar with and understand the importance of following all policies established by the governing board, including those regarding ASB. The business office should also ensure that staff responsible for ASB operations are aware of board policies, administrative regulations, procedures and manuals that apply to ASB. Even students in the student council or club leadership, and other students involved in club operations, should be trained on applicable district policies and administrative regulations.
- All employees understand the importance of any concerns noted in the annual audit. Audit findings should be discussed with all schools collectively regardless of where the finding occurred.
- Immediate action is taken to investigate any allegations of impropriety involving ASB funds. Appropriate action is taken if the allegations are confirmed.

The Business Office's Role In Successful ASB Operations

The district's business office is responsible for general oversight of student body activities. In this capacity, the business office should:

- Serve as a resource and answer questions from the schools.
- Develop and update the district's ASB manual, handbook, lists of allowable and prohibited activities, fundraisers, transactions or purchases, or other materials based on input from the schools, student organizations and district auditors. Questions asked throughout the year and the findings noted by the auditors should also be taken into consideration when updating the district's manual, handbook, or other lists and materials.
- Provide training at least annually on the district's ASB manual, procedures, and board policies and administrative regulations. This includes providing new employees and student council members with copies of the district's ASB manual, other materials, and training during the year.
- Make periodic visits to schools to review the procedures in operation and answer questions. It is good practice to visit each school at least once a year, and more often if the school appears to have problems or continues to have repeat audit findings.
- Obtain and review financial reports from the schools at least quarterly, and sign and date those reports to indicate they have been reviewed.
- Regularly (preferably monthly) review, sign and date all bank statements reconciled to the general ledger for all ASB accounts at each school.
- Work with the schools to respond to problems and audit findings noted by the auditors in the annual audit, and develop corrective actions to resolve the issues.
- Follow up on all issues related to administering student organizations.
- Work directly with the principal or other school administrator to help answer questions and correct procedural deficiencies.

- Develop accounting procedures for recording and controlling the student body organization's financial transactions.
- Periodically review procedures to make sure they conform to prescribed accounting protocols; take into consideration any input from school employees, student leaders, and district auditors when updating policies and procedures.

The Principal/School Administrator

The principal/school administrator is the most important authority when it comes to managing a student body organization. Regardless of the school level or size of the school, the principal/school administrator is directly responsible for student body organization financial activities and must make sure that they conform to established laws, policies and procedures that affect the student body, including those specific to the district.

Although the principal/school administrator has ultimate responsibility for all activities at the school, including ASB, many ASB management functions may be delegated to other employees depending on the grade level and size of the school, unless board policy does not allow such delegation. At elementary schools, this designee is often a teacher or secretary. In secondary schools, the designee is usually an assistant principal or the ASB advisor, who in many cases is the activities director. A club advisor is the credentialed instructor who administers an individual club. The principal/school administrator must maintain final approval authority for ASB activities and finances because of the school's educational and legal obligations to its students.

Unorganized ASBs

Under the supervision of the superintendent, the principal/school administrator is typically responsible for the activities at the school (see Chapter 4 for full definitions of unorganized and organized ASBs). EC 48934 and 48938 describe the uses of funds and the authority for the oversight and governing of unorganized ASBs as follows:

48934

The funds of a student body organization established in the public schools for kindergarten and grades 1 to 6, inclusive, of any school district maintaining kindergarten and grades 1 to 6, inclusive, may be used to finance activities for noninstructional periods or to augment or to enrich the programs provided by the district.

48938

In schools or classes for adults, regional occupational centers or programs, or in elementary, continuation, or special education schools in which the student body is not organized, the governing board may appoint an employee or official to act as trustee for student body funds and to receive these funds in accordance with procedures established by the board. These funds shall be deposited in a bank, a savings and loan association, a credit union, or any combination of these financial institutions, approved by the board and shall be expended subject to the approval of the appointed employee or official and also subject to the procedure that may be established by the board.

In elementary schools and combined TK-8 and TK-12 schools, the younger students do not govern themselves; therefore, the principal/school administrator is primarily responsible for all ASB activities. Adult education, continuation schools, special education, and regional occupational programs (ROPs) are also unorganized because these are programs that include students who may attend in a more transitory way and often lack the continuity needed for an organized ASB. Also, unorganized ASBs typically operate as one entity without other individual clubs. Nevertheless, although the ASB is unorganized, it may be beneficial to students in the higher-level grades to include components of an organized operation even though this is not required.

If unorganized ASBs desire to form clubs, student council, or other components of ASB typically associated with organized ASBs, they may do so; however, to provide clubs, the student council and students with the best experience, once those components are added they should attempt to operate as much like an organized ASB as possible. The higher grade level students will then be able to strengthen their operational and business skills by including organized ASB procedures such as decision-making, minutes, and budgets, as described in the Organized ASBs section below.

In an unorganized ASB, the principal/school administrator is primarily responsible for all ASB activities, including the following:

- Communicating district policies and procedures and student organization bylaws to employees and students, and enforcing the policies, procedures and bylaws.
- Assigning and supervising a school staff member (often the school secretary or the attendance clerk) to perform financial tasks related to ASB and maintain adequate records of ASB activities, including the deposit of funds.
- Receiving and reviewing the monthly bank reconciliation prepared for the ASB bank account and any other financial information and statements for the ASB funds, including budgets and financial reports.
- Deciding how many fundraising events will be held each year and, before approving them, ensuring they are appropriate for the students and the community.
- Scheduling and receiving proper approval for fundraising events.
- Making decisions about how the funds raised will be spent, and approving the use of the funds before they are spent.
- Delegating responsibility for operating the fundraising event to a responsible adult.
- Monitoring the results of the fundraising activities.
- Ensuring that all ASB funds are raised and spent in accordance with applicable laws and the district's policies and procedures.
- Working with the district's business office to provide training, implement good business practices, ensure internal controls, and resolve audit findings.
- Working with the student organization to develop methods for securing cash collected after hours and on nonschool days.
- Ensuring that proper cash control procedures are established and followed at all times.
- Reporting any suspected fraud or abuse to the district's business office.

The principal/school administrator may delegate some or all of these activities to a school employee such as a vice principal, teacher, or, for limited tasks, classified school support employee. Because cash is involved, the principal/school administrator should ensure proper internal controls by requiring that a second school employee be involved in the following:

- Decisions about the use of ASB funds.
- Handling all cash.
- Signing checks to spend the student funds.

Organized ASBs

For middle, junior, and high schools, as well as middle college and early college programs at a high school, the responsibilities of the principal/school administrator are different because the students are much more active in governing the ASB activities, with oversight from the principal/school administrator and other certificated school employees. These are considered organized ASBs.

The principal/school administrator is responsible for the following major duties, many of which are typically delegated to an ASB advisor:

- Communicating district policies and procedures and student organization bylaws to employees and students, and enforcing the policies, procedures and bylaws.
- Ensuring that a student council is established, that it approves all new clubs, and that every club and the student council has a certificated advisor. Because the student council is part of the ASB, it too should have its own constitution and bylaws, and operate the same as a club, keeping minutes and preapproving its own expenditures and fundraisers. The student council may create its own subaccount(s) within the general ASB trust account to separately track activities and even its own separate fundraising if needed.
- Providing supervision to the ASB advisors.
- Reviewing and approving constitutions for all clubs on campus.
- Making certain that minutes are kept of all ASB/student council and club meetings.
- Supervising the ASB bookkeeper or similar position. This position will perform financial tasks related to ASB, maintain adequate records of ASB activities, deposit funds into the bank, pay invoices, reconcile monthly bank statements, and prepare monthly financial statements.
- Receiving and reviewing the monthly bank reconciliation prepared for the ASB bank account and any other financial information and statements for the ASB funds, including budgets and financial reports.
- Ensuring that all ASB funds are raised and spent in accordance with applicable laws and the district's policies and procedures, and approving the use of the funds before they are spent (the assigned ASB advisor and the student representative of the club spending the funds must also approve use of the funds).
- Deciding how many fundraising events will be held each year and, before approving them, ensuring that they are appropriate for the students and the community.

- Scheduling and receiving proper approval for fundraising events.
- Working with the district's business office to provide training, implement good business practices, ensure internal controls, and resolve audit findings.
- Working with each student organization to develop methods for securing cash collected after hours and on nonschool days.
- Ensuring that proper cash control procedures are established and followed at all times.
- Reporting any suspected fraud or abuse to the district's business office.

The principal/school administrator may delegate some or all of these activities to a certificated school employee such as a vice principal or teacher.

The ASB Advisor

In secondary schools, each student club will have an advisor; this is in addition to the advisor who is responsible for the general student council (also called the leadership class or student council in many high schools). Every ASB advisor, whether for a specific student club or the student council, must be a certificated employee of the district and must be aware of all laws, policies and procedures that affect the student body, including those specific to the district, to ensure they are followed. The advisor acts as a liaison to the administration, student body and community in matters related to ASB, and keeps the principal/school administrator and employees apprised of the organization's activities. Without a certificated advisor, a student council or a club cannot function or raise or spend funds.

> ***Fraud Alert***
> When the ASB advisor relinquishes their responsibilities and has the ASB bookkeeper perform the ASB advisor functions, separation of duties diminishes and the opportunity for fraud increases.

In this manual, when the term ASB is used, it means student council, clubs, and class groups. Also, unless otherwise stated or clear from the context, when the term "club" is used, it is applicable to student council and class groups.

Certificated Requirement

The requirement that the advisor be a certificated employee (e.g., a teacher), can be found in EC 48933(b), which states that one of the three persons who must approve ASB expenditures is "...the certificated employee who is the designated advisor of the particular student body organization...." However, the advisor is more than just a person who signs documents or approves expenses. As described in more detail below, the advisor has a key responsibility to provide guidance and direction to students. To advise, the person must be present at all meetings, events and activities, and be actively involved with the students to carry out this role effectively.

A club advisor must be a certificated employee of the school district. EC 48933(b) describes who is responsible for preapproving ASB expenditures:

> 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.
>
> [Emphasis added]

The certificated requirement is also found in Title 5 of the California Code of Regulations, Section 5531 (5 CCR § 5531), which states the following:

> All social activities of pupils, wherever held, if conducted under the name or auspices of a public school or of any class or organization thereof, shall be under the direct supervision of certificated employees of a district or an office of a county superintendent of schools.

The employee or official designated by the governing board is often the principal/school administrator. If allowed, the principal/school administrator may designate someone to perform this duty, such as the assistant principal. The designated advisor of the student body organization must be a current certificated employee of the school district. The representative of the particular student body organization is a student of the general ASB/student council or student club/class group (e.g., Freshman class, class of 20XX).

Noncertificated Employee Cannot Authorize but May Assist

This Education Code provision does not allow classified employees, volunteers, or other noncertificated (also known as noncredentialed) individuals to participate in the process to authorize expenditures. It also states that the board designee (often the principal/school administrator) and certificated employee (teacher/club or student council advisor), are the only two staff members who may participate in the process to authorize expenditures unless local board policies, administrative regulations, or other guidelines such as club/student council bylaws require additional authorizers. The school district and principal/school administrator have administrative oversight responsibilities for the ASB at each school. The club/student council advisor must be a certificated employee and should be, in most instances, a teacher at the school where the club/student council is located.

A classified staff member may act as an assistant to the certificated advisor but cannot replace the advisor. This restriction also applies to other noncertificated individuals such as volunteers, noncredentialed coaches, and others. An ASB club/student council advisor must be present at all club/student council events, meetings and activities to supervise and ensure student safety and compliance, including compliance with all ASB rules and district policies and procedures.

Teaching Credential is a State License

The teaching or service credential is the state license authorizing instruction or services to TK-12 students and carries with it fiduciary responsibilities and specific rules of conduct. Credentials are issued by the California Commission on Teacher Credentialing (CCTC). The CCTC sets state standards, licensing and credentialing of professional educators and other certificated employees, enforces professional practices, and disciplines credential holders. The CCTC Committee of Credentials evaluates the moral character and fitness of those who teach or perform certificated services in public schools. Noncertificated employees are not held to the same standards of professional practices.

The CCTC describes in detail the Educator Rules of Conduct and Responsibilities, and California Code of Regulations (CCR) 80331(c)(1) defines a certificated person as follows: "'Certificated person' means any person who holds a certificate, permit, credential, or other license authorizing the performance of teaching or education-related service in grades K through 12 in California Public Schools."

Accountability and Penalties for Misconduct in Administration of ASB Funds

Certificated Employee

A certificated employee who is the designated general ASB/student council advisor or club advisor serves in a fiduciary role because they share in the responsibility to oversee fundraising, accounting, depositing, and expenditures of ASB/club funds. Careless stewardship of student funds is serious misconduct and can warrant disciplinary action. Moreover, a certificated advisor's misappropriation or theft of club/ASB funds can trigger criminal charges and/or dismissal for dishonesty and immoral conduct under EC 44932.

Education Code 44932 defines many forms of misconduct applicable to any credentialed employees, including but not limited to the principal/school administrator, vice principal, activities director, and club advisor. FCMAT considers at least four of these forms of misconduct to be applicable to the operation and oversight of an ASB:

- Unprofessional conduct.
- Dishonesty.
- Unsatisfactory performance.
- Persistent violation of, or refusal to obey, the school laws of the state or reasonable regulations prescribed by the government of the public schools, by the state board, or by the governing board of the school district that employs them.

Examples of ASB-related misconduct may include the following:

- Not following or enforcing district board policy, administrative regulations, or ASB club bylaws.
- Not following or enforcing Education Code provisions, such as a failure to preapprove all expenditures and fundraising activities.
- Not implementing adequate internal controls, including poor training of employees and a lack of oversight.

When a certificated employee is dismissed or resigns with such charges pending, 5 CCR 80303 requires the employing district to notify the CCTC, which may exercise various options from private admonition to denial of renewal of a credential, as well as suspension and revocation of credentials, under EC 44421-44424.

Classified Employee

A classified employee who assists with ASB activities, performs oversight, or is part of the operations, accounting, or other internal control systems also serves in a fiduciary role, because they share in the responsibility to oversee fundraising, accounting, depositing, and expenditures of ASB/club/student council funds. As with a certificated employee, careless stewardship of student funds is serious misconduct and can warrant disciplinary action. A

classified employee's appropriation or theft of club/ASB funds can trigger criminal charges and/or dismissal for dishonesty and immoral conduct under EC 45113.

Education Code 45113 states that classified employees are subject to the rules and regulations of the school district's board policies and administrative regulations, which include many rules that apply to ASB. This Education Code states, in part, the following:

> (a) The governing board of a school district shall prescribe written rules and regulations governing the personnel management of the classified service. These written rules and regulations shall be printed and made available to employees in the classified service, the public, and those concerned with the administration of this section.
>
> (b) An employee designated as a permanent employee shall be subject to disciplinary action only for cause as prescribed by rule or regulation of the governing board of the school district, but the governing board's determination of the sufficiency of the cause for disciplinary action shall be conclusive.

Other agreements or procedures that may be applicable to classified employees include collective bargaining agreements and personnel commission rules. Most school districts have board policies specific to dismissal, suspension, and disciplinary action. A typical standard board policy in the California School Boards Association's (CSBA's) online GAMUT system that discusses employees performing their jobs satisfactorily is Policy and Regulation 4218, last revised March 1, 2024: Dismissal/Suspension/Disciplinary Action. Selected causes for dismal, suspension, or disciplinary action in the policy are listed in Administrative Regulation 4218 are as follows:

> A permanent classified employee may be subject to suspension, demotion, involuntary reassignment, or dismissal for one or more of the following causes:
>
> 4. Violation of or refusal to obey state or federal law or regulation, Board policy, or district or school procedure
> 5. Falsification of any information supplied to the district, including, but not limited to, information supplied on application forms, employment records, or any other school district records
> 6. Unsatisfactory performance
> 7. Unprofessional conduct
> 8. Dishonesty
> 10. Insubordination
> 17. Any other misconduct which is of such nature that it causes discredit or injury to the district or the employee's position

Examples of ASB misconduct for classified employees are similar to those for certificated employees.

The Advisor/Student Activities Coordinator's Responsibilities

For organized ASBs, an advisor's responsibilities should include the following:

- Providing guidance and direction, and being knowledgeable about how ASBs operate so legal responsibilities are understood.
- Overseeing the election or selection of officers and committee chairs, as well as ensuring that they understand and carry out their duties.
- Approving expenditures along with the student representative and the board designee.
- Ensuring that the clubs meet and keep minutes.
- Reviewing with the students all budgets, financial reports and transactions.
- Working with the students when preparing the annual budget and revenue projection estimates.
- Ensuring that only valid, preapproved expenditures are made and authorized from the different clubs' funds.
- Ensuring that every organized club has a constitution and follows it.
- Providing supervision to ensure student safety and compliance during ASB activities.
- Ensuring that student organizations secure in a school safe any cash collected after hours and on nonschool days.
- Ensuring that proper cash control procedures are established and followed at all times.
- Reporting any suspected fraud or abuse to the district's business office.

As the principal/school administrator's designee, the ASB advisor is often directly responsible for all of the functions listed above and ensures that all required procedures are followed. The ASB advisor(s) works directly with students in clubs and the student council on a day-to-day basis, supervising the activities of the student council and the clubs and serving as a link from the student council and the clubs to the ASB bookkeeper and the principal/school administrator.

When any ASB organization or club holds fundraising events, the ASB advisor is responsible for ensuring that adequate planning and internal controls are established and that all of the funds are properly accounted for and given to the ASB bookkeeper with all the necessary paperwork at the end of the event. Because of the age of the students, the ASB advisor in an unorganized student body organization will do many more of the tasks, while the advisor in an organized ASB will mainly oversee students doing the tasks. Regardless of the age of the students in the organization, it is important that they be involved as much as possible in the various responsibilities so that student body activities serve not only as fundraisers but also as learning opportunities.

Additional duties of the ASB advisor include the following:

- Helping students prepare the annual budget and revenue projection estimates for fundraisers.
- Ensuring that adequate internal controls are in place.
- Ensuring that all laws, policies and procedures are followed.

Multiple Club Advisors

Multiple or coadvisors are allowed and can provide additional flexibility to ensure club activities always have an advisor in attendance. A club advisor and any additional or coadvisors may be from other schools within the same district. If they do not already do so, district board policies, administrative regulations and/or a club's bylaws should be amended to allow for multiple club advisors, with the additional advisors named in the application to form the club.

The ASB Bookkeeper

At each school, an employee is responsible for maintaining the accounting records for the ASB funds and safeguarding the funds at the school until they are received at the bank. In elementary schools, the school secretary or an attendance clerk may serve as an ASB bookkeeper. Middle, junior and high schools will usually have an employee whose only responsibility is to maintain the accounting records, or other systems required by the district's business office, for student organizations. The bookkeeper is often the primary contact for the district's business office. This manual uses the term ASB bookkeeper to describe the person(s) responsible for systems used to account for ASB funds.

Regardless of which employee is assigned to be ASB bookkeeper, or the exact title or classification, the employee responsible for ASB bookkeeping is responsible for ensuring that the following occur:

- When receipted funds are properly counted, confirmed, documented and then turned over to the ASB bookkeeper, all ASB funds are safeguarded while at the school until they are deposited in the ASB bank account in a timely manner (within a few days of receipt).
- Adequate financial records are prepared and maintained for all ASB financial transactions in accordance with established policies and procedures.
- Expenditures are approved before any spending and payment is made and only after receiving documentation of expenditures, which should include but not be limited to preapproved purchase orders, invoices, packing slips, and student council minutes.
- The bank reconciliation is completed each month.
- Materials are provided to ASB advisors for fundraisers, and stock is kept on hand (e.g., change box, receipt books, tickets).
- Purchase orders, payments, and invoices are processed.
- Laws and the district's policies and procedures related to ASB funds are followed.
- Business policies, procedures and internal controls related to ASB, such as those for accounting, purchasing, budget and payroll, are known and followed.
- Any suspected fraud or abuse is reported to the principal/school administrator or the district's business office.

The ASB bookkeeper position is often perceived as a simple bookkeeping position, but it is more than that. The ASB bookkeeper also acts as a controller and is the gatekeeper for student funds. The ASB bookkeeper must be strong-willed enough to refuse and disallow deposits, reimbursements or other transactions when policies and procedures are not followed. They

also must be able to discern when they may need to consider accepting a deposit rather than turning away students or others who are carrying funds in an unsecured manner.

The ASB advisor and the bookkeeper must work together and support each other in keeping their duties separate and when policies and procedures are not followed.

The Student Council

Organized ASB Student Council

In middle, junior high and high schools, a student council (often called a general student council or leadership class) must oversee all of the student clubs in the school. The student council represents the students and has primary authority over student funds, with guidance from, and adherence to, district policy.

A successful student council will understand and respect the value of advisor and student participation; everyone needs to participate and work together for success to occur.

The student council's main responsibilities include the following:

- Developing and adopting the annual budget for the student council.
- Authorizing the budgets for all student clubs.
- Authorizing fundraising events for all student clubs, with additional authorization from the principal/school administrator if required in that district. In some districts, the student council is not given this authority; rather, it is notified of what the principal/school administrator has approved.
- Approving expenditures, in addition to approval from a board designee and the ASB advisor. In some districts, the student council will approve all club expenditures before the club's purchase order/preapproval form is signed and authorized by the club; in others, the student council approves club expenditures after the club purchase order/preapproval form is signed and authorized by the club; and in others, it does not approve any expenditures for student clubs but is informed of them. The student council must preapprove its own expenditures before spending occurs.
- Reviewing financial reports and bank reconciliations from all student clubs.
- Approving new clubs (in addition to approval from the principal/school administrator).
- Approving any student council committee members for other functions, such as head of lighting and sound.
- Approving the student council's policies and procedures and determining how student council members will perform their duties, as well as the consequences for nonperformance of duties.

Unorganized ASB Student Council

A majority of unorganized ASBs do not have a student council, and when they do it is not typically as active as that of an organized ASB: it does not normally adopt an annual budget, authorize fundraising events, approve expenditures, review financial reports, or approve new clubs. The principal/school administrator or designee normally has full responsibility for these functions, even though the students may give input. Nevertheless, even unorganized student

councils or clubs must preapprove all expenditures before any purchase occurs (see Chapter 4 for full definitions of unorganized ASBs).

The Independent Auditors

ASB funds are public funds and are included in a district's audited annual financial statements. As such, ASB funds are subject to the audit requirements established in EC 41020. The district's independent auditors, who perform the annual financial audit of the district, are also responsible for auditing ASB funds and student activities as part of the annual audit. The auditors scrutinize the ASB funds and, if they identify a problem or significant weakness in how ASB funds were managed during the school year, they will report the weakness to the district's chief business official. Any material findings will be included in the final annual independent financial report as an audit finding. Each finding will be accompanied by the auditor's recommendation for how to correct the weakness. The district must provide a written response to the audit finding and the auditor's recommendation, and must develop an action plan to ensure that the finding does not occur again.

Audit findings, concerns, or recommendations present an opportunity to improve, and an action plan should be developed and followed to ensure the finding is not repeated in subsequent years. If a finding occurs at one school but not another, all individuals involved with ASB at all schools need to know what the findings are so that their own operations can be reviewed and adjusted if necessary. This helps prevent the audit finding from being repeated in future years at any school. Audit findings should be used to strengthen operations throughout the district, with follow-up to ensure that issues do not recur.

The auditors can also be used as a resource throughout the year when questions, internal control concerns or unique issues arise. Because the auditors are familiar with the district's operations and with student body operations in other districts, they can provide valuable advice and insight.

If there is a suspicion that fraud may be occurring, the district may contract with the auditors or other agencies to investigate the possible fraud and provide a written report.

The Food Service/Cafeteria Program

The relationship of the ASB to a district's food service program is often thought of as competitive; however, the two programs should work together because both benefit the same students. Food regulations are numerous and often confusing. Because the food service program must adhere to complex federal and state laws and regulations, its employees should be considered experts and partners who can help ensure that any food or beverage sold or consumed by students meets nutritional requirements and complies with local, state and federal laws.

Food Sales Rules and Regulations

Student groups must follow specific rules, including those regarding whether food vendors are allowed on campus, the allowable hours of operation, and what can be sold. Other questions related to bake sale fundraisers and noncompetitive food sales, including whether certain items can be prepared on site, are questions for the food service program administrators and employees. They can often help ensure that all food sales remain in compliance and

that students are being served safely and correctly. Most food-related regulations were not developed by the food service program but are the result of various federal and state laws, and local public health regulations and ordinances. If relevant laws are not followed, the district can be penalized with reduced funding to the food service program, which affects all of the district's students. In addition to food-related federal and state laws, the district may have additional board policies or administrative regulations that apply to the entire district and ASB (e.g., wellness policy). Having a good relationship with the district and school food service program administrators and employees is the first step in answering all food-related questions specific to ASB fundraisers and sales.

Groups That Should Not Administer or Supervise Activities of Student Organizations

School-Connected Organizations: Booster Clubs, Foundations, Auxiliary Organizations and other Parent-Teacher Associations

The relationship between student organizations and school-connected organizations such as booster clubs, foundations, parent-teacher associations, and auxiliary organizations is often confusing. Student organizations are legally part of the school district, but school-connected organizations are not.

Nonstudent organizations are established to support the school district and its students, and they may raise funds and donate these funds to the district or purchase items with their funds to donate to or to help the district; however, they are separate legal entities. Funds raised by school-connected organizations should not be deposited into or commingled with the funds or bank accounts of the student organization or the district; rather, they should be deposited into the organization's own bank account. These organizations may donate funds to the ASB, but once they have done so, the ASB decides how to use the funds, following district board policy, procedures and applicable laws. It is essential that student groups and school-connected organizations keep their activities and funds separate even though they are supporting the same students.

More information on this subject is contained in Chapter 21.

This page intentionally left blank.

Chapter 3 – Laws and Regulations

This chapter provides a brief overview of sections of the California Education Code; Title 5 of the California Code of Regulations; the California Constitution; Internal Revenue Code; and the Penal Code that affect ASB operations. Links to legal codes are included in Chapter 25 of this manual.

In addition to state laws and regulations that must be followed, there should be local school district board policies, administrative regulations, and procedures that define how ASBs are to be managed and operated. To run a successful ASB, all individuals involved with the ASB need to be familiar with the laws and the local district policies and procedures that govern the ASB.

State and federal laws and local district policies, procedures and administrative regulations are subject to continual review and change.

Laws and Regulations Overview

Education Code

The Education Code is one of the state's 29 sets of legal codes and is the primary body of law for transitional kindergarten through high school governance. ASB management is referenced in many of the codes. Education Code provisions go through a formal legislative process before being signed by the governor and chaptered into law. These laws are also known as statutes.

California Code of Regulations – Title 5

A regulation is a rule adopted by a state regulatory agency to implement, interpret, or make specific the law enforced or administered by it, or to govern its procedure. The California Code of Regulations (CCR), also known as the California Administrative Code, has the force of law.

Regulations in the CCR are adopted by a state regulatory agency, approved by the California Office of Administrative Law, and filed with the secretary of state. The CCR is separated into 28 sections called titles. The education section is known as Title 5.

Penal Code

The Penal Code is the primary body of law regarding crimes and criminal activity. The portions of the Penal Code related to games of chance, such as lottery and bingo, are important to ASB operations.

Health and Safety Code

The Health and Safety Code is the main body of law that addresses health, safety, environmental law, healthcare, and narcotics. Portions of the Health and Safety Code include alcohol and drug programs, and buildings used by the public, including school buildings. More specific to ASB operations are local health ordinances adopted by cities and counties that apply to food preparation and sales.

Revenue and Taxation Code

The state Revenue and Taxation Code (RTC) identifies what constitutes a sale and what is subject to state sales tax. Based on this code, ASBs must pay sales tax on what they buy and sell, with some exceptions. Publication 18 of the California Department of Tax and Fee

TO TABLE OF CONTENTS >>>

Administration (CDTFA) provides guidance on the taxability of sales by nonprofit organizations, including ASBs. Publication 18 can be found on the CDTFA website.

Internal Revenue Code

Although ASB operations are not guided by the Internal Revenue Code (IRC), if teachers or other adults conduct fundraising independent of the ASB or an approved school-connected organization to make donations to the ASB or to increase class budgets, that income may be considered taxable for those who raise it. ASBs use the district's Employer Identification Number or Federal Tax Identification Number and thus have nonprofit status as part of a government entity; therefore, there is no need for an ASB to file tax documents. The United States Tax Code is available online.

California Constitution

Local legislative bodies such as school boards have broad authority to make expenditures of public funds (e.g., for food, clothing, or awards). Education Code (EC) 35160 states the following:

> The governing board of any school district may initiate and carry on any program, activity, or may otherwise act in any manner which is not in conflict with or inconsistent with, or preempted by, any law and which is not in conflict with the purposes for which school districts are established.

The legality of any expenditure is determined by the "gift of public funds" provision in the California Constitution, Article XVI, Section 6.

Gift of Public Money to an Individual — Gift of Public Funds

The constitutional provision on the gift of public funds prohibits making any gift of public money to any individual (including public employees), corporation, or other government agency. It states, ". . . the Legislature shall have no . . . power to make any gift, or authorize the making of any gift, of any public money or thing of value to any individual . . . whatever . . ."

Public Funds Expended for a Direct and Substantial Public Purpose

Expenditures of school funds must be for a direct and primary public purpose to avoid being a gift. An approved public purpose must be within the scope of a school district's authority and purpose.

It is also well established that expenditures of public funds that involve a benefit to private persons (including public employees) are not gifts within the meaning of the California Constitution if those funds are expended for a public purpose. This means that public funds may be expended only if a direct and substantial public purpose is served by the expenditure and any benefit to private individuals is only incidental to the public purpose. To justify the expenditure of public funds, a district's governing board must determine that the expenditure will benefit the education of students in its schools. Expenditures that most directly and tangibly benefit students' education are more likely justified. Expenditures driven by personal motives are not justified even if they have been a longstanding local custom or are based on benevolent feelings.

Expenditures that Serve a Public Purpose Satisfied Through Board Policy

If the district's governing board has determined that a particular type of expenditure serves a public purpose, courts will almost always defer to that finding. Thus, if the district has board policy stating that specific items are allowable (e.g. scholarships, donations, or homecoming flowers), there is more certainty that the expenditure might be considered allowable. Unless such a policy exists, examples of items that would usually be considered a gift of public funds include flowers, candy, advertisements for private award ceremonies, and donations to charity.

Importance of Good Business Practices

The laws and regulations that govern ASB activities and funds are not comprehensive enough to provide guidance for all areas where questions arise. Thus, although this manual conforms to the laws and regulations, it also provides guidance in areas where formal legal guidance is inadequate or nonexistent. This supplementary guidance is based on sound business practices, internal controls, and effective procedures used by successful districts throughout California.

Board Policy and Administrative Regulations

Because only a limited number of laws and regulations in the Education Code, Penal Code, California Constitution and California Code of Regulations identify parameters for ASB operations, a significant amount of local discretion is needed. The governing board has final authority over everything that occurs in the district, including ASB operations. This includes the authority to decide whether ASB organizations will exist in the district and, if so, how all ASB operations and activities will be supervised. It also includes ensuring that clear guidelines and processes are developed to enable ASB organizations to operate efficiently and effectively for the benefit of students.

The recommended procedure for providing these guidelines and processes is for the governing board to develop and adopt clear and understandable board policies and administrative regulations, as well as its own district ASB manual. Alternatively, the district may choose to adopt the FCMAT *ASB Manual*, supplemented by the district's own board-approved handbook or list of allowable and prohibited activities, fundraisers, expenditures and other items, for district employees, students, and other educational partners to follow.

Because most ASB operations relate directly to business management functions, the district's chief business official should take a lead role in ensuring that the district has board policies and administrative regulations regarding the operation and management of the organization's finances. In addition, all individuals involved with the ASB should receive training at least every two years on ASB laws, policies, regulations, internal controls, and good business practices. All new ASB administrators, bookkeepers, advisors, and others with ASB responsibilities should receive similar training within the first four months of working with ASB. The district's business office should take the lead in ensuring that this training is provided. ASBs must be made aware that district policy applies to them, and people involved in ASB must understand that district board policies and administrative regulations provide an additional set of rules that ASB organizations must follow. All district board policies and administrative regulations that apply to general district operations also apply to ASB, unless there is a policy stating otherwise.

Local school leaders should be encouraged to suggest innovative ASB practices, ASB fundraisers, and ASB management operations that will promote the general welfare, morale,

and educational experiences of students. Successful ASB management is a collaborative effort between and among students, student leaders, teachers, activity directors, advisors, school leaders, school employees, and the district's central office.

Recommended Legal Background Knowledge

LEAs must ensure that ASBs comply with the areas of ASB operations addressed in the law. Consequently, principals/school administrators, ASB advisors, and district administrators must understand the provisions of the law. Links to California legal codes are included in Chapter 25 of this manual.

These laws and regulations cover three major areas related to ASB operations:

- General Guidance.
- Fundraising Activities.
- Food Sales in Schools.

The following summary gives a brief overview of the Education Code applicable to transitional kindergarten through grade 12 (TK-12):

General Guidance Provisions of Law – TK-12

Education Code 48930	Grants the governing board the authority to allow groups of students to form a student body organization. Also discusses the purpose and privileges of student body activities.
Education Code 48933	Gives guidance on where the ASB organization may deposit or invest its funds. Requires that ASB funds be spent with the preapproval of three people: an employee or official of the school district designated by the governing board, the ASB advisor (must be a certificated employee), and a student representative of the ASB organization.
Education Code 48934	Allows ASB funds to be used to finance activities for noninstructional periods or to augment or enrich the district's programs for TK–6 students.
Education Code 48936	Provides guidance on uses of student funds, such as loans to other ASB organizations in the district or loans for permanent improvements to school district property.
Education Code 48937	Requires the governing board to provide for the supervision and auditing of the ASB funds. Allows the governing board to use the school district staff for ongoing audits of ASB funds.
Education Code 48938	Authorizes the governing board to appoint an employee to act as trustee for unorganized ASB funds in elementary and continuation schools, special education or regional occupational programs, or in adult classes.
Education Code 35564	Applies only when a school district is reorganized (i.e., when two school districts are legally combined or boundaries are changed). The section provides guidance on how the ASB funds are split.

Education Code 41020	Requires the annual audit to include all funds of the local educational agency (LEA), including the ASB.

Fundraising Activities Provisions of Law – TK-12

Education Code 48931	Grants the governing board the authority to authorize the sale of food by student organizations.
Education Code 48932	Grants the governing board the authority to authorize student organizations to conduct activities, including fundraising during and after school hours.
Education Code 51520	Prohibits teachers or others from soliciting students during the school day or one hour before or after school unless the solicitation has been approved by the governing board and is for a charitable organization or an organization under the control of the district.
Education Code 51521	Prohibits individuals from making solicitations on behalf of the school district or an ASB organization without the approval of the governing board.
Education Code 49430-34	Defines the sale of food items to students and is known as The Pupil Nutrition, Health, and Achievement Act of 2001.
Penal Code 319	Defines lotteries as "... any scheme for the disposal or distribution of property by chance, among persons who have paid or promised to pay any valuable consideration for the chance of obtaining such property...whether called a lottery, raffle, or...by whatever name the same may be known."
Penal Code 320	States that any person who contrives, prepares, sets up, proposes or draws any lottery is guilty of a misdemeanor.
Penal Code 320.5	Establishes that California public schools are not eligible to participate in lotteries or games of chance.
Penal Code 326.5	Authorizes bingo games run by charitable organizations but states, "No minors shall be allowed to participate in any bingo game."

Taxes

In general, student organizations (and educational agencies) must pay sales and use tax for all items purchased and consumed by the organization. There are, however, some exceptions, such as when sales are irregular or intermittent. Further details are included throughout this manual.

Tax-Exempt Status and Donations

Because student organizations are legally part of the school district, they are exempt from income tax just as the district is because of its status as a governmental organization. The district is not a private 501(c)(3) nonprofit organization but enjoys tax-exempt status because it is a government entity. As further described in the section in Chapter 12 titled, Tax-Exempt Status and Disclosure Requirements, school districts, and by extension the ASB, have nonprofit, tax-exempt status because they are government entities as described in Title 26, Internal Revenue Code, United States Code, Chapter 1, Section 170: "Charitable, etc., contributions and gifts" (21 USC 170). Therefore, donations to the school district are considered tax-deductible.

Many external organizations that donate to a student organization will request a tax identification number because they assume that this number is needed to claim a tax deduction on their annual income tax return. The district's tax identification number is not needed for any donor to claim a deduction and should not be given out unless the district's business office allows disclosure. Government organizations are not required to share their tax identification numbers. All requests for the tax identification number should be forwarded to the district's business office, unless the schools have been provided with a letter to send out when asked for this information.

However, being exempt from income tax does not exempt ASB and school-connected organizations from sales or use tax. Additional information about sales and use tax is available in the following three chapters of this manual, each of which has a section titled, "Sales and Use Tax."

- Chapter 11 - The Student Store — Sales and Use Tax section
- Chapter 18 - Cash Disbursement Management Procedures — Sales and Use Tax section.
- Chapter 21 - School-Connected Organizations - Sales and Use Tax section.

Laws Governing TK-12 Food Sales

Food sales are one of the most popular methods of fundraising, as well as one of the most regulated and complex in TK-12 LEAs. The state and federal governments regulate food sales to protect the categorically-funded school nutrition programs and to help ensure good nutrition, which helps students learn. Beverages are considered food and are also subject to restrictions. Foods sold on campus but not as part of the school nutrition program are called "competitive foods" as defined in the Code of Federal Regulations (CFR), Title 7, Section 210.11.

California has passed many laws that create stricter standards for competitive foods than federal regulations require. However, the federal Healthy, Hunger-Free Kids Act of 2010, which made major nutrition changes to the National School Lunch and School Breakfast programs, has also required schools throughout the nation to adhere to much stricter rules regarding the nutritional quality of competitive foods. These changes were the first federal update to competitive food sales in 30 years. These rules are referred to as "Smart Snacks in Schools" and became effective July 1, 2014. Whenever there is a discrepancy between state and federal law, the stricter law applies.

In addition, California Assembly Bill (AB) 626 (Chapter 706/2013) was signed into law in October 2013 and made effective on January 1, 2014. This legislation updated EC 49430–49434 related to competitive foods and beverages, and deleted others that were obsolete. This was an attempt to make the regulations more understandable to the public, but they are still tedious to read. Many of the resources on the California Department of Education website continue to be updated to reflect changed or new laws such as this.

The regulations apply to food and beverages sold to students by students during the school day. Public schools that participate in the National School Lunch Program, the School Breakfast Program, the Special Milk Program, the Food Distribution Program, or any United States Department of Agriculture (USDA) meal program must follow these regulations. The only other food sales to students outside of the USDA food program that may occur during the school day on school premises are sales by the district's food service or cafeteria program, referred to as

nonprogram foods. The laws and regulations allow only limited food sales on campus during the school day. These limitations do not apply to vending machines accessible only to adults, such as in the teachers' lounge.

Charter and private schools used to be exempt from competitive food sale regulations under California law, even if they participated in the school meal programs. However, because of the federal laws created by the Healthy, Hunger-Free Kids Act of 2010, all schools that participate in the school meal programs must follow these new regulations.

A district wellness policy must include guidelines regarding competitive food sale regulations. Districts have the option to implement even stricter standards than laws mandate. Clubs within the ASB organization that conduct food sales should have a copy of their district's wellness policy so they can be aware of any requirements the district may have adopted. District wellness policies often extend to the provision of any food product, whether sold or not, and may include what types of food, if any, may be given away or used as rewards.

The California Department of Education maintains a comprehensive section on its website with information related to food and beverage sales as well as a variety of manuals, guidance and other resources to help educational agencies understand the many guidelines that must be followed.

The CDE's webpage titled, "Healthy Eating & Nutrition Education" (cde.ca.gov/ls/nu/he/) has a link to the department's "Competitive Foods and Beverages" page (cde.ca.gov/ls/nu/he/compfoods.asp), which links to a wide variety of topics related to competitive food and beverage requirements.

School-Connected Organizations and Groups

School-connected organizations and groups, such as parent groups, booster clubs, foundations, auxiliary organizations, and other parent-teacher organizations, must ensure that they follow the same food and beverage restrictions as student groups when selling to students on campus during the school day. In addition, each district's unique wellness policy may contain rules and regulations that nonstudent groups must follow.

With all the state and federal regulations surrounding food and beverage sales on school campuses, it may be easier for groups to sell nonfood items at fundraisers, and this is highly recommended by the California Department of Education; however, as long as all regulations, including district board policy, are followed, schools may conduct food and beverage sales.

This page intentionally left blank.

Chapter 4 – Forming an ASB

Organized vs. Unorganized ASBs

ASB organizations are classified as either organized or unorganized. In general, unorganized ASBs are those where the students do not govern the ASB organization, whereas organized ASBs are those where the students organize their activities around student clubs and a student council, have more authority, and are the primary decision-makers. The requirements for unorganized ASBs are usually not as complex or specific as for organized ASBs (see Chapter 2 — Unorganized ASBs). Except where noted, guidance in this manual applies to both types of organizations.

Unorganized ASBs may Operate as Organized, but Organized ASBs Cannot Operate as Unorganized

Although it is allowable for an unorganized ASB to operate as if it is an organized ASB, it is not appropriate for an organized ASB to operate as if it is unorganized. If it is decided to run the unorganized ASB as organized, it is up to the district whether that means that all rules pertaining to organized ASBs will apply, or only some (for example, the principal/school administrator could still make all decisions without students voting, but there could be a student council). If there is a student council that votes on decisions at meetings, minutes should be taken to document those decisions. Or an unorganized ASB that has a student council or individual clubs may choose to prepare budgets and follow the same budgeting procedures as an organized ASB. Nevertheless, whether organized or unorganized, both must preapprove all purchases and fundraisers before any expenditures/purchases or fundraising activities occur; however, the process to do so will differ.

Unorganized ASBs: Elementary, Combined TK-8 and TK-12, Adult Education, Continuation Schools, Special Education, and ROCPs

In elementary and combined TK-8 and TK-12 schools, the ASB organization is called unorganized because, as a rule, the students do not govern the ASB organization. Usually, there is only the primary student body organization, no clubs, no student leadership/council, and a more focused agenda.

Adult education, continuation schools, special education students, and regional occupational centers and programs (ROCPs) also have unorganized ASBs because these are programs that include students who attend in a more transitory way and lack the continuity needed for an organized ASB.

Although students in unorganized ASBs raise funds, they usually have more limited involvement in making decisions about the fundraising events and how the funds will be spent. Typically, the governing board delegates the authority to oversee the raising and spending of funds to the principal/school administrator or another school employee, who is able to make all of the decisions related to the ASB operations and funds. Although authority is delegated to the principal/school administrator, the rules and guidelines regarding fundraising and allowable expenditures remain the same as those for organized ASBs. Like the funds in an organized ASB, funds of an unorganized ASB must be used to support students and their activities for noninstructional periods or to augment or enrich the programs provided by the district.

To Table of Contents >>>

Organized ASBs: Middle, Junior, and High Schools, and Middle and Early Colleges

Student organizations in middle, junior and high schools are called organized because the students organize their activities around student clubs and a student council. At secondary schools, there is oversight by district administrators and advisors.

Organized ASBs normally have individual clubs under the primary student body organization, each with its own focus and organizational requirements. Students in organized ASBs are primarily responsible for their organizations; the student council and student club leaders hold formal meetings, develop budgets, plan fundraisers, decide how the funds will be spent, and approve payments. The students make the decisions and have primary authority over the funds; the school administrators, ASB bookkeeper, and club advisor(s) assist, advise and coapprove student decisions.

Middle and early colleges have organized ASBs and represent a unique collaboration between a college and high school. They provide opportunities for high school students to earn college credits while completing their high school education.

Early college programs operate primarily at the high school campus during the high school day. Students in early college programs attend classes during the regular high school day, following the cohort model, which means that students progress through the program as a group, taking a predetermined set of classes together. These classes are often a blend of high school and college-level courses. Students may form their own early college class trust or their own club as part of the high school ASB.

Middle college programs may operate either at the high school or college campus. Students enrolled in middle college have the flexibility to choose their classes based on their interests and academic goals. Middle college students may take a mix of high school courses and college courses, allowing them to earn both high school and college credits simultaneously. Students may also form their own middle college class trust or club as part of the high school ASB. If the college allows, middle college students may also participate in clubs at the college.

It's All About Students

Student body organizations exist for students. It's all about students:

- Fundraising.
- Participating.
- Doing.
- Learning.
- Experiencing.
- Making decisions (if an organized ASB).

Employees associated with student body organizations are important to the success of students, but the organization exists because of students, and students must be involved every step of the way.

Student Council

Student council is often also known as the general ASB or student leadership. These terms are used interchangeably. In organized ASBs, and unorganized ASBs with a student council, the student council is composed of the student leaders, who are selected by their fellow students and who are responsible for the decisions they make and are advised on. The role of the ASB advisor and principal/school administrator is not to make the student council's decisions but to guide and advise the student council and the individual student clubs so they follow the laws, regulations, district board policies and administrative regulations, and club constitution and bylaws.

The Will of the Students Versus Denial of Student Decisions

The principal/school administrator and advisor should understand that the will of the students should come first unless there is a specific conflict with laws or regulations, district policy, student safety, school culture, or other specific reason to deny an event, expenditure, or other student council or club decision. Denial of a student council or club decision should not occur simply because the principal/school administrator or ASB advisor dislikes or disagrees with the decision; a valid reason is required.

New ASB Clubs Should Submit a Formal Application

To promote good governance, the principal/school administrator should require students who wish to form a new club at the school to submit a formal application that has the endorsement of the certificated employee who agrees to serve as the club advisor for the entire school year. The Education Code requires that advisors be certificated employees of the local educational agency (LEA). Additional information that should be gathered includes the titles, powers and duties of the officers, the manner of their election, the scope of proposed activities, and the name of the organization. The Application for Student Club form at the end of this chapter can be used for this purpose.

Non-ASB Clubs, Student Groups, Teams, and Other Groups of Students

If a club, student group, team, or other gathering of students does not want to be an official ASB club, the business office and principal/school administrator may allow them to operate outside of ASB as long as they follow any rules that have been established locally for such an activity. Some districts allow non-ASB groups that do not fundraise or spend money to operate outside of ASB; however, once they fundraise and spend money, the school requires the students to become a formal club and part of ASB.

All Clubs Must be Approved

All clubs, even those formed for students to do activities together (e.g., chess or checkers) rather than fundraising, should be approved by the principal/school administrator, even though there are no fundraisers or other financial activity planned. This is so that no student club meetings are held on campus that the principal/school administrator has not approved or allowed, which is more of a liability issue than a financial one. The same Application for Student Club form can be used.

Although it is not required that an LEA do so, some LEAs choose to require an application from all ASB organizations annually so that there is a clear record of the current officers, members and advisor, and to ensure that the most current constitution, bylaws and budget are on file.

Keeping this information current is a sound practice that can be accomplished simply by using the sample Club Information Sheet form, or Application for Student Club form, provided at the end of this chapter.

Constitution

The student council and each club should prepare and adopt an official constitution that is written to be clearly understood. The constitution is a written document that defines how a council or club is organized and sets forth the fundamental laws and principles under which it will operate. It should include an organization's name and purpose, and explain membership qualifications, how officers are elected, how often meetings will be held, what types of committees will exist, procedures for suspension or dissolution or closure of the ASB or club, and other related information. The constitution presents the framework within which the organization will operate and should clearly state all of the policies and rules for student governance of the student organization or club. It will define the general purposes and outline the council's or club's organization and administration.

Appointing Officers In Lieu of Student Elections

A principal/school administrator may not appoint ASB officers in lieu of student elections. Students serve as officers in a voluntary capacity and should therefore not be appointed. The constitution should describe what to do when students are not interested in serving as officers and only a few or no students campaign for election.

If there is no guidance in local governing documents, the school administrators should consider conducting another or second election as soon as reasonably possible so that officers can be selected. It is important that the school highlight the upcoming election and communicate the need for candidates. This includes the various benefits of serving in such a capacity (e.g., gaining leadership experience, exposure to the budget process). Once students understand that there are vacant positions in ASB, they may take a renewed interest in the elections and in student council or club leadership. If there is insufficient interest by the students, it may be necessary to postpone elections, the formation of clubs, and other ASB activities until there is sufficient interest.

Student Council and Club Activities Without Leadership or Advisors

In organized ASBs, if there is no student council or advisor for student council, then no new clubs can be formed, because the student council is one of the approvers of new clubs. This also means that funds held in the general ASB account and its subaccounts cannot be spent, because the students are the primary preapprover of expenditures and a required signer of the ASB purchase order. The same is true for other organized ASB clubs. If there is no leadership or advisor in the club, that club cannot spend its funds or fundraise. If an unorganized ASB, such as at a combined TK-8 or TK-12 school, has chosen to operate as an organized ASB, they cannot operate until an advisor is available, because they do not have the structure in place to approve fundraisers and expenses. Only in unorganized ASBs operating as unorganized may the principal/school administrator act as the sole approver of ASB purchases and fundraisers.

Bylaws

Bylaws are rules adopted by the student council, each club, or class group, or other approved group for its own meeting or affairs and will usually change more often than a constitution

does. Bylaws usually identify operational parameters, parliamentary authority for meetings, election speech and campaign specifications, balloting procedures, specifics on time and location of meetings, and other related items. The bylaws are often part of the constitution rather than a separate document.

Minimum Contents of Constitution and Bylaws

At a minimum, the constitution and bylaws should include the following:

- The name of the organization.
- The purpose or mission of the organization.
- The powers of the organization, and when the principal/school administrator has the right to veto.
- The type of activities the organization will conduct.
- The membership requirements for the organization, including qualifications and eligibility requirements. Restrictions should be spelled out clearly.

  If a group of students wishes to form a club based on specific membership or other criteria, the ASB constitution and/or bylaws, as well as relevant board policy and administrative regulations, should provide guidance regarding how such clubs can be formed. Although clubs should be organized to support student interests, districts should be very careful to avoid establishing requirements or criteria that may appear to be discriminatory. The Equal Access Act (20 USC 4071-4074) and Civic Center Act (Education Code 38130-38138) require public schools to treat all student clubs equally, regardless of the religious, political, philosophical or other orientations of the clubs. This means that, to the extent a district is open to student clubs, it must be open to all student-led and student-run clubs. However, whether an ASB club may allow restrictive criteria for participation, especially when based primarily or solely on the race or ethnicity of a student, is highly questionable; it is not recommended, and the legality and appropriateness of any such restriction must be carefully considered and thoroughly vetted. When criteria may be considered restrictive or discriminatory, it is recommended that the district's legal counsel be consulted for further guidance.
- The definition of quorum.
- How the constitution is adopted and amended.
- Information on the officers and meetings.
- Information on elections, including the time, methods and procedures for nomination, campaigns, and election of members.
- The titles and terms of office of the officers.
- Description and duties of officer positions.
- How officers are elected and installed, as well as qualification and eligibility requirements.
- Whether or not the club or organization will be represented on the student council.
- How representatives other than officers will be selected.

- The qualifications for eligibility on the student council.
- The term limits on the student council, procedures for removal of officers, and procedures for filling vacated offices.
- How the club advisors will be appointed.
- The time, frequency, and place for regular and special meetings.
- Whether parliamentary procedure will be followed, as well as who may veto the organization's proposals or actions.
- How and when the budget is prepared.
- How expenses are approved.
- The budget approval process and information about how the budget will be monitored and updated.
- The types of financial statements and reports that will be generated and distributed.
- How committees will be appointed, a description of any standing committees, and provisions for forming special committees if needed.
- How clubs within the student body organization will be formed, including their purpose, method of organization and discontinuance; financial activities; and requirements for constitution and/or bylaws.
- How a student becomes a member of the ASB or club, including any attendance or other requirements for full ASB or club membership and participation. Such a requirement may be necessary to prevent sudden or temporary club participation by students who otherwise may not be interested in the club, such as any who may want to join simply to participate in one activity or event but have little or no interest beyond that. When considering attendance and other participation requirements, keep in mind that students in the club should not be discouraged from attending activities, regardless of their club attendance or participation in fundraising.

Sample constitutions and bylaws for high schools, middle schools, and clubs are included in Chapter 23 of this manual.

Amendments to the Constitution or Bylaws

Once the constitution and bylaws have been approved, they apply to that ASB student council or club, should be adhered to, and can be amended as needed. All constitutions should include a procedure for how the articles and bylaws can be amended. After a change has been proposed and a draft prepared, the student body should review and discuss the issues before taking a final vote. The standard practice is for proposed amendments or revisions to require a two-thirds vote of the student body or club, but the constitution should specify the requirement.

Student Organization and Club Trust Accounts

To become a recognized part of the student body organization, a club, like the student council, must be composed entirely of currently enrolled students. These clubs, also known as trust accounts for financial purposes, must have the approval of the student council and the principal/school administrator, at the district governing board's direction.

Club Formation

All clubs should follow regulations in the ASB constitution and bylaws related to the formation of school clubs. Any group of students may apply for permission to form a club by submitting an application (as discussed above), a proposed constitution, bylaws, a budget, and any other required documents. A group of students is typically two or more. The student council's ASB constitution and bylaws should specify what needs to occur to form a club. Each club's constitution and bylaws should specify what is needed to conduct activities of the club. The student council/student leadership constitution and/or bylaws should include at least the following:

Minimum number of:

- Students to establish a club.
- Members needed to elect club officers.
- Officers.
- Members required to attend meetings and/or activities.
- Officers needed to establish a quorum (e.g., two-thirds of the officers).
- Guidance on the closure or dissolution process.

Typically, meetings are governed by Robert's Rules of Order or by *The Standard Code of Parliamentary Procedure* by Alice Sturgis and require that a quorum of officers be present for a meeting to be held. The difference between the two documents is that *The Standard Code of Parliamentary Procedure* is shorter and is an alternative to Robert's Rules of Order; however, Robert's Rules of Order is more well known. The standard chosen to govern ASB meetings should be indicated in the ASB or club bylaws.

Types of Trust Accounts

There are generally three types of ASB trust accounts in schools: those for class groups, scholarships and memorials, and clubs.

- Class groups are those such as the freshman class, senior class, or the class of 20XX, not academic classes such as math, language arts, or science. Only ASB class groups are accounted for within the ASB, and they operate similarly to clubs, with an approved club application, constitution, bylaws, and credentialed advisor. In organized ASBs, the students of the class group are the primary decision makers for all activities and fundraisers, preapprove purchases, prepare budgets, maintain meeting minutes, and so on. If a class group is formed for a specific graduation year (e.g., class of 20xx), then the class group ceases to exist and is dissolved upon graduation.
- Scholarships and memorials are both forms of scholarships. ASB fundraising may be approved to create a scholarship, or outside organizations or individuals may donate funds to the ASB for scholarships. Scholarships have many components and are subject to board policy, administrative regulations, ASB bylaws, and district business office guidelines. For more information about scholarships, see the section titled, "Scholarships and Trusts" in Chapter 8, the section titled, "Donations of Scholarships to an ASB Organization" in Chapter 12, and the section titled "Scholarships" in Chapter 14.

- Clubs are the most common trust account. All clubs are trusts and have their own individual account within the ASB financial system. The student council is also considered a club and has its own trust account; that account is typically titled General ASB in the ASB financial system.
- Funds in the general ASB account are under the direction of the student council and are typically used to benefit the overall students body. When the student council members decide that the council wants to spend funds on purchases specific to the student council (e.g., shirts, field trips, training), they should raise funds separately for those purchases and not use general ASB funds. To track student council fundraising and expenditures, a separate trust account should be created for the student council.

ASB Accounting for Trust Accounts and Subaccounts

Clubs, class groups, student council, and scholarship and memorial trust accounts may, depending on the ASB accounting software's capabilities, include subaccounts or special program classification tracking to further account for activities. Subaccount tracking of activities is common for student councils that may choose to track specialized or unique fundraising and spending within their account. Examples of categories that are often under the control of the student council are the student store, yearbook, student leadership, dances, and homecoming. Some student councils consider yearbook sales as part of student council fundraising while other schools may consider yearbook to be its own club.

Club Requirements

All clubs (also known as trust accounts), except for scholarship accounts, must be composed of currently enrolled students located at that school and must be formed as outlined in the student council ASB constitution and the district governing board's requirements. Students must play a major role in the club, and each club or class group must have the following:

- An approved constitution and bylaws that outline the club's purpose, policies, rules, and operational parameters.*
- Regular, formal meetings that include approved meeting minutes.*
- A certificated ASB club advisor.*
- Elected student officers.*
- An approved budget.*
- All expenditures approved in advance by authorized individuals (the authorized individual(s) can vary depending on whether the ASB is organized or unorganized).

*Optional for unorganized ASBs.

The Education Code requires that the club advisor be a certificated employee of the school district where the ASB resides. All clubs operate under the same regulations and have the same requirements as the student council organization, and clubs (in an organized ASB) will report to the student council.

Independent Study and Home School Students

Independent study or home school students who are enrolled in the district may participate in ASB or club activities at a school within the district, provided that district board policy or

administrative regulations permit their participation. Athletic participation at alternative schools and programs may also be allowable whether operated within or outside of ASB; however, these programs are typically governed by the California Interscholastic Federation (CIF).

Non-ASB Clubs or Accounts

If a group does not meet the club requirements listed above, it is not a club and should not be accounted for or included in the ASB account. Non-ASB accounts or funds, including but not limited to pass-through or clearing accounts, may be accounted for at the school level using the district's accounting system and the correct Standardized Account Code Structure (SACS) object code and resource code combination. Examples are resource code 9000-9999 for other local restricted, resource code 0001-09999 for other local unrestricted, or other SACS codes set aside for local designations.

Non-ASB activities should not be accounted for in the ASB financial records. All funds deposited into the ASB account become the property of the students. This includes library fines, AP testing fees, and any other funds a school may deposit into the ASB account. Schools should be careful to ensure that only funds that should belong to the students are deposited into the ASB account. All other revenue should be deposited into the district's general fund.

Principal/School Administrator Approves Non-ASB Clubs

There are no statutory restrictions that prevent students from meeting outside of ASB. There are instances when a group of students simply want to meet, such as to play chess, and no fundraising or expenditures will occur during the year. In these instances, the principal/school administrator should determine whether to approve these non-ASB clubs or activities. The principal/school administrator or their designee should determine whether to approve such student meetings, including the purpose of the meetings, the meeting frequency, location, and supervision.

If students intend to raise and spend funds and/or establish a formal leadership structure, they should organize under ASB and apply for recognition as an ASB club.

Sports and Athletic Clubs

There are multiple options for properly accounting for sports and athletics within ASB or as a separate program.

Athletics Within ASB

The district may choose to operate athletics as a club within ASB, subject to all rules and criteria applicable to all ASB clubs. Athletics in ASB may be organized as one athletics club for all sports or as multiple clubs, with one club for each sport.

Regardless of the organizational structure within ASB, each club must have its own constitution and bylaws, certificated advisor, budget, minutes and other required elements. Students must be the primary decision-makers. This includes preapproval of all expenditures by a student representative, club advisor, and an employee or official of the school district designated by the governing board (e.g., principal/school administrator).

A club advisor must be at all events and activities, including games and practices, so it is acceptable to name multiple certificated advisors on the club application and constitution to

ensure an advisor is always present. Volunteers, walk-on coaches, and other district-approved individuals may be allowed to assist, but they cannot be the club advisor and cannot be left alone with students; an official club advisor must be present.

Athletics as One Club for All Sports

When all athletics are structured as one club, each sport should be accounted for as a subaccount of the main athletics club. Each sport in the athletics club should elect at least one delegate or commissioner to be a member of the club's student leadership, to ensure that each sport is represented. Each sport should account for its funds separately but as a component of the total club budget. The athletics club should have one constitution and one set of bylaws, at least one budget, and one set of minutes. Minutes may be combined for all sports activities and decisions, or separated to document decisions for each specific sport.

If the athletic director of the school is a certificated employee of the district, that person may also serve as the club advisor.

Athletics as One Club for Each Sport

When structured separately, each sport operates as its own club with its own constitution and bylaws, certificated advisor(s), budget, minutes, and other required elements.

Athletics Outside of ASB

If all the rules for trust fund accounting of ASB funds cannot be followed, those funds should be moved to a district-approved non-ASB account. If athletics is not operated as an ASB club or clubs that meet the ASB criteria, the following options are available:

Use of the District Accounting System and County Treasury Bank Account

The district may choose to operate athletics separately from ASB using the district's accounting system and county treasury bank account, as administered by the district's business office. Deposits and other athletics revenue should be remitted to the district office for deposit with the county treasurer, and checks should be issued using the district's purchase order and warrant system. The ASB bookkeeper may continue to provide accounting for athletics but should use the district's accounting system to do so.

If this option is selected, the district should develop board policies, administrative regulations and an athletics manual or guide that specifies how funds will be accounted for, the approval processes, and all other procedures that athletics should follow.

Use of Separate Accounting System and Bank Account

The district may choose to operate athletics outside of ASB using a unique school accounting system and bank account. As with ASB, the athletics accounting system and bank account should be authorized by the school district's business office. The accounting may continue to be performed by the ASB bookkeeper using the ASB accounting software and a chart of accounts separate from ASB, or using a different accounting software independent of the ASB.

If this option is selected, the district should develop board policies, administrative regulations and an athletics manual or guide that specifies how funds will be accounted for, the approval processes, and all other procedures that athletics should follow.

How To Close Out Athletics Balances from ASB

The processing of any expenditure in ASB is the same, even for closing out athletics from ASB. All expenditures must be preapproved with an ASB purchase order and identified in the club minutes. It is best to also update the athletics club budget.

The athletics club should document in its minutes its approval and anticipated closure of the club balance, and its moving of athletics funds to an outside account or district account. If athletics is not operating as a true ASB club, doing this is often difficult because typically the adults are making all decisions, and the club students are not actively participating. The best practice is for the athletics club students to be involved in the approval process to close out balances. If they are not, then the student council may have to act as the athletics club surrogate. Regardless of whether the athletics club or the student council is responsible for closure, FCMAT recommends taking the following steps:

- Step one: Review the athletics club bylaws for any closure procedures and follow those. If there are no bylaws describing closure, athletics may not be formally recognized as a club and does not have closure procedures, but it is recommended to confirm. To proceed, the role of the athletics club should be determined.
    - If athletics is operating as an approved club, then only the athletics club should follow the steps below, unless the district's business office or student council has added additional procedures.
    - If the athletics students are not engaged or are inactive in operating the club, then there are no official student representatives to participate in the closure process, which means all aspects of closure become the responsibility of the student council.
    - If the athletics club is not a formally approved club with an approved constitution, bylaws, and application, then they are not a club. If they are not a club, their funds may fall under the authority of student council.
        - But if students are operating the athletics club and consider themselves a club even though they are not approved as a club, then both the athletics club students and student council students should complete the steps below.
- Step two: Amend the athletics club and/or student council budget(s) to include the closure of the athletics club and estimate the amount of the check to be written. The estimate may be incorrect depending on when the account will be closed, but at least amending the budget will further document the students' awareness and budgeting for the closure of athletics.
- Step three: The students in the athletics club and/or student council should discuss, document, and approve the closing of the athletics account in the club minutes.
- Step four: Create a purchase order in the athletics club or student council that identifies that it is to close out athletics and that lists the payee as the school district or other district-approved payee. The purchase order should be signed by the athletics club and/or student council student representative, the club advisor, and the principal/ school administrator. If the athletics club student representative is not available to sign the purchase order, then the student council representative and advisor also sign. This

step adds more signatures to the purchase order but is also more transparent should anyone question the moving of the funds.

- Step five: Record in the athletics club and/or student council minutes the purchase order number and amount of balance to transfer. Depending on each district's purchase order procedure, the purchase order may be recorded in the minutes before or after it is signed.
- Step six: The bookkeeper processes the approved purchase order check as they would any other check.

General ASB/Student Council – Fundraising and Use of Funds

As a general rule, clubs should conduct fundraisers rather than use the ASB student council's funds to fund their operations. All ASB funds, including those of the student council, are raised for specific purposes as outlined on the fundraiser approval and revenue potential forms. In the case of the student council, those funds are typically raised by a larger group of students and should therefore benefit as many students as possible rather than a specific club or specific subgroup of students.

Individual Versus Ongoing Fundraisers

Each year, the student council should develop its own budget supported by a fundraiser approval form and revenue potential form for each fundraiser. Fundraisers may be individual events or may be ongoing over the course of an entire school year. Any activity or event that produces revenue is considered a fundraiser. Typical student council fundraisers are dances and student store sales. Individual dances may be separate fundraisers or may be collectively considered one fundraiser for the year. The same is true for a student store: all sales may be considered one fundraiser for the entire year, or specific sales may be considered individual fundraisers. All revenue potential estimates may be compiled to transfer the estimated revenue and expenditures into the student council budget.

Use of ASB Student Council Funds

Common uses of ASB student council funds may include school spirit T-shirts and other gear for all students, student store supplies, and other items that benefit a large group of students. Uses that are generally prohibited, unless there is existing board policy or administrative regulations allowing them, include supporting individual clubs and other expenses that do not benefit a large group of students. Using student council funds to support a single club or class group can have unintended consequences because it may prompt other clubs or class groups to look to the student council in the future for assistance with expenditures instead of fundraising. Generally speaking, both ASB club and student council funds should always be used for the purpose for which they were raised and approved.

New Club Startup Grants

Student council funds may be used to help newly formed clubs with a startup grant. Ideally, a district's board policy, administrative regulations or the ASB constitution and bylaws should permit such a practice. Absent local policies that allow this practice, the student council could choose to allow club grants by formally approving each grant individually.

When this is allowable, startup funds should be available to all new clubs who request them. The amount should be nominal, such as $100, and grants do not typically have to be repaid. New club startup grants should be budgeted for annually in the student council budget (see other sections of this manual regarding student council loans to clubs that must be repaid).

Inactive Clubs and Club Dissolutions

All ASB club trust accounts are part of ASB. If a club becomes inactive, chooses to dissolve, or no students remain in the club, any remaining funds typically revert to the ASB student council unless directed otherwise in district ASB board policy, administrative regulations, or the club's or ASB's constitution or bylaws. Before the club becomes inactive or dissolves, the club's students could also decide to transfer any remaining assets, such as funds or equipment, to another club within the same ASB. It is best if the district's ASB board policy, administrative regulations or the ASB constitution and bylaws define what should be done with the funds of a club that has become inactive or dissolved (for example, funds should be transferred to the student council).

Inactive Clubs

District ASB board policy, administrative regulations, and/or the ASB constitution and bylaws should define what constitutes an inactive club (e.g., any club that has no financial activity or meetings for more than 18 consecutive months). If district board policy, administrative regulations, or the ASB bylaws or constitution are silent about inactive clubs, it is appropriate for the student council to decide on the use of the funds after a reasonable amount of time has passed, such as 18 consecutive months as mentioned above. If possible, the funds should be used for the same or similar purpose for which they were originally raised. If that proves too difficult because the club is now inactive and the original purpose for which the funds were raised is no longer valid, the funds should be used in a way that will benefit the most students in the receiving club or at the school if transferred to the general ASB.

Club Chooses to Close or Dissolve

Similar to an inactive club, if a club chooses to dissolve and the students of the club are not available, unless there is district ASB board policy or administrative regulations in place, the club bylaws or constitution should contain guidance on the closure or dissolution process, as well as how any remaining assets such as cash or equipment should be handled. If the club bylaws or constitution, or district ASB board policies and administrative regulations, do not define what needs to occur to close or dissolve a club, it is allowable for the general student council to decide on the most appropriate use of the funds.

If a club chooses to disband and the club's students are available, that decision and the specifics of how any remaining assets are to be disbursed (e.g., given to the student council or another club) should be recorded in its meeting minutes. The students in the club should make these decisions.

Assuming funds or equipment remain, a detailed accounting and inventory should occur to ensure an accurate transfer to the general ASB or another club. Any transfer of funds or equipment should be preapproved using a purchase order and be authorized by all necessary signers. If possible, any transferred funds should be used for the same or similar purpose for which they were originally raised. If that proves too difficult because the club is now dissolved,

the funds should be used in a way that will benefit the most students in the receiving club or at the school if transferred to the general ASB.

Disposal or Sale of Equipment – Active, Inactive and Dissolving Clubs

If a club has become inactive or the dissolving club no longer has any members to make decisions, the disposition of any remaining equipment shall be transferred by the same process that is used when there are remaining funds. The equipment becomes the property of the designated receiving club or ASB student council.

If a club has not dissolved, the club may choose to sell their equipment as a fundraiser or donate the equipment to another club within the same ASB. The equipment may also be donated to the student council at the same school. If the equipment is sold, the club may use the proceeds as indicated on its approved fundraiser approval form. When the equipment cannot be sold, the club should follow district board policy regarding surplus equipment procedures. The sale of surplus items is discussed later in this manual.

For all other sales of ASB equipment, the club should consult with the district's business or purchasing office. If a sale of the equipment is not possible, or if the governing board has provided no guidance on the disposition of ASB equipment, the ASB should consult with the district's business office and legal counsel.

Changing a Club's Name

Club name changes are not common but can be made in certain circumstances. Each club is named in the club's constitution, and the process for making amendments should be described in the club's bylaws. Typical club bylaws include a statement that the amended bylaws should be readopted by both the club and student council. The standard practice is for a club name change to require a two-thirds vote for approval.

When a name change is being considered, the club advisor and officers should first determine whether they intend a simple name change, or whether they intend to create a new club with a new purpose and abandon the existing club. If the constitution and/or bylaws do not provide guidance regarding name changes, the club should adopt a resolution declaring the intent to change its name and present the resolution to the student council for approval. The resolution should include the following:

- Statement of intent to change the club's name.
- Existing club name.
- Proposed new club name.
- Why the change is necessary.
- When the change becomes effective.
- Confirmation that the club advisor and officers will remain unchanged.
- If a new club is being formed, the process to transfer unspent club funds and other assets to the new club and close the dissolved club.
- Approval by the student club representative, club advisor, student council representative, and principal/school administrator.

- Date the resolution was approved and recorded in the club minutes.

If the club plans to change more than its name (e.g., club purpose, leadership structure). the club should refer to its constitution and bylaws for further guidance.

Merging Clubs

In an organized ASB, when the students of two or more clubs decide to merge, there are several options to consider. In all cases a joint resolution should be passed by all merging clubs describing the conditions and purpose of the merger. The resolution should be approved by all merging clubs, the club advisors of all merging clubs, the student council, and the principal/school administrator.

Option 1 – Surviving Club – Officers Remain Unchanged

Club A merges into club B. Club B becomes the surviving club and club A is dissolved. Club B's name will be the name of the merged club. Both clubs should pass a joint resolution that includes direction for club A's assets to be transferred to club B. Club B's officers become the officers of the merged club.

Option 2 – Surviving Club – Election of New Officers

Club A merges into club B. Club B becomes the surviving club and club A is dissolved. Club B's name will be the name of the merged club. Both clubs should pass a joint resolution that includes direction for club A's assets to be transferred to club B. An election will be held to determine the officers of the merged club.

Option 3 – New Club – Use of Existing Club Account

Club A and club B merge into a new club with a new club name. The dissolution process for closing a club should be followed for both club A and club B. One of the existing club accounts will be renamed and used for the merged club. Both clubs should pass a joint resolution that includes directions for the assets of one club to be transferred to the other club, depending on which club account will remain open. The dissolving club's account should be closed. A new club application, constitution and bylaws should be completed that follow the procedures for forming a new club. An election will be held to determine the officers of the new club.

Option 4 – New Club – Creation of New Club Account

Club A and club B merge into a new club with a new club name. The dissolution process for closing a club should be followed for both club A and club B. Both clubs should pass a joint resolution that includes directions for the assets of both clubs to be transferred into a newly established account. The club accounts for club A and club B should then be closed. A new club application, constitution and bylaws should be completed that follow the procedures for forming a new club. An election will be held to determine the officers of the new club.

ASB Closure/School Closure

Education Code (EC) 48930 gives authority to the governing board to allow an ASB to exist. When a school district chooses to close just the ASB or one or more schools with ASBs, the governing board will also need to determine the dissolution of the ASB and its assets and liabilities. Board policy and administrative regulations should describe the process for dissolving and/or distributing any remaining ASB assets, including any residual cash and equipment, after settling any outstanding liabilities.

Club Constitution or Bylaws Govern Club Closure

For any club, the club constitution and/or bylaws should outline the club closure process. If no such guidance is provided, the general ASB constitution and/or bylaws should govern the disposition of any remaining club assets. Once all clubs have been dissolved, all remaining funds and equipment will typically belong to the general ASB account.

No Existing Guidelines for Dissolution

If governing board policy has no guidance on dissolution and the governing board is uncertain how to proceed, the district should seek legal guidance. One option is for the district governing board to make a determination by adopting a one-time resolution that describes the dissolution process. As a fiduciary of the ASB trust, the district and its governing board continue to have a responsibility to act in the best interest of the students while any remaining assets are dissolved or distributed.

Disposition of ASB Equipment

If the ASB has any remaining equipment, the governing board may determine that it can be sold or otherwise distributed to other schools. Any equipment that cannot be sold or redirected should follow the district's policy regarding surplus equipment.

District Reorganization

The Education Code regarding district reorganization may also have relevance to a school closure. For example, EC 35564 states that when a school district reorganizes, if there is an ASB involved, the funds and property shall be divided as determined by the applicable county committee on school district organization, or equivalent body. Such a committee could allocate the remaining ASB assets to various schools on a prorated basis determined by the number of students moving to each school.

Student Council, Class Group and Club Meetings

Student meetings are an important part of ASB and should be held regularly by the student council and any formally established class groups or clubs. In this instance, regularly means holding meetings whenever important issues need to be discussed or events planned. See the Minutes of Meetings section below for more information about minutes.

Virtual Meetings

Meetings are often held in person, though virtual meetings may also be allowable. If an LEA chooses to allow virtual meetings, the meeting requirements should be the same as those for in-person meetings. This includes the virtual presence of the certificated ASB advisor. The ASB constitution and/or bylaws should outline both in-person and virtual meeting requirements, such as the definition of a quorum and who shall conduct the meetings. The meetings should continue to follow Robert's Rules of Order or a similar guide, and minutes of the meetings must be kept and read for approval at subsequent meetings. Also, any actions taken by the student council should be reported to the membership at large, just as they are for meetings held in person.

When expenditure or purchase order approvals are necessary in a virtual setting, an electronic signature or email can suffice for the ASB student representative, ASB advisor, and board

designee/administrator. This may also be used for approvals from other ASB employees, such as the ASB bookkeeper.

When virtual meetings and electronic approval of transactions are allowed, this should be reflected in the district's board policy and administrative regulations.

Food for Club Members During Virtual Meetings

ASB clubs occasionally provide refreshments during club activities. This may be allowable if the expenditure has been properly preapproved and funds have been raised for this purpose. Some ASBs may also wish to make individual food purchases allowable for meetings held in a virtual setting. If this is permitted, it should be part of the district board policies and administrative regulations. Such a policy should include at least the following requirements:

- An approved fundraiser has or will occur that includes food purchases for students who attend virtual meetings or events. The purchase order should include a per-person limit on the amount allocated for food.
- The purchase of food using ASB funds has been or will be preapproved using a purchase order, thereby allowing both direct purchases of food and reimbursements to students and to school employees who attend the virtual meeting for an ASB purpose (e.g., advisor or assistant to the advisor) and have spent their own funds on food.
- The fundraiser approval form, revenue potential form and purchase order include a per-person limit on the cost of food for each meeting or event.
- Meeting attendance should be documented.

The district should either use its existing travel and expense policy as a guide for the per-person limit on meal cost, or clearly specify different amounts for virtual ASB meetings and events.

Minutes of Meetings

Because there is a formal process of student governance for organized student bodies, the student council and each club must prepare and maintain a record of each meeting. These records are called minutes, and they record each meeting and the actions taken and demonstrate that the student council or club has followed ASB policies and procedures as well as current law. Minutes should be kept in a permanent record book, notebook, or electronically, for future reference. A standard format for meeting minutes is provided at the end of this chapter.

Minutes should include details of proceedings, including financial matters pertaining to the budget, approval of fundraising ventures, and expenditure authorizations. Minutes are not a verbatim transcript of every word spoken; rather, they are a concise record of the essential matters discussed at each meeting so there is a record of what occurred. The minutes should be written clearly so they can be read and understood in the future. Abbreviations should be avoided because future readers may not understand them.

Generic or Blanket Motion Minutes

Creating generic minutes or blanket motion minutes to expedite certain routine decisions, approvals and procedures, such as approving all purchase orders in a combined fashion

without listing the purchase orders or other important information is not a best practice and should be avoided. There is much for the students to do and learn in an ASB, and creating shortcuts to accomplish this more expeditiously can be problematic, because students may not be given an opportunity to thoroughly discuss all ASB or club business, transactions, planned activities, and other items. Further, the Education Code specifically requires students, along with the ASB Advisor and board designee (often the principal/school administrator), to preapprove all ASB expenditures. The use of student funds, for instance, should always be an action item on the meeting agenda; it should not be relegated to a consent agenda or adopted as a blanket motion.

Good Business Practices for Meeting Minutes

Although the form of minutes may vary from one organization to another, they should document at least the following information:

- Name of the club or organization holding the meeting.
- Date, time, and place of the meeting.
- Kind of meeting (e.g., regular, special).
- Names of those in attendance.
- Name of the presiding officer.
- Minutes from the previous meeting read, amended and/or approved.
- What was discussed or reported on during the meeting.
- Report on activities of standing or special committees.
- What action was taken during the meeting (e.g., the budget was amended, or the expenses were approved).
- The results of any votes taken, including who made a motion, who seconded the motion, and anyone in opposition, if applicable.
- Reporting on any communication to the ASB.
- A list of any unfinished business.
- Date and time of next meeting.
- What time the meeting adjourned.
- Who prepared the minutes.

Any information provided to those attending the meeting, such as purchase order lists, check registers, bylaws, project outlines and letters, should be attached to the original minutes and kept on file. The club secretary, or whoever took the minutes, should also sign the minutes when they are completed. Minutes should not be signed by someone who did not attend the meeting.

At the next regularly scheduled student council or club meeting, the students should review and approve the minutes of the previous meeting. The secretary should maintain a binder of all of the approved minutes for the school year. A sample ASB meeting minutes record is included at the end of this chapter. The sample can be modified for either general student council use

or for a club meeting record. Also included at the end of this chapter is a document titled "Let's Get the Meeting Moving," which some districts use to help clubs understand how to run a meeting and what should be discussed.

New Schools

There is no law or other code reference regarding how to establish student body funds when a new school opens. Because there is no official guidance, it is a district decision and is handled differently across the state. FCMAT provides the following examples of how to establish student body funds at a new school if district policy is silent on the subject:

- A district might allocate startup funds for the new student body out of the district's unrestricted general fund; the new ASB may get to keep these or may be required to pay them back once it is able to do so.
- Other student body organizations might give temporary loans to another ASB in the same district and, per EC 48936, these must be repaid within three years. This allows a new ASB to establish itself and repay the funds within a reasonable time.
- If some of the new school's students come from one of the district's other schools, a district may decide to transfer some student body funds with the transferring students on a per-pupil basis. If this is done, FCMAT suggests using the allocation model discussed in EC 35564 as it is fair and equitable. Although this code pertains to the allocation of organized ASB funds when a school district is reorganized, the allocation method it provides can still be used.
- Existing schools in the district could conduct a fundraiser together and then divide the funds among all district schools, including the new school.
- The new school could conduct an ASB fundraiser to generate its own startup funds, though it would need to be given a temporary allotment of cash to purchase the supplies for the fundraiser.

Because the formation of an organized ASB and the election of officers at a new school should involve all of the students who will be attending the new school, the timing of the ASB formation depends on where those students are transferring from. If they all come from one school, an ASB can be formed before the move to the new school. However, if students come from multiple schools, it is more complicated. Whatever the method and timing of the ASB formation, all students should participate in the election of officers, and adults should not determine who will be the ASB officers.

In addition to funds, a functioning ASB requires a certificated employee of the district to act as ASB advisor, an employee or official of the school district whom the governing board has designated (EC 48933), and student representatives. When all these things are in place, the formation of the ASB can begin.

As indicated above, there are many possible methods for funding a new school's ASB, but none of them are mandated. Thus, a discussion should occur at the district level because the method chosen could set a precedent if additional schools open in the future. If new schools have been opened in the past, it is important to determine what occurred in those cases for the new ASB, because that might set the precedent to be followed.

Application for Student Club (for new clubs)

Name of School_____

Associated Students

Application for Student Club

(PLEASE PRINT)

Fiscal Year: _____

I. We the students of the _____ (name of the school), request permission to form a student club. A list of the students sponsoring this application is attached to this application.

II. This club will be called _____

and will have as its purpose: _____

__

III. Mr./Ms. _____ (name of certificated employee member) will serve as the advisor for this club for the _____ school year.

IV. We have attached:

- A copy of the proposed constitution for this club.
- A copy of the proposed budget for this club for the current school year.
- Title, powers and duties of the officers and the manner of their election.
- Scope of proposed activities.
- List of students who are interested in starting this club and interested in becoming members.

V. Submitted by:

Student Club Representative: _____

Signature, Title and Date

Club Advisor: _____

Signature, Title and Date

Approved by:

Principal/School Administrator: _____

Signature, Title and Date

ASB Student Council President: _____

Signature, Title and Date

Recorded in ASB Student Council Minutes on:_____

Date

Club Information Sheet (for clubs approved in the past)

Name of School _____

Associated Students

Club Information Sheet

(PLEASE PRINT)

Fiscal Year: _____

Name of Club: _____

Name of Club Advisor: _____

Names, elected positions, and contact phone numbers of all ASB Club Officers:

_____

_____

_____

_____

_____

Day and Time of Club Meetings: _____

Place of Club Meetings: _____

Please Attach:

- A copy of the approved club constitution.
- A copy of the approved club budget for the current school year.

Submitted by:

Student Club Representative: _____
Signature, Title and Date

Club Advisor: _____
Signature, Title and Date

Approved by:

Principal/School Administrator: _____
Signature, Title and Date

ASB Student Council President: _____
Signature, Title and Date

Recorded in ASB Student Council Minutes on: _____
Date

Student Council or Club Meeting Minutes

Name of School_____

Name of Club_____

Associated Student Body Minutes

Meeting Date: _____ Meeting Time: _____ Location: _____

Kind of Meeting (circle one): Regular Special Other

The meeting was called to order by: _____

The minutes of the meeting dated _____ were read and approved (corrected and approved) on _____

Presiding Officer: _____

Roll Call by: _____

of Members Present: _____ # of Members Absent: _____

Meeting Attendees (attach separate list):

The following purchase orders were approved (list below or attach separate list):

Purchase Order Number	Vendor Name	Amount	Club	Purpose of Expenditure

Motion by: _____ Second by: _____

Vote Count: _____ Number For: _____ Number Opposed: _____

The following invoices were submitted for payment (list below or attach separate list):

Check Number	Payable To	Amount	Club	Purpose of Expenditure

Check Number	Payable To	Amount	Club	Purpose of Expenditure

Motion by: _____ Second by: _____

Vote Count: _____ Number For:_____Number Opposed: _____

Other motions: _____

_____

_____

Motion by: _____Second by: _____

Vote Count: _____ Number For:_____Number Opposed: _____

Communication and Reports:

Old Business: _____

New Business: _____

Unfinished Business: _____

Announcements: _____

Submitted by: _____

ASB Secretary: _____
(Signature and Date)

ASB Club Advisor: _____
(Signature and Date)

Forwarded minutes to ASB Student Council on: _____
Date

Signed official copy placed in binder for official record on: _____
Date

Instructions for Structuring Meetings

LET'S GET THE MEETING MOVING!

1. **Call to Order**

   The meeting is called to order by the president, who rises and says, "The meeting will please come to order."

2. **Roll Call**

   To determine if a quorum is present.

3. **Minutes**

   The minutes of the last meeting are read and approved if correct.

   Example: The president says, "The secretary will read the minutes of the last meeting." After the reading, the president asks, "Are there any corrections or additions to these minutes?" "If not, they stand approved as read."

   If there are corrections, the president informally directs corrections be made.

   "The minutes are approved as corrected."

   The secretary signs the minutes, "Respectfully submitted." They may be initialed by the president.

4. **Reports of Officers**

   The president makes announcements by reading the president's report.

   The secretary informs the group of any communications the group has received. Each communication should be handled by a main motion before another is read.

   The treasurer reports on receipts and expenses paid. These are "received and placed on file." No vote is taken on reports "placed on file."

5. **Reports of Committees**

   The president calls for reports of committees.
   Standing committees
   Special committees (temporary)
   Procedure: In each case, the president calls upon the chairperson of the committee to make the report. The report is read.
   After this has been done, the president says, "This report will be placed on file. Any action required in this report will be taken care of under the proper order of business."

6. **Unfinished Business**

   This is any business postponed from a previous meeting. Discussion follows the motion and then a vote is taken.

7. **New Business**

   This includes any ideas not presented previously. It is moved and discussed by the members. Example: President states, "We are now ready for the new business of the meeting, which includes the decision about the admission fee for the party. Will someone make a motion so that we may discuss the question?"

Member says: "I move that the admission fee for the party be fifty cents."

Second member: "I second the motion."

President: "It has been moved and seconded that the admission fee for the party be fifty cents. Is there any discussion?" Discussion follows. One member calls "Question," which means that the president must ask, "Are you ready for the question?" (Ready to vote). Or the president acts on personal initiative and, if there are no objections, brings the matter to a vote.

8. **Announcements**

   Announcements are shared about committee meetings or other items of interest.

9. **The Program of the Meeting**

   Example: Guest speaker, movie, presentation.

10. **Recap**

    Reminder of next steps/tasks assigned

11. **Adjournment**

    This happens after a motion to adjourn is made and carried, (or if business is finished). The presiding officer declares the meeting adjourned.

This page intentionally left blank.

Chapter 5 – General Business Practices and Internal Controls

Associated student body organizations give students the opportunity to learn about business principles and practices as well as to raise funds to enhance their educational experience. Students can gain valuable experience by learning banking policies and procedures, preparing budgets, understanding what bookkeeping entails, disbursing money, making decisions, and auditing accounts. Student organizations are no different from other organizations in that they must follow sound business practices to ensure confidence in their governance and financial management to ensure success.

Just as a business is responsible to its owners and a school district is responsible to the public, student organizations are responsible to all students and must ensure that the funds generated are used effectively and accounted for in accordance with student council governing body and district policies and procedures. School district administrators are responsible for monitoring and safeguarding ASB assets and ensuring that proper internal controls, policies and procedures, and other operational guidelines are in place. ASB funds are public funds. Sound business practices help ensure compliance, effectiveness, consistency, transparency and accountability.

The Business Operating Cycle

Businesses begin operating when the organization is formed. The business operating cycle consists of various phases that normally recur each year, such as posting transactions, closing the books, and preparing financial reports. ASB organizations operate on a fiscal year cycle, which runs from July 1 to June 30, similar to local educational agencies. This is different than private businesses, which operate on a calendar year cycle, from January 1 to December 31.

Successful businesses pay close attention to the various stages of their operating cycle and ensure that good procedures are used at each stage. To ensure that the ASB organization is efficient and effective, all individuals involved in ASB must understand the ASB operating cycle and how to establish effective policies and procedures.

Establishing the Bank Account

At a minimum, each school with an ASB organization will need a checking account at a local financial institution unless the district's business office provides an alternative banking function for ASB funds. In organized ASBs, a savings account or money market account may also be established because of the large amounts of money raised for multiyear or large projects, for which funds are typically raised and saved until the funding goal is reached. Education Code (EC) 48933 provides guidance about where the ASB organization may legally deposit or invest its funds.

Savings Accounts and Certificates of Deposit

Savings accounts and certificates of deposit are usually not necessary because it is expected that the students and administrators overseeing these funds will have an annual budget to ensure that there is only a nominal amount of carryover to each subsequent year. Although it should not happen, some ASBs do accumulate large ending balances, meaning that students

To Table of Contents >>>

raised funds but were unable to use them. Ideally, funds should be spent in the same year they were raised; any excess should be small and be included in the following year's budget.

Good Business Practices for Bank Account Management

The district's business office should identify the financial institution to be used by the ASB and make all the arrangements for establishing, changing or closing an ASB bank account. Districts may desire to consolidate banking functions with one institution. This process also ensures that the bank accounts have been approved by the district governing board. Most local educational agencies (LEAs) have a specific procedure for opening bank accounts, and the district's business office is charged with maintaining an up-to-date list of all district bank accounts, including ASB accounts.

Associated student body bank accounts should be held in the name of the ASB organization, not in the name of any individual. These bank accounts are for the exclusive use of the ASB organization, and the principal/school administrator should establish procedures to ensure that only ASB funds are deposited into these accounts. There must be at least two signatories on each account, and these signatories should not include students. Bookkeepers should also not be signatories on the accounts because they are involved with so many other steps in the process that this would prevent a proper segregation of duties for internal controls. Most districts will have at least one backup signatory, often someone in the district's business office, because schools usually close during summer and holidays but checks may still need to be issued during those times.

Individual Club Bank Accounts

Clubs should not open their own bank accounts; rather, they are all part of the original ASB bank account initially set up when the student council account was opened. There is no legal authority for an individual club to have a bank account.

Bank Accounts: Interest-Bearing and FDIC Insured

Whenever possible, the funds should be placed in interest-bearing accounts.

ASB bank accounts must be insured. The Government Code provides for collateralization of public funds on deposit as an alternative to the Federal Deposit Insurance Corporation (FDIC). The district's business office can consider reducing its risk of loss by opening additional bank accounts in other financial institutions. The maximum amount insured by the FDIC at any individual banking institution is $250,000; however, this amount may change.

Internal Controls

Definition and Importance

Internal controls are the foundation of sound financial management. They include the policies and procedures that help provide reasonable assurance that the district, including ASB, achieves its objectives and goals by doing the following:

- Ensuring that operations are effective and efficient.
- Safeguarding and preserving the organization's assets.
- Promoting successful fundraising ventures.

- Protecting against improper fund disbursements.
- Ensuring that unauthorized obligations cannot be incurred.
- Providing reliable financial information.
- Reducing the risk of and promoting the detection of fraud and abuse.
- Protecting employees and volunteers.
- Ensuring compliance with applicable laws and regulations.
- Ensuring the accurate documentation of all transactions.

As shown throughout this manual, it is essential to establish effective policies and procedures, many of which act as internal controls, for ASB organizations. Internal controls include robust district board policies and administrative regulations, manuals, handbooks, and other operational guidelines that protect district and ASB assets and personnel. For example, establishing good internal controls for fundraising events significantly reduces the risk that anyone participating in the event will be accused of any impropriety. Disagreements between principals/school administrators, advisors, teachers, parents, students and/or community members sometimes result in false accusations. These accusations can be difficult or even impossible to disprove if the organization does not have sound internal controls. Once a person is accused of wrongdoing, it is difficult to clear one's reputation, even if the accusation is false.

Segregation of Duties

Internal controls include segregating duties according to employees' functions so that one person is not handling a transaction from beginning to end. This is a critical part of a system of checks and balances. Functions that need to be segregated include the following:

- Those who initiate, authorize, or approve transactions.
- Those who execute the transactions.
- Those who record the transaction.
- Those who reconcile the transaction.
- Those responsible for the item resulting from the transaction.

To ensure proper internal controls, custody, recording, and reconciliation should be kept separate. For example, if the ASB bookkeeper collects cash, records activity in the financial system, prepares the deposit slip, and reconciles the bank account, with no one else involved in verifying these transactions, there is no internal control because there is no segregation of duties, especially if no one other than the ASB bookkeeper is reviewing the bank statement and comparing it to the original cash receipt documentation. A lack of segregation of duties such as this exposes the ASB to a high risk of fraud, including cash skimming, delayed deposits, and other errors or irregularities.

Internal controls are also affected by the practices and attitudes of management, also known as the tone at the top. If management does not prioritize the need to develop and maintain strong internal controls, the likelihood increases that student funds may not be adequately safeguarded. One should be able to answer "yes" to the following questions:

- Does the principal/school administrator set a good example by following established policies?
- Does the ASB advisor ensure that students follow established policies and help students understand the reasons behind the policies and procedures?
- Does the district's business office provide continual assistance and training for all employees involved in ASB management?
- Does the principal/school administrator or advisor take action when an infraction occurs?

Internal Control – Basic Components

The basic components of internal controls include the following:

- Ethical tone and example of leadership.
- Segregation of duties.
- System of checks and balances.
- Cross-training.
- Use of prenumbered documents.
- Asset security and restricted access.
- Timely reconciliations.
- Inventory records.
- Management review and approval.
- Comprehensive annual budget.
- Expectation that all staff, including administrators, will follow all internal controls.

Training

To help ensure adequate internal controls, a local educational agency (LEA) must establish, implement and maintain efficient and understandable policies and procedures based on laws, regulations and sound business principles, and communicate them to those involved (e.g., advisors, teachers and students). Employees must be aware of the proper internal accounting control expectations. All individuals who are expected to carry out the policies and procedures should be trained annually. More than one person should be trained for each job (cross-training). All new ASB administrators, bookkeepers, and students should receive comprehensive ASB training within the first four months in their new position.

Documentation of Procedures

It is important to provide assurance to management that the internal control system is sound. Adequate documentation of all procedures should be prepared and maintained, such as in an ASB manual and in standard forms used by all schools, to provide proof of what is occurring. The forms in this manual have been designed to include all necessary components in each functional area but may be modified to meet each district's needs. Periodic monitoring (i.e., internal reviews or audits) should be performed throughout the year, including oversight by the principal/school administrator, ASB advisor, and the district's business office. The annual

independent audit provides an additional monitoring device and a regulatory check of state and federal compliance.

Internal Control Deficiencies

If internal control deficiencies are identified, they should be corrected as soon as possible. Standardization should also not be overlooked: if something works well, it should be used districtwide rather than each school creating its own procedures and forms.

Internal Controls Help Prevent or Deter Fraud

Internal controls are the principal mechanism for preventing and/or deterring fraud or other illegal acts or omissions, including misappropriation of assets and other fraudulent activities. Good internal controls do not eliminate the risk of errors or fraud, but they help reduce it. Effective internal controls provide reasonable assurance that the district's and ASB's operations are effective and efficient, that the financial information is reliable, and that the organization operates in compliance with applicable laws and regulations. Few entities have perfect internal control structures, so it is imperative that management develop and regularly maintain techniques to offset any weaknesses.

Internal Controls Checklists

Two different internal controls checklists are provided in this manual to help evaluate internal controls for an ASB organization by examining each participant's function or job responsibility. These checklists should be used in addition to other internal controls, including any internal audits the district performs as part of its oversight of ASB operations at the individual schools as well as the independent annual audit at the end of each year.

The following internal controls checklist is an easy way for those overseeing ASB organizations to review their responsibilities. A "no" answer to any of the checklist questions indicates a possible internal control weakness that the responsible person should address. Chapter 27 of this manual contains an additional internal control checklist that is divided by function.

Effective oversight and internal controls means that the district's business office provides overall coordination, training, assistance, internal control review, support, and monitoring, all of which results in a "yes" response to every item listed below.

The checklist questions are intended as a helpful guide to LEAs. In some cases, depending on a district's or school's structure, a question for one position, office or individual school would be best answered by another position or office. What is important is to have proper controls and to clearly communicate who is responsible for what.

Internal Controls Checklist by Job Responsibility

A "No" response to any of the following questions may indicate an internal control weakness. The district should perform a self-evaluation, investigate all potential weaknesses, and ensure that controls are implemented so the weaknesses ("no" answers) are eliminated and will no longer result in internal control issues.

District Business Office Employees

	YES	NO	N/A	Comments
1. Does the district have a comprehensive board policy and administrative regulations that provide rules and regulations for ASB governance and operations?	❑	❑	❑	_____
2. Does the district have a comprehensive ASB manual with detailed procedures?	❑	❑	❑	_____
3. Has the FCMAT *ASB Manual* been adopted as part of the district's ASB policies and procedures?	❑	❑	❑	_____
4. If the district has a comprehensive manual, handbook, or other list of allowable and prohibited activities, fundraisers, expenditures, etc., is it reviewed and updated, if necessary, at least annually?	❑	❑	❑	_____
5. Does the district's update of its manual, handbook, or other list of allowable and prohibited activities, fundraisers, expenditures, etc. address areas of concern identified in the previous year's audit?	❑	❑	❑	_____
6. Does the business office provide annual ASB training for all school and district employees who work with ASB activities, and retain a signed and dated training attendance log as proof that employees received training?	❑	❑	❑	_____
7. Do business office staff members periodically (at least annually) visit each school to provide support and to review the ASB procedures used at the school?	❑	❑	❑	_____
8. Has the district ensured that school employees and students know whom to call in the district's business office if they have questions or concerns about ASB and are unable to get answers at the school?	❑	❑	❑	_____
9. Has the business office taken immediate action to correct annual audit findings related to ASB activities? Are the schools involved in developing action plans to ensure that the findings do not recur?	❑	❑	❑	_____

	Yes	No	N/A	Comments
10. Are all proposed fundraising events approved by the governing board or its designee at the beginning of each school year? Is this list updated throughout the year?	❑	❑	❑	_____
11. Does the business office's sales tax report include the sales and use tax for the student store and other purchases?	❑	❑	❑	_____
12. Before any disbursement is issued to any independent contractor, does the business office have on file a valid and signed IRS Form W-9, Request for Taxpayer Identification Number and Certification?	❑	❑	❑	_____
13. Does the business office issue forms 1099 for all independent contractors paid with ASB funds?	❑	❑	❑	_____
14. Has the business office developed and/or adopted standard forms, processes and systems for ASB operations districtwide?	❑	❑	❑	_____
15. Does the business office receive and review periodic financial statements from the ASB organizations and sign and date that they have reviewed these documents?	❑	❑	❑	_____
16. Does the business office review the monthly bank reconciliations from the school ASBs?	❑	❑	❑	_____
17. Does the district have access to an independent third-party fraud reporting whistleblower website and telephone hotline?	❑	❑	❑	_____
18. Are all involved with ASB aware of the whistleblower website and telephone hotline?	❑	❑	❑	_____

Signature _____ Date _____

Principal/School Administrator

The principal/school administrator is the primary manager at a school. This is where the ultimate responsibility lies for all activities on campus, from academic programs and athletic events to parental communication and engagement. Many principals/school administrators delegate the responsibility and authority for ASB coordination and management to another responsible employee, such as a vice principal, activities director, ASB advisor, club advisor, teacher, or other staff. This varies by school level, school size, and other policies and procedures the governing board may have.

Some items listed as internal control questions for the principal/school administrator are equally important for the ASB advisor with delegated responsibilities.

The questions below that are more relevant to secondary schools or to schools with organized ASBs contain the notation "(Secondary)."

	YES	NO	N/A	Comments
1. At the beginning of each year, do you spend time at a staff meeting discussing ASB issues, operations, and internal controls at the school (e.g., what is allowed and what are the procedures)?	❑	❑	❑	_____
2. Do you spend time each month discussing ASB activities with the ASB bookkeeper, particularly problems that might be developing?	❑	❑	❑	_____
3. Do you report any questionable or suspicious activities to the district's business office for possible investigation?	❑	❑	❑	_____
4. Do you verify that only ASB funds are maintained in ASB bank accounts? ASB bank accounts should not include school-connected organization (PTA or booster club) money, donations to non-ASB entities, or non-ASB charitable funds.	❑	❑	❑	_____
5. Is a formal application required from any students who want to establish a new club at the school? (Secondary)	❑	❑	❑	_____
6. Is each club advisor a certificated employee of the district?	❑	❑	❑	_____
7. Do the student council and all clubs have a constitution and bylaws that establish the policies and rules for student governance of the council or club? (Secondary)	❑	❑	❑	_____
8. Are all clubs required to prepare and maintain minutes of all club meetings, with all necessary items noted? (Secondary)	❑	❑	❑	_____

	YES	NO	N/A	Comments
9. Are the student council and each club required to prepare, adopt and monitor a budget for the fiscal year? (Secondary)	❑	❑	❑	_____
10. Do you ensure that only preapproved, allowable expenses are paid from ASB funds?	❑	❑	❑	_____
11. Do you use a preapproved purchase order form with one required approval signature (unorganized) or three required approval signatures? (Secondary)	❑	❑	❑	_____
12. Are purchase orders dated and approved before the item is purchased?	❑	❑	❑	_____
13. Do you ensure that students approve expenditures and that adults (teachers, advisors) are not making the decisions?	❑	❑	❑	_____
14. Are students the primary decision makers? (Secondary)	❑	❑	❑	_____
15. If food is sold in the student store, has it been approved by the director of food services?	❑	❑	❑	_____
16. Are all food-related activities (e.g., fundraisers, vendor food services, bake sales) discussed and approved by the director of food services?	❑	❑	❑	_____
17. Do you verify that all ASB bank accounts are reconciled monthly within two weeks of receipt of the bank statement?	❑	❑	❑	_____
18. If bank account reconciliations are not performed within two weeks of receipt of the bank statement, is a reconciliation completion promise date obtained and followed up on to ensure the bank reconciliation is completed?	❑	❑	❑	_____
19. Are you one of the individuals authorized to sign ASB checks? Who are the other approved signers?	❑	❑	❑	_____
20. Do you know whom the board has approved to sign contracts? Up to what amount?	❑	❑	❑	_____
21. Do you review the bank reconciliations each month and initial the bank statement as well as the reconciliation as evidence of your review?	❑	❑	❑	_____

	YES	NO	N/A	Comments
22. If you clearly delegated specific responsibilities and authority to an ASB advisor or advisors, do you meet regularly to coordinate and collaborate regarding school needs and activities?	❑	❑	❑	_____
23. Is there a secured fireproof safe at the school with limited access that can hold all cash receipts until deposit?	❑	❑	❑	_____
24. Are bank deposits made within a few days of receipt, or at least weekly?	❑	❑	❑	_____
25. Do you review ASB financial reports monthly?	❑	❑	❑	_____
26. Are you making sure that funds counted at fundraisers and by the bookkeeper are always counted with at least one witness?	❑	❑	❑	_____

Signature _____ Date _____

ASB Advisor

The ASB advisor is a vital contributor to the success of all ASB operations.

In numerous secondary schools, the principal/school administrator has delegated significant responsibility and authority to the ASB advisor. When this is the case, several of the items identified above as internal control questions for the principal/school administrator apply to the ASB advisor.

	YES	NO	N/A	Comments
1. Have the district staff and/or the principal/school administrator adequately explained your responsibilities?	❑	❑	❑	_____
2. Do you know where to go for help if you have questions about ASB policies or procedures?	❑	❑	❑	_____
3. Are you a certificated employee of the district?	❑	❑	❑	_____
4. Do you ensure that careful minutes are taken at each club meeting, with all necessary items noted?	❑	❑	❑	_____
5. Do you help your club prepare and monitor an annual budget?	❑	❑	❑	_____
6. Do you monitor spending during the year to ensure that the club will not end the year with a large carryover balance or a negative balance?	❑	❑	❑	_____
7. Do you work with clubs to ensure that fundraisers are appropriate and preapproved and that adequate internal controls are in place to make them successful?	❑	❑	❑	_____
8. Do you work with the students to establish and implement control procedures for cash receipts at each fundraising event?	❑	❑	❑	_____
9. Are a fundraiser approval form and a revenue potential form used to document the purpose of each fundraiser and to estimate or project revenue and expenses?	❑	❑	❑	_____
10. Do you ensure that cash receipts are given to the ASB bookkeeper either immediately or as soon as possible after the fundraising event?	❑	❑	❑	_____
11. Do you ensure that those responsible for the fundraising event have had at least two people count all funds raised and that both individuals sign and date the fundraising cash collection form?	❑	❑	❑	_____

	YES	NO	N/A	Comments
12. Do you ensure that a second person is always present to count the cash receipts, and do both individuals sign and date the form indicating that the count of funds is accurate?	❑	❑	❑	_____
13. After funds are counted and ready to be transported to the bank, do you ensure that those funds are transported with a witness?	❑	❑	❑	_____
14. Do you keep duplicate copies of forms that are part of the financial process (e.g. cash count form, fundraiser approval form, revenue potential form, ticket control form, budget, and purchase order form)?	❑	❑	❑	_____
15. Do you understand what types of expenses ASB funds are allowed to be used for?	❑	❑	❑	_____
16. Are you one of the individuals who preapproves expenditures (with a student representative and the principal/school administrator) using a purchase order?	❑	❑	❑	_____
17. Do you review ASB financial reports monthly?	❑	❑	❑	_____
18. Are you one of the authorized signers of the ASB checks? Who are the other approved signers?	❑	❑	❑	_____
19. If you are the advisor for the student store, are additional internal controls in place, such as a comparison of sales to inventory, periodic inventory of goods, and review of pricing policy?	❑	❑	❑	_____
20. Does the district provide you with training opportunities on ASB-related topics throughout the year?	❑	❑	❑	_____

Signature _____ Date _____

ASB Bookkeeper

Many accounting functions need to be performed for ASB operations. Ideally, a person with adequate time, technical skills and knowledge will be assigned to perform these functions. The employee performing the following tasks may not have the official title of ASB bookkeeper, but for purposes of this checklist, that title is used for the person who performs the ASB accounting functions at the school.

	YES	NO	N/A	Comments
1. Do you have enough time to devote to ASB recordkeeping?	❑	❑	❑	_____
2. Do you provide each club with information on the revenues and expenses to date each month? Is this also provided to the ASB advisor, principal/school administrator and ASB treasurer? (Secondary)	❑	❑	❑	_____
3. Do you understand the internal controls needed for cash receipts from each type of fundraising event?	❑	❑	❑	_____
4. Do you ensure that students and staff establish cash receipt control procedures for each fundraising event?	❑	❑	❑	_____
5. Do you maintain an adequate stock of supplies for cash receipt control procedures, such as prenumbered tickets, prenumbered receipt books, and duplicate cash count forms?	❑	❑	❑	_____
6. Do you ensure that the advisors submit the documents for each fundraising event in addition to the cash collected? These documents include reports on tickets issued and other items.	❑	❑	❑	_____
7. Do you ensure that all cash count forms for fundraising and for all events where funds are collected are completed and signed before you take custody of the deposit?	❑	❑	❑	_____
8. If a startup cash change box is issued, does the person(s) receiving the change count the startup cash in front of the ASB bookkeeper and sign indicating that the startup amount is accurate?	❑	❑	❑	_____
9. Is cash deposited into the bank account within a few days, but at least weekly, after it is collected and received?	❑	❑	❑	_____
10. Are all expenses approved in advance?	❑	❑	❑	_____
11. Do you have copies of the signed purchase orders?	❑	❑	❑	_____

	YES	NO	N/A	Comments
12. Is the purchase order dated and approved before the purchase?	❑	❑	❑	_____
13. Are the checkbook and the check stock stored in a locked file cabinet or in a securely installed fireproof safe?	❑	❑	❑	_____
14. Is there a log that identifies the individuals who have access to the ASB safe?	❑	❑	❑	_____
15. Are expenses paid only with an original invoice and a document that verifies that the goods were received?	❑	❑	❑	_____
16. Are two signatures required on all checks? Are there backup signers?	❑	❑	❑	_____
17. Are you excluded from signing checks? (this helps ensure segregation of duties and proper internal controls)	❑	❑	❑	_____
18. Are checks written to vendors and employees and never to cash?	❑	❑	❑	_____
19. Is a record maintained of all equipment purchased with ASB funds?	❑	❑	❑	_____
20. Is there a process to determine whether a worker is an employee or an independent contractor?	❑	❑	❑	_____
21. Are all employees who perform work for the ASB paid using the district's payroll system and then invoiced to ASB?	❑	❑	❑	_____
22. Is an IRS Form W-9, Request for Taxpayer Identification Number and Certification, obtained from all independent contractors before they are paid?	❑	❑	❑	_____
23. Do you reconcile all bank accounts monthly within two weeks of receipt of the bank statement?	❑	❑	❑	_____
24. Are all outstanding deposits and checks identified and do they clear the bank within two or three days?	❑	❑	❑	_____
25. If any journal entries or transfer entries are part of the bank reconciliation, are those entries authorized?	❑	❑	❑	_____
26. Does the district provide ASB-related training opportunities for you throughout the year?	❑	❑	❑	_____

	YES	NO	N/A	Comments
27. Is there a knowledgeable contact person in the business office to answer your questions and help you?	❑	❑	❑	_____
28. Is the ASB recordkeeping computerized? If so, is the accounting software adequate to meet the needs of the district and clubs?	❑	❑	❑	_____
29. Is the computer on which the ASB accounting software resides user ID and password protected?	❑	❑	❑	_____
30. Is the ASB accounting software protected by requiring a user ID and password for access?	❑	❑	❑	_____
31. Are ASB computer and accounting software passwords safeguarded, not given out, and changed periodically?	❑	❑	❑	_____
32. Are only ASB receipts deposited into the ASB account (e.g., not library fines or principal's/school administrator's discretionary accounts)?	❑	❑	❑	_____
33. Do people listen to you when you express concerns about expenditures or other items?	❑	❑	❑	_____
34. When money is brought to you from fundraisers, are you given time to count it in the person's presence, and do both you and the other person sign and date the cash count form indicating that both counts are the same?	❑	❑	❑	_____
35. After funds are counted and ready to be transported to the bank, do you transport the funds with a witness?	❑	❑	❑	_____

Signature _____ Date _____

Access Controls

In addition to sound internal controls, access to the office where ASB transactions are processed at the school (e.g., the ASB office or bookkeeper's office) should be controlled. Easy or unobstructed access to the ASB office creates an opportunity for fraud. At the same time, the ASB/bookkeeper's office needs to be accessible enough to conduct business and meet clients' needs. Access controls allow the ASB bookkeeper to control who enters the ASB office, especially during busy times. A split door is a simple solution that allows visual access and allows the ASB bookkeeper to answer questions without having to grant others unobstructed access to the office.

Strong internal controls promote the perception that fraud is more likely to be detected. Those who believe they may be caught committing fraud may be less likely to do so. Limiting access and installing surveillance cameras with warning signs are strong visual deterrents to a potential thief.

An Information Summary, Document Checklist and Questions form is provided at the end of this chapter to help improve sound internal controls.

Maintaining ASB Records

Like any business, the ASB organization must maintain accurate records, which provide the history of what occurred during the year. Although the annual audit is usually completed within six months of the close of the school year, other groups and individuals, including the Internal Revenue Service (IRS), may have questions about or request an audit of the ASB (such as a Form 1099 independent contractor audit) a year or more after the school year has ended. The district's business office's role in Form 1099 is discussed in more detail in Chapter 17, in the section titled, Good Business Practices for ASB Consultant Federal Tax Reporting.

Good Business Practice for Record Retention

The business office should have a complete list of which documents must be maintained and for how long. A variety of legal and procedural requirements, established in statute or locally by each LEA, affect the retention of records. If the business office does not have guidelines, it is a good practice to maintain all ASB information for at least four years from the date of the audit, unless the information is considered a permanent record. Permanent means that these records should *never* be destroyed. The principal/school administrator at each school should ensure that there is a safe place to store permanent ASB records indefinitely and nonpermanent records for four years. A sample record retention guideline follows.

Retention Guidelines for Student Body Records

Record	Retention Period
ASB Constitution, Bylaws and Charters	Permanent
Equipment Inventory	Permanent
Club and Council Minutes	4 Years
Budgets	4 Years
Invoices and Approval Documents	4 Years
Bank Statements, Deposit Slips, Canceled Checks and other Banking Records	4 Years
Financial Statements and other Accounting Records	4 Years

Public Records Requests

Typically, the district's business office is responsible for ASB operations and oversight, including how ASB document requests are handled, whether an official public records request under the Public Records Act or an informal request by parents or the general public.

A request for ASB-related documents by the public should be honored. This ensures transparency and avoids any appearance that there may be something to hide. ASB funds are public funds, no different from other school district transactions, and the general public may request information about them, including their use, available balances and other details.

A request for ASB documents, balances, copies of checks, and other such items, falls under the California Public Records Act, which is a body of law designed to guarantee that the public has access to public records of governmental bodies in California. These laws are found in Government Codes 7920.000–7931.000 and apply to all governmental entities, including ASBs, because ASB are a component of the school district. Government Code 7922.600 discusses assisting members of the public as follows:

> **Government Code 7922.600**
>
> (a) When a member of the public requests to inspect a public record or obtain a copy of a public record, the public agency, in order to assist the member of the public to make a focused and effective request that reasonably describes an identifiable record or records, shall do all of the following, to the extent reasonable under the circumstances:
> (1) Assist the member of the public to identify records and information that are responsive to the request or to the purpose of the request, if stated.
> (2) Describe the information technology and physical location in which the records exist.
> (3) Provide suggestions for overcoming any practical basis for denying access to the records or information sought.

Temporary Loans

Temporary loans can be made within the ASB account in accordance with EC 48936, which describes alternative uses of student funds, including loans for a period of up to three years, with or without interest.

Loans involving ASB funds are not recommended except in very limited cases, such as a loan from one club to another (noted below) or from the student council to a new club as seed money.

Loans Between Clubs

Education Code 48936 applies to loans between clubs; this is for ASB organizations, not loans between an ASB organization and a non-ASB organization.

Because students are raising funds to provide extras for their activities and because the fundraising often includes support from the public, who expect their donations and support to be used for the fundraiser's stated purpose, the default best practice is to prohibit loans between clubs. Repurposing ASB funds from their original intent can erode the public's trust.

For more information about repurposing ASB funds, refer to the section in Chapter 6 titled, "Repurposing ASB Funds."

If an exception to this best practice is considered, there should be board policies, administrative regulations, ASB bylaws, and/or district business office procedures that define the structure, terms and conditions, interest rate, and student council or club meeting minutes to document this.

While not a recommended practice, if a loan will occur between ASB/student council and/or between ASB clubs because district policy allows such loans, an agreement between all parties should be crafted that clearly describes the consequences if the club that receives the loan does not repay the loan on time. Ideally, loans should not occur between individual clubs, only between the ASB/student council and the individual clubs.

The Education Code states that the loan period should not exceed three years. However, if the loan involves a class group with students who will graduate in less than three years, the agreement should not extend past the students' graduation date so that future students will not be committed to repaying the outstanding obligations that former students incurred. When loans are allowed, it is recommended that the loan be repaid during the same school year to reliably prevent any club debts from extending to future club membership, and to ensure that the current club membership repays any funds they used for their event or activity.

Approval of Loans

Both the student council/ASB or club loaning the money and the club accepting the loan will need to approve the transaction in their respective meeting minutes. The student council/ASB or club loaning the money will also need to comply with EC 48933, which states that the expenditure of the funds is subject to the procedures established by the ASB and which requires that ASB expenditures be preapproved by three people: an employee or official of the school district designated by the governing board, the ASB advisor (must be a certificated employee), and a student representative of the ASB organization. The minutes are to memorialize the entire student council/ASB or club's intent to loan the funds, including identifying to whom the loan is being made and its terms.

The club accepting the loan should also approve the transaction, because there should be evidence that the club understands its obligation to pay back the loan, the terms of the loan, and the consequences if it is not repaid.

Loans May Be Problematic

Even if loans between the student council and clubs or between clubs are allowed, any ASB or club should avoid receiving or extending loans. Loans are often problematic for all parties. This includes loans between the ASB and any outside entity such as a booster club. An organization that wants to help the ASB should simply donate funds rather than loan it money. In addition, ASB funds should never be loaned to a non-ASB entity, because these funds are intended to be used by and for students.

Insurance

Just as the school district has risk management strategies and insurance coverage to protect its operations, the ASB also must have adequate insurance. The responsibility for the ASB

insurance coverage rests with the district governing board, which normally delegates the responsibility to the district's business office. The business office should help determine the types of insurance the student organization needs and ensure that the district's insurance coverage includes adequate protection. Although the district can charge the ASB if any additional costs are incurred to cover the ASB, most districts pay for these costs out of their general fund operating budget rather than invoice the ASB. ASBs should be especially aware that the coverage memoranda may include exclusions for many activities that are typically ASB-related, such as bounce houses, dunk tanks, fireworks, and carnival rides. ASB administrators should ensure that the ASB has regular, ongoing communication with the business office/risk management, and that the district carefully reviews any contracts for services or rentals of equipment, games, and other items that may be subject to the exclusions.

ASB organizations should have the following insurance coverage:

- Fire insurance for physical property purchased by the student organization.
- Theft insurance for funds and physical assets of the student organization.
- Workers' compensation insurance for all district employees working on ASB matters.
- Fidelity bonding insurance protecting the organization against losses because of employees' or members' actions.
- Property and liability insurance protection for the organization.
- Federal Deposit Insurance Corporation (FDIC) bank account balance insurance.

Whistleblower Hotlines and Fraud Reporting Websites

The creation and/or use of some type of independent fraud reporting service is essential to establishing an understanding that there is a likelihood of being detected if fraud is committed. Fraud experts believe that the greater the perceived probability of detection, the less likely it is that fraud will occur; people who think they might get caught committing fraud are less likely to try. Types of fraud reporting services include telephone hotlines and websites. All districts should consider establishing or using an independent, third-party fraud reporting service. If the district already has such a service, the ASB can be given access to it. ASBs should ensure that posters advertising the district's fraud hotline are posted in ASB offices, student stores, snack bars, ticket offices, and other locations, so that students and volunteers operating in those settings are aware of the existence and availability of the district fraud hotline.

Information Summary, Document Checklist and Questionnaire

The following form has been developed to help ASBs maintain accurate information about general business operations and specific activities of all clubs at a school. When used in conjunction with one of the internal control checklists provided in this manual, it can help management be aware of how a district's internal control structure and operations are set up to identify and correct any potential weaknesses or issues in ASB operations.

Information Summary, Document Checklist and Questions

Organization

Fiscal year:July 1, 20_____ - June 30, 20 _____

School Name: _____

Principal/School Administrator: _____

ASB Bookkeeper:_____

ASB Advisor:_____

	Yes	No
Board Policy allowing ASB Operations?	❑	❑
Is there an ASB constitution and bylaws for the general ASB?	❑	❑
Is there a constitution for each club/trust account?	❑	❑
Are only ASB funds maintained in ASB bank accounts?	❑	❑

Board Policy
Approved by Governing Board on: _____
Date

Administrative Regulations
Approved by Governing Board on: _____
Date

Finance and Accounting

Accounting software name: _____

Accounting software version:_____

Names of individuals who have access to ASB accounting software:

_____

_____

_____

Does each school have a secured, fireproof ASB safe? ❑ ❑

Names of individuals who know the combination to the ASB safe:

_____

_____

_____

_____

_____

	Yes	No
Are there any unapproved copies of the ASB accounting software either locally or online? (There should be only one working copy of the software)	❑	❑
Is the ASB accounting software backed up daily to district servers or the cloud, and is the backup copy kept in a separate and secure location?	❑	❑
Financial Statements for each approved club		
Submitted monthly to the district office?	❑	❑
Reviewed, signed and dated by the district office?	❑	❑
Provided monthly to each club/trust?	❑	❑
All transactions, including transfers and journal entries, properly approved?	❑	❑
Bank Accounts, Statements and Bank Reconciliations		
Is there a list of all bank accounts and is it reviewed and updated annually?	❑	❑
Reconciled monthly within two weeks of receipt of bank statements?	❑	❑
Reviewed and approved by the principal/school administrator, ASB advisor and district office?	❑	❑
Reconciling journal and transfer entries authorized?	❑	❑
Signed and dated by the individual who performs the bank reconciliation?	❑	❑
Signed and dated by the individual who reviews/approves the bank reconciliation?	❑	❑
Annual Budget		
Prepared?	❑	❑
Approved?	❑	❑
Budget vs. actual results compared/reviewed regularly?	❑	❑
Budget adjusted when actual amounts vary significantly?	❑	❑
Carryover limited so it is not excessive?	❑	❑

	Yes	No
Minutes		
Are minutes prepared for student council and club meetings (applicable only to organized ASB)?	❑	❑
Minutes Authorize		
Fundraising?	❑	❑
Purchases?	❑	❑
Establishment of clubs?	❑	❑
Are the minutes approved by the club after they are reviewed for correctness?	❑	❑
Are the minutes shared with the general ASB?	❑	❑
Fundraising, Sales, and Purchases		
Are all club fundraising activities preapproved and operated as stated in district policy?	❑	❑
Cash Count Forms and Deposits		
Are fundraising cash boxes checked in and out?	❑	❑
Is the cash box startup cash counted and signed on the cash count form by the person(s) receiving the cash box?	❑	❑
Are starting and ending cash reconciled?	❑	❑
Are all cash and funds that are collected precounted, and do those responsible for the event sign the cash count form before cash is submitted to the ASB bookkeeper?	❑	❑
Has the fundraising club advisor kept their copy of the cash count form after signing to indicate that the funds have been counted and before submitting the confirmed deposit to the ASB bookkeeper?	❑	❑
Has the ASB bookkeeper confirmed that the cash count form has been completed properly before accepting the funds for deposit?	❑	❑
Has the ASB bookkeeper counted the funds in the presence of the individual(s) to confirm that the funds collected are accurate, and have both the ASB bookkeeper and witnesses resolved any differences and signed the cash count form indicating that the deposit is accurate?	❑	❑
If the cash counted by the ASB bookkeeper and witness differs by less than $5, the ASB bookkeeper may adjust the deposit and		

both the witness and ASB bookkeeper should initial and date all cash count form changes.

If the cash counted by the ASB bookkeeper and witness differs by more than $5, the ASB bookkeeper should ask the club advisor to again initial both the ASB bookkeeper's copy and the club advisor's copy of the cash count form.

The cash count form and deposit counting and signing procedures are an important safeguard against fraud, help protect both the ASB bookkeeper and advisor from allegations of fraud, and help establish the chain of custody to help identify fraud.

	Yes	No
Revenue Projection for Fundraising Activities and Other Events		
Completed for each fundraiser?	❑	❑
Approved?	❑	❑
Ticket Control (e.g., for dance)		
Completed?	❑	❑
Approved?	❑	❑
Student Store Inventory		
Is inventory performed regularly (e.g., monthly, quarterly, semiannually)?	❑	❑
Do students count and sign for each of their own cash register cash-outs?	❑	❑
Are student store deposits recorded on a cash count form and witnessed and signed by the student store representative and the witness?	❑	❑
Purchases and Disbursements.		
Is a purchase order prepared for every ASB disbursement?	❑	❑
Are purchase orders dated and approved before the purchase?	❑	❑
Are received goods reconciled?	❑	❑
Are W-9 forms received and signed before payment is sent to any independent contractor?	❑	❑
Is the check register reviewed periodically to confirm no missing checks?	❑	❑

	Yes	No
Are bank statement canceled checks reviewed periodically to confirm that the payee on the check is the same as in the check register?	❑	❑

Year End

Electronic Backup

Accounting program data?	❑	❑
Spreadsheets and other electronic data?	❑	❑
Backup copy documented and stored safely?	❑	❑

Lists Printed

Accounts receivable?	❑	❑
Accounts payable?	❑	❑
Student store inventory?	❑	❑
General ledger detail report?	❑	❑

Chapter 6 – Budgets and Budget Management

Student Council / Club Budgets

The district's governing board must establish procedures for students and employees to follow when preparing and controlling student body organization budgets. A budget is a financial plan for the year. It includes projections of annual expenses and income and allows an ASB organization to estimate at the beginning of the school year what its financial position will be at the end of the year. When preparing a budget, clubs should be reminded that neither deficits nor large surpluses are allowed at the end of the year when estimating. Proper budgeting requires adherence to defined, well-understood business procedures.

Unorganized ASBs

For elementary and other schools with unorganized ASBs, budgets are encouraged as a learning experience and an accountability and communication tool but are not usually required because normally only a few fundraising events are held during the year.

Organized ASBs

The operations at middle schools, junior high schools and high schools are different because there are usually many more fundraisers and various clubs. Budgets are required for each club and the student council. For example, the student council may have to make commitments and receive requests from the district business office to enter into contracts at the beginning of the year before any funds are raised. A budget allows the organization to estimate how much income it will raise and how many expenses it will incur that year, and compare the income to the planned expenses. The budgeting process is necessary to determine whether the organization can afford to enter into its contracts.

It is important to establish a procedure and practice that requires budgets to be in place and approved before the club enters into any commitments or the district business office requests that it enter into any contracts.

Preparing a Budget

Budgets are usually prepared for one year. The student council and each individual club need to develop a budget document with their annual goals and a plan for achieving those goals by deciding the following:

- Estimated revenues: What fundraisers will we have?
- Estimated expenses: What will the fundraisers and activities cost?
- Estimated ending reserves and club carryover: Is there enough left over to provide sufficient funds to pay for startup costs?

The budget allows students to determine if they will raise enough funds during the year to cover their anticipated expenses. Because ASB organizations also provide an opportunity for students to learn about business operations, a budget is one of the tools of business that students can learn to use. Budgeting is also a life skill needed to manage one's finances.

At the beginning of each school year (or the preceding spring), the student council and each club should decide what they want to do that year. For example, the student council may

To Table of Contents >>>

decide that they want to hold a fall festival, a winter dance, and a spring dance to raise funds to support ASB rallies, athletic events, or other activities. They want to begin the first activity in December.

Once the students have decided on their goals for the year, they can develop a budget that estimates the income from each fundraising event, the expenses it will take to run the fundraising events, and the expenses of the planned activities. The revenue potential form is a useful way to begin the budget development process because it includes a column for estimated revenue and expenses and ensures that each fundraiser has an estimated budget. The total of all estimated revenues and expenses can then be used to prepare a budget.

A budget allows students to determine whether they will have enough funds to pay their expenses for the year. After preparing the budget, the students may determine that they will only be able to complete one activity that year or that they may have enough money for more activities than they had originally planned. Keep in mind that a budget is only an estimate based on information available when it is prepared. Most students are learning the budget process and, as more information about planned activities is gained throughout the year, the budget may be amended as often as needed.

No Budget Means No Spending

The student council, club, or class group should be prohibited from spending any funds until they have an approved budget for the year. This ensures that all clubs have budgets, and it signals to the student council that all clubs and class groups have considered their planned revenues and expenditures for the year being budgeted. For organized ASBs, even if no club fundraisers or expenses are planned, the club should still develop and submit a zero-dollar budget. For unorganized ASBs, even though a budget is not required, if there are clubs it is recommended that budgets be used.

A budget includes the following five components:

- Part I: Beginning Balance
- Part II: Estimated Revenues
- Part III: Estimated Expenses
- Part IV: Ending Balance and Carryover
- Part V: Budget Approval

Below are more detailed instructions on budget development.

The following directions for budget preparation are specifically related to the suggested budget development forms included in this manual. Refer to the budget development forms (presented later in this chapter), starting with the Sample Budget form. A sample budget can also be found in Chapter 24 of this manual.

The student council, with assistance from the ASB advisor, plans for and prepares the budget. The ASB bookkeeper should not prepare the budget but may be a resource for historical information, cost data or other technical aspects.

Part I – Beginning Balance and Carryover

1. The beginning balance and carryover (July 1) is the prior year ending balance and carryover (June 30). The prior year ending balance may include any carryover. The advisor should ensure that the students prepare a balanced budget. If the club had a significant amount of carryover from the prior year, it is acceptable for the expenses to exceed the revenues by the amount of the prior year's carryover, unless that amount was excessive. Funds should be carried over only when there is a definite plan and purpose for the use of the funds in the subsequent year. Examples include long-term projects or events that span years or occur early in the next school year.
2. If carryover continues to be excessive, the advisor should work with the club to help the club adopt a plan to spend the carryover, or to follow a plan if one is already in place. Otherwise, it may be necessary to stop approving new fundraisers until a plan is adopted. See the Carryover of Unexpended Balances section below.

Part II – Estimated Revenues

The advisor for each club and the club officers should review plans for the school year and complete an estimate of actual revenue for each event. Prior-year data can usually be obtained from the ASB bookkeeper or the school secretary.

1. The advisor and students should use the account numbers and account descriptions that the school establishes in its unique chart of accounts. Chapter 7 — Accounting and Financial Management, includes information on how to establish a complete chart of accounts for the ASB. Clubs should use the account descriptions to match the actual fundraiser events they are planning. They should not combine the projections if multiple occurrences of one type of event are planned (such as spring and fall car washes); rather, each fundraiser should be entered separately.
2. The first two columns in Part II are used for the account number and description.
3. The third column is for the revenues from the previous year. This information is helpful when the fundraising operations of the organization remain constant from year to year. Comparing the actual revenues received in one year to the amounts budgeted for the new school year is an effective way to evaluate whether the budgeted revenues are reasonable.
4. The last column in Part II is for the estimated revenues for the new school year. Before the students can estimate the revenues, they must determine where the revenue will come from. For example, does the club or student council usually receive donations each year, or will all of the revenue come from fundraising events?
5. For the revenue that will come from fundraising events, the students need to prepare an estimate of the revenue for each event. The Fundraising Event Profit form found in Chapter 13 can be used for this. The students should prepare one form for each fundraising event. In addition, the form indicating that the fundraiser has been approved should be attached. In some districts, these two forms are combined into one, which is an acceptable practice.
6. The students should prepare a Fundraising Event Profit form for all approved fundraisers, even those added later in the year and not included in the original budget.

7. After the students have completed an estimate of revenue for each fundraising event and determined the other sources of revenue, they can enter the information line by line in the revenue section.
8. Once all of the information in Part II is complete, the students should total the revenues from all sources and enter the amount on the Total Revenues line.
9. When estimating revenue, it is always best to use the most conservative number. For example, if the student council has received donations of between $500 and $2,000 in the past few years, use $500 in the initial budget. The budget can always be adjusted to a higher amount later if the initial estimate was low.

Part III – Estimated Expenses

The advisor and students should use the account numbers and account descriptions that the district has established in its chart of accounts for the ASB. Chapter 7 — Accounting and Financial Management, includes information on how to establish a chart of accounts for the student body organization. The first two columns in Part III are for the account number and description.

1. The students should review the club's past years' expenses to determine the types of expenses the organization usually incurs each year (e.g., supplies and postage).
2. When estimating expenses, the students should include any items that the organization may reasonably have to pay for during the school year, in addition to the cost of planned projects.
3. The students should include the expenses for each fundraising event that they estimated when preparing the Fundraising Event Profit form.
4. Once all the information in Part III is complete, the students should total the expenses and enter the total on the Total Expenses line.

When estimating expenses, it is best to budget the maximum amount an item is likely to cost and adjust the budget once the actual cost is determined.

Part IV – Ending Balance

1. The first line in Part IV is to compute the difference between the estimated revenues and the estimated expenses. When the estimated revenues equal or exceed the estimated expenses, the budget is balanced or there is an excess, which is the desired result unless the carryover is excessive.

   The advisor should ensure that the students prepare a balanced budget. If the club had a significant amount of carryover from the prior year, it is acceptable for the expenses to exceed the revenues by the amount of the prior year's carryover, unless that amount was excessive. Funds should be carried over only when there is a definite plan and purpose for the use of the funds in the subsequent year. Examples include long-term projects or events that span years or occur early in the next school year.

   If carryover continues to be excessive, the advisor should work with the club to help the club adopt a plan to spend the carryover, or to follow a plan if one is already in place.

Otherwise, it may be necessary to stop approving new fundraisers until a plan is adopted. See the Carryover of Unexpended Balances section below.

2. The line titled, "Differences between revenues and expense" represents total expenses from Part III subtracted from total revenue in Part II.
3. On the second line in Part IV, titled, "Projected ending balance," the beginning balance/carryforward from Part I is added to the difference between the estimated revenues and expenses on the line above. Adding these two amounts together determines the amount of the projected ending balance.

Part V – Budget Approval

The advisor should help the students prepare the budget. Once the budget is complete, the advisor and a student representative of the club should sign and date the budget. This signature indicates that the advisor has reviewed the budget and determined that it is reasonable and realistic. A budget should not be approved if it does not show a positive ending balance (unless the club is graduating or becoming inactive; then the budget can end without a fund balance, but not with a negative fund balance).

The student council or club (depending on whose budget it is) should vote on the budget and include that vote in their meeting minutes before submitting the budget to the student council. The student council should consider for approval all submitted budgets for each club. A budget with a negative ending fund balance should never be approved.

Once all club, class group, and student council budgets are approved, the budgets should be sent to the district's business office for their records. Unless there is board policy, administrative regulation, or other required business office procedures, the business office does not need to approve the budget. In many districts, the governing board receives all ASB budgets, and they are part of a public forum at an official district board meeting. In other districts, the governing board may have delegated another administrator, such as the superintendent or chief business official, to review and approve all budgets. Individuals involved with the ASB should be familiar with their district's budget review and approval policy and practice.

Individual Expenditure Approvals Must Still Occur

A budget alone is not adequate to show an expenditure has been preapproved by the appropriate individuals, which is required by Education Code (EC) 48933(b). Budgets are essential internal control and planning documents, but they are a plan, not a form of expenditure approval. A budget does not list specific vendors, itemized amounts for purchases that will be made, terms, or who will make them; it lists estimates. A budget also does not show adequate expenditure approvals. Using a purchase order or expenditure approval form is the correct way for an ASB to ensure adequate preapproval with enough detail to know who is making the purchase, the specifics of the purchase, and the identity of the vendor.

All club members, teachers, advisors, other staff, and volunteers must understand that they cannot obligate ASB funds until a purchase order is prepared and approved by the student club representative, a certificated employee of the district (who is the advisor), and a principal/school administrator or other board designee before the purchase is made. These three required signatures are listed in EC 48933(b), and they must be obtained for an expenditure to

be considered preapproved. The only way to prove that this Education Code is followed is by having a purchase order or other expenditure approval form that contains all three signatures.

Additional Approvals

In addition to the three signatures required for preapproval of all ASB expenditures and purchases, more signatures may be added at the discretion of the school and ASB when allowed by board policy or administrative regulations. For example, the ASB bookkeeper could be an additional signature on the purchase order but may not replace any of the three required signatures in EC 48933(b). If any signature is added to any document, that requirement should be applied to the internal controls at all schools unless the district's business department agrees that the requirement is specific to only one school. Ideally, any change in the internal control system, such as additional approvals, should be added to districtwide board policies or administrative regulations and updated in ASB club bylaws.

Budget Monitoring

Budget monitoring is the process of comparing the budget to the actual revenues and expenses at a point in time to determine whether the revenues are coming in as expected and whether the expenses are no more than the amounts authorized in the budget. The students and advisor should monitor the budget at least monthly so there is enough time to adjust plans if the budget is not realistic or if the planned goals will not be met because of lower-than-projected revenue or higher-than-projected expenses.

The Budget Monitoring form at the end of this chapter shows the original budget and the actual revenues and expenses on the date the form is prepared. It provides a straightforward way to see how the club is doing financially. The revenue potential form also contains estimated and actual revenues and expenses and allows a comparison between the two once a fundraiser or other activity concludes.

Budget Revisions

If problems are noted in either the revenue or expense categories during budget monitoring, the students should revise the budget. For example, if the students planned their first fundraising event for October and the event raised $1,500 less than they budgeted, they will need to revise the budget. They will need to reduce the amount of revenue in the budget and reduce the planned expenses for the year unless there is additional revenue or carryover from the previous year to cover the shortfall or an additional revenue-creating event is planned.

The students should revise the budget whenever any significant changes in the estimated revenues or expenses occur or are expected. A rule of thumb to use for significant change is a variance of 10 percent or more. To show the changes in the budget, the students can use the same form that was used to prepare the budget. The advisor or principal/school administrator should also approve all changes to the budget. Again, individuals should be familiar with board policy in their district so they know if further approval of revised budgets is required.

Carryover of Unexpended Balances

Carryover is the amount of money the club has at the end of the year after all of the revenues are deposited and all of the bills have been paid. It is also called the ending balance.

The principal/school administrator, advisor and students should ensure that the funds raised by students during a school year are spent on behalf of those same students while they are at the same school. If this is not done, large ending balances can accumulate, which means funds were not spent to benefit the students who were enrolled when the funds were raised. For example, in one middle school, the robotics club students raised more than $4,000 each year; however, only about $1,000 was spent each year. Within a few years, the club had an ending balance of $12,000.

Funds should be spent for the benefit of the students who are enrolled when the funds are raised. Saving and investing funds raised by the students is not the intended purpose of ASB, and ASB funds should not be placed in a long-term investment instrument such as a certificate of deposit or savings account. Rather, all funds raised by the current students should ideally be spent by those students before the end of the school year. Reasonable carryover balances are often used to start an endeavor in a new year (often called seed money). A club may also raise funds for a large endeavor for which it takes more than one year to raise adequate funds. Large or excessive carryover balances without a plan of intended use should be discouraged. A good practice includes a regular review of carryover balances to be certain that the funds are spent for the benefit of the students enrolled when the funds were raised.

Limiting Carryover

The governing board should include a limit on carryover in its ASB board policy or administrative regulations, or in the ASB bylaws. Some districts include this limit in their district ASB manual or request that it be included in each club's constitution or bylaws. If a district has already provided guidance about this issue, that guidance should be followed. However, if a district's board and/or administration has not included language regarding carryover balances, this issue should be brought to their attention. A reasonable guideline may include the following:

> No student club or organization may carry over more than 20 percent of the total amount expended in a given school year without a spending plan or waiver that has been approved by the ASB or club advisor, principal/school administrator, and the district's business office.

Fraud Alert

When large ending balances exist, the potential for fraudulent activity also increases. Local policies that require students to spend most funds raised each year help prevent funds from accumulating over time and the associated temptation for those who have access to student funds.

Under an expenditure-based carryover rule, for example, if the total club expenditures were $4,000 in a given year, the club could carry over up to $800 without an approved plan or waiver. Importantly, any carryover funds should be spent by the club or ASB the following year to avoid the accumulation of large ending balances. A sample budget carryover request/waiver form is included at the end of this chapter.

One of the elements of the ASB budget and financial reports that the district's business office should review regularly is the projected and actual ending fund balance. Excessive fund balances should be followed up on in discussions with the principal/school administrator and can even be the subject of the personnel evaluation process related to the administrator's role in ensuring adequate resources and their uses.

Multiyear Activities

In some circumstances, it may be appropriate for a club to carry over more than 20% of the funds expended that year. For example, if the club wants to participate in a band competition and parade festival overseas, it could take them two years or more to raise the funds. If the club has voted for this activity, and the advisor and the principal/school administrator have approved it, it may be appropriate for the ASB advisor, principal/school administrator, and district business office to approve larger carryover of funds for this specific purpose.

The Budget Carryover Request form is the form a student club (organized ASB) or principal/school administrator (unorganized ASB) should submit to the district's business office in April or May of each school year to request approval to carry over more than the normally allowed amount (e.g., 20%).

Repurposing ASB Funds

Associated student body funds should always be used for their originally intended purpose, and the ASB club or student council should always use any surplus of funds for a similar purpose. Because donors and supporters of ASBs usually intend for their donation to support a specific activity or expense as advertised by the ASB, it is vital to future fundraising efforts that the ASB use the funds for the intended purpose.

Sometimes, ASBs may conduct fundraisers for events and other expenditures that do not occur, leaving unspent funds available for use in ways that may differ from the original purpose for which they were raised. The central tenet of ASB spending is that funds should be used for the students' benefit and to promote the students' general welfare, morale and educational experiences. If an activity does not or cannot occur, the unspent funds may be used for a different purpose if certain conditions are met, but the expenditures must still benefit the students.

For an organized ASB, if the students vote to approve the repurposing of funds because they could not be used as originally intended, that vote should be documented by the students and approved by the ASB advisor and governing board or board designee, such as the principal/school administrator. Also, a school district should consider adding detailed language to its ASB board policy or administrative regulations that defines how unspent or undesignated funds may be used.

What Happens when a Class Graduates?

Education Code 48930 states that the purpose of ASB is to conduct activities on behalf of the students, clearly indicating that the funds held in ASB can only be spent for current students. One can also infer from this that the funds are to be held for current students at the same school at which the funds were raised. If cash balances exist for classes that have already graduated, those accounts need to be cleared. If there is no provision in the ASB constitution, bylaws, board policy, or administrative regulations that specifies the fund or account to which the remaining funds should be transferred after a class graduates, it is suggested that the funds be transferred to the general ASB account at the same school. The ASB constitution or bylaws, or district board policy or administrative regulations, should be revised to provide guidance for similar circumstances in the future.

Funds Do Not Follow Students to Another School

ASB and club funds should not be transferred to another school after the promotion of students, even to a school within the same district. For example, if an eighth grade class has remaining funds when they promote, the funds should not follow the students to their new high school. The funds need to remain at the school where they were raised. The eighth grade students may decide how to spend the funds before they promote or, if the they do not spend the funds before they promote, they may gift the funds to an existing ASB club at the same school. Otherwise, the funds should revert to the student council or general ASB at the school and the student council will decide how the funds will be used.

The best practice is to review outstanding balances a few months before a class promotes. If there is a projected remaining balance, the ASB, club or class group advisor should encourage the promoting students to do one of the following:

1. Spend the remaining funds on allowable expenditures before their promotion.
2. Gift the funds to another ASB club at the same school. The graduating high school seniors often vote to gift the funds to the incoming first-year class so they have seed money to begin their freshman year.
3. Gift the funds to the general ASB at the same school (this is also what will typically happen if the promoting class does nothing, even if the ASB constitution and policy are silent on the issue).
4. Amend the ASB or club bylaws to document what to do with the remaining funds each year.

Budget

Name of School_____

Name of Club_____

Budget Development

Fiscal Year: _____

Budget Adoption or Revised Budget

(Circle one)

As of: _____
Date

Part I: Beginning Balance

Beginning Balance / carryover from prior year: _____

Part II: Revenues

Account Number	Account Description	Prior Year Budgeted Revenue	Current Year Estimated Revenue
	Total		

Part III: Expenses

Account Number	Account Description	Prior Year Budgeted Expense	Current Year Estimated Expense
	Total		

Part IV: Ending Balance and Carryover

Difference between total revenues and expenses: _____

Projected ending balance: _____

(Projected ending balance = Part I, Beginning Balance + Part IV, Difference between revenue and expenses)

Part V: Budget Approval

Submitted and Approved by:

Student Club Representative:_____
Signature, Title, and Date

Club Advisor: _____
Signature, Title, and Date

Approved by:

Principal/School Administrator: _____
Signature, Title, and Date

ASB Student Council President: _____
Signature, Title, and Date

Recorded in ASB Student Council Minutes on:_____
Date

Approved by Business Office: _____
Signature, Title, and Date

Budget Monitoring for ASB or Club

Name of School_____

Name of Club_____

Budget Monitoring

Fiscal Year: _____

As of: _____
Date

Part I: Beginning Balance / Carryover from Prior Year _____

Part II: Revenues

Account Number	Account Description	Budgeted Revenues	Revenues Received to Date
	Total		

Part III: Expenses

Account Number	Account Description	Budgeted Expense	Actual Spent to Date
	Total		

Part IV: Ending Balance and Carryover

Difference between total revenues and expenses: _____

Projected ending balance: _____

(Projected ending balance = Part I, Beginning Balance + Part IV, Difference between revenue and expenses)

Part V: Budget Approval

Submitted and Approved by:

Student Club Representative:_____
Signature, Title, and Date

Club Advisor: _____
Signature, Title, and Date

Approved by:

Principal/School Administrator: _____

Signature, Title, and Date

ASB Student Council President:_____

Signature, Title, and Date

Recorded in ASB Student Council Minutes on:_____

Date

Budget Carryover Request

Name of School_____

Name of Club_____

Request to Carry Over Excess Ending Balances

Fiscal Year: _____

As of: _____
Date

I. The following organization requests approval to carry over an amount in excess of the district's approved 20 percent limit.

Club/Organization: _____

Club Advisor: _____

II. Calculation of Excess Carryover

A. Total estimated annual expenditures: _____

B. Multiplied by 20 percent (Allowed Carryover %): _____

C. Equals Amount of Allowed Carryover: _____

D. Amount of Requested Carryover: _____

III. Explanation

Provide an explanation of the need to carry over amounts in excess of the 20 percent limit. Explain how student approval was obtained, and when the club will use the excess funds. Attach the explanation on an additional page.

Budget Carryover Request Approval

Submitted and Approved by:

Student Club Representative:_____
Signature, Title, and Date

Club Advisor: _____
Signature, Title, and Date

Approved by:

Principal/School Administrator: _____
Signature, Title, and Date

ASB Student Council President: _____
Signature, Title, and Date

Recorded in ASB Student Council Minutes on: _____
Date

Approved by Business Office: _____
Signature, Title, and Date

Chapter 7 – Accounting and Financial Management

Accounting Systems

Every ASB organization must have an accounting system to record the money raised and spent. Accounting systems are either manual or computerized. The decision of which system to use is important because the system must provide assurance that adequate and effective internal controls are in place while maintaining an accurate and detailed record. If a computerized accounting system is used, a general summary of all funds and individual transactions should be shown, as well as an accounting of funds by individual clubs. If a manual system is used, a spreadsheet is recommended.

This chapter briefly defines the two types of systems and indicates which systems ASBs usually use. The simplest accounting system is the checkbook and manual ledger. For elementary schools and other unorganized ASBs that have only a few fundraising events each year, a checkbook may provide an adequate accounting system. In secondary schools (organized ASBs), a more complex system is needed because many student clubs require separate accounting.

Fraud Alert

Beware of multiple copies of accounting data located on the same computer drive or anywhere else. Using the guise of needing a second set of electronic books to practice accounting entries, perpetrators will carry out any number of frauds. Multiple sets of electronic books are most commonly used to create bank reconciliations. Some perpetrators of fraud have used up to six sets of books to prepare bank reconciliations, reprint checks, provide understated club financial records, and carry out many other fraudulent transactions and reports.

Manual Accounting Systems

The simplest and least expensive system is a checkbook and a spreadsheet. Spreadsheets can be used to record the transactions by club; the revenues are posted as additions and the expenses are posted as deductions. Manual systems are used mostly in unorganized ASBs because of the limited number of transactions. This type of system can work, though the risk of error can be higher because all the transactions are posted manually.

Even with manual sets of books, a backup of those books must be maintained. FCMAT recommends photocopying or scanning the general ledger and subsidiary journals for archiving in a district's secured, fireproof safe.

Computerized Accounting and Tracking Systems

Most organized ASBs use one of several computerized accounting systems developed specifically for ASB records and accounting transactions.

Although computerized accounting systems are more expensive and require ongoing support, they enable an organization to produce more accurate reports, allow stronger controls over the data, and can save an enormous amount of time when producing information. Some accounting software is used by organized ASBs throughout California and is designed specifically for ASBs. Other software systems vary from spreadsheet applications to accounting software. Some districts have developed their own proprietary accounting software. Large schools with multiple organized ASB clubs and trust accounts are best served by computerized accounting

To Table of Contents >>>

systems that specialize in ASB operations and allow separate accounting for each club. The California Association of Directors of Activities (CADA), the professional organization for ASB advisors, can provide information about which districts use which products. In addition to computerized accounting systems, other electronic ASB-specific alternatives to cash collections include point-of-sale merchandise and inventory tracking systems, ticket sales, credit card and debit card features, and web-based systems for sales and donations. Many of these products integrate with various accounting systems, creating both efficiencies and improved accountability of the transactions.

The importance of backing up data cannot be overstated. Whether it is stored on a district server or locally on the ASB office computer, electronic accounting information and other important data must be backed up to a secondary storage device at least weekly, but preferably daily. Secondary backup storage devices such as compact disks (CDs), portable flash drives, portable hard drives, district backup servers, and cloud backup services all provide efficient media for backups that can be stored in a district's secured, fireproof safe or online.

Journal Entries and Transfers

Computerized accounting systems make it easier to process journal entries and transfers. Because of the ease and ability to make electronic journal entries and transfers, thorough documentation of these type of transactions is required. Journal entries and transfers should be prepared only with prior written approval from the ASB advisor or designee. Such entries should never be made without someone else's knowledge and approval.

Fraud Alert

Any journal entry that is not properly documented is a fraud indicator. While mistakes may be made, even corrections to journal entries should be printed, signed and approved. Failure to document journal entries and obtain approval allows a fraud perpetrator to completely manipulate the accounting records. In the absence of proper approval procedures, perpetrators of fraud can and will enter numerous transactions allocated over many clubs and accounts, all disguised to make the transaction so complex and tedious that it is difficult to follow.

Although journal entries can be used to originate a transaction, such as recording interest earned or bank fees, generally journal entries and transfers are made to correct or change a previous accounting entry. Therefore, great care should be taken to properly document their purpose so that questions or issues do not occur. In accordance with standard accounting practices, the detailed reason for the journal entry or cash transfer, with all supporting documents showing why the entry is necessary, should accompany the transaction and be retained, and must be approved in the ASB minutes. This is true whether a journal entry is used to transfer resources between clubs, correct an error, or document an extraordinary event such as a theft or loss.

Some ASBs consider transfers less critical than journal entries, but this is not the case; both are equally significant and should be thoroughly documented and approved, because failure to do so can cause serious issues in the future.

Prepaid Transactions

An ASB may occasionally prepay certain expenditures; however, this should be an exception rather than a standard practice, and only if not prohibited by board policies and/or ASB bylaws.

Prepayments may include event reservations, athletic officiating costs, and other expenditures for which payment may be required in advance.

When prepayment is required, prior approval of the expenditure must still be obtained using the normal ASB purchase order process. Such a transaction should be treated like any other expenditure, with student approval memorialized in meeting minutes, including an acknowledgment that the item is prepaid.

A common example is the use of a service provider to prepay the cost of referees through athletics. Some districts will record the prepaid amount using a journal entry to athletics as the service is used, reducing the prepaid asset as usage occurs. Other districts may track the usage separately, with the entire amount recorded as an expenditure to athletics when the initial payment is made. When unspent funds remain at the end of the fiscal year, the bookkeeper will either continue tracking this amount into the new year or record the remaining amount to the prepaid account, which is a balance sheet account where the remaining unexpended cost is held.

Accounting for Theft or Loss

In cases of theft, or misplaced or lost deposits, the amount of funds and club identity may or may not be known.

- When the amount of loss and the club are known, the following options are available:
  - Obtain advice from the district's business office on any district-specific policies or procedures.
  - Corresponding increasing and decreasing journal entries may be made to identify the club's loss, and a theft loss account may even be created to separately track the transaction. Corresponding increasing and decreasing entries will identify the loss but will typically have no net effect on the club's account, because the district and school administration is responsible for ensuring the integrity of the ASB and should replenish the lost funds from the district's non-ASB funds.
  - Some clubs may want to document a theft loss as an expense and place the other side of the transaction in another account that they are willing to reduce, decreasing the club's account.
  - Some ASBs may choose to account for this type of transaction within their cash over-short account.
- When the amount of loss and the club are not known, it is typically because the adults responsible for administering the ASB funds have not strengthened the internal controls. If the loss is identifiable, such as a missing deposit that has not been counted, an estimate of the loss may be made. If the district's business office agrees that an estimate can be determined, an increasing and decreasing estimated journal entry may be used to minimally identify an estimated loss and may be recorded within some miscellaneous account type.

Centralized versus Decentralized Accounting

Because governing boards are ultimately responsible for everything that happens in a district, including the activities of and guidelines for student organizations, they have a fiduciary duty

to ensure that sponsored activities and accounting are performed in a correct and accountable manner. At the same time, governing boards are not ultimately responsible for ASB expenditure decisions; the students are, with assistance and coapproval from specific employees as noted in the Education Code.

Whether the ASB financial records are maintained in a centralized system (i.e., accounting software and transactions are processed at the district's business office for each school) or decentralized system (i.e., an accounting system and transactions are processed at each ASB school office), the district is responsible for establishing policies and procedures to ensure ASB funds are safeguarded.

The district is responsible for ensuring that ASB funds at the school are deposited in the bank in a timely manner; for maintaining adequate ASB financial records and financial transactions; for ensuring that the district's ASB policies and procedures are followed; and for reporting any suspected fraud or abuse. These duties are usually performed at the school by an ASB bookkeeper. In addition, an ASB advisor should supervise club activities and serve as the liaison between the ASB club and bookkeeper and the principal/school administrator.

Centralized ASB Accounting

When ASB accounting is centralized, the accounting for student organizations is handled at one location other than where the clubs exist, such as at the district office. This method is more efficient for producing standard accounting and reporting, can improve internal controls, and can provide significantly improved budget controls. However, it is difficult for students to be as involved, and day-to-day operations are not as efficient.

Decentralized ASB Accounting

Most ASB accounting is decentralized, meaning that the accounting for student organizations is performed at the schools where the clubs exist. The advantage of this is that the students can learn how accounting works, and information can usually be obtained more quickly and can be communicated easily among student clubs, advisors and the bookkeeper.

District Pays for the ASB Bookkeeper, Accounting Software, and Other Operating Costs

The Education Code gives school district governing boards the authority to allow the existence of an ASB. In allowing the formation of an ASB, the governing board assumes a fiduciary duty to ensure that ASB operations are conducted in a correct and accountable manner. This means, the district, not the ASB, should pay all operational costs, such as payroll and benefit costs for services provided by the ASB bookkeeper and ASB advisor. This also includes paying for other operational costs associated with the ASB, such as accounting software, annual maintenance fees, conferences and workshops for school employees on ASB-related topics, office space and supplies, computer equipment, secured, fireproof safe, and other related operational expenses.

A well-functioning ASB ensures that district policies are followed and student funds are accounted for correctly. The district's governing board must ensure that ASB funds are monitored and safeguarded. As a fiduciary of the students' funds, the ASB bookkeeper contributes to efficient and effective internal controls on behalf of the school district.

Student fundraising is always voluntary. If students choose not to fundraise, the costs associated with the ASB bookkeeper and accounting software would still need to be funded.

As such, these are district expenses rather than discretionary costs determined by the students. By assuming all ASB operational costs, the district helps ensure that all policies are followed and that student funds are accounted for correctly. Further, because the district pays for these costs, the district ultimately decides whether ASB accounting is centralized or decentralized. See the section titled Indirect Charges and Other Assessed Costs for additional information.

Chart of Accounts

Regardless of the accounting system selected or whether accounting is centralized or decentralized, each ASB needs to use a structured chart of accounts that conforms to generally accepted accounting principles and that defines and differentiates categories of revenues and expenditures as well as assets and liabilities. A chart of accounts organizes all account groups or categories of money numerically. There is a common scheme for ordering the chart of accounts that, when used correctly, helps all involved parties better understand the ASB's and its clubs' financial health. Two sample charts of accounts are included at the end of this chapter: one is suitable for a small ASB, and the second is designed for a larger ASB. A standard chart of accounts should be used for all schools and clubs across the district.

ASB charts of accounts will have several groups of accounts within the following categories:

Assets

Assets are usually defined as anything the ASB owns or controls that has value, either tangible or intangible. Assets are a resource of the ASB and can be further separated into current assets and fixed assets. Current assets are readily available or liquid, such as cash in a bank. Fixed assets are more permanent, such as a piece of sound system equipment.

Liabilities

Liabilities are obligations, or debts, the ASB owes to other parties (e.g., unpaid disc jockey services). These include invoices from vendors for items received but not paid for, as well as sales tax balances due to the state. When a liability is paid or settled, a transfer or use of assets (e.g., cash) will occur.

Trust Accounts

Trust accounts are managed by one entity for the benefit of another, so in the case of an ASB, these are amounts that the ASB is holding on behalf of individually approved clubs. These also include scholarship and class group accounts.

Equity/Fund Balance/Net Assets

Equity accounts (i.e., fund balance or net assets) represent the net worth of the ASB. Equity is the difference between the total assets and the total liabilities. Equity/fund balance/net assets is the amount remaining after all revenues, expenditures and carryover from the prior year are calculated and accounted for. This is unspent and uncommitted ASB money.

Revenue

Revenue is the amount of money received from the sale of goods or services, or money raised from fundraising activities. This is the money earned by the ASB.

Expenses

Expenses are the costs incurred for the purchase of goods or services. This is the money spent by the ASB.

Standardized Chart of Accounts

The district's business office should standardize the chart of accounts and the accounting systems for all ASBs. This ensures that the accounts and the system are appropriate for use in ASB activities and will be used consistently throughout the district. This facilitates common financial reporting and auditing.

Financial Reporting and Closing the Books

Financial reports are the most important monitoring devices that businesses and public agencies use to determine their fiscal position. The timing and composition of these reports vary with the type and size of the entity. A range of industry standards affect how financial reports are structured, prepared and presented. A similar structure exists for the financial reporting for ASB organizations.

Periodic financial statements must be prepared to help principals/school administrators, ASB advisors, and students understand the ASB's financial position. The size of the ASB operations and the grade level of the school often determine the type and frequency of financial reports. Board policy also may determine how and when financial reports are prepared. The district's business office should also receive copies of the periodic financial statements as part of its oversight responsibility.

The business year for all ASB operations is July 1 to June 30. This is formally called the fiscal year, for both ASB operations and the district.

Standard for Unorganized ASB Operations

Because the amount of money in unorganized ASB accounts is often small, periodic financial statements are not as frequent. At a minimum, the ASB will have to provide summary financial information at the end of the year for the auditors. However, if an unorganized school ASB operation has annual financial activity of $25,000 or more, financial statements should be provided throughout the school year as recommended below for organized ASB operations.

Standard for Organized ASB Operations

In schools with organized ASBs, it is important for the principal/school administrator, advisors and students to review their financial status periodically. The best practice for organized ASBs is to review the financial reports showing the ASB's financial status monthly; in no case should the financial status be reviewed less than quarterly. A monthly reporting requirement is most common and is recommended. This means that reports should be produced for all clubs as well as the general ASB.

As part of their oversight responsibility, the district's business office staff should also give input into the decision about how often financial reports are produced and reviewed, who should review them, and their distribution.

Types of Financial Reports

Normally, it is the ASB bookkeeper's responsibility to produce the financial reports. The bookkeeper is responsible to many customers, each of whom has a unique set of needs and responsibilities related to those reports:

- Principal/School Administrator: The principal/school administrator must review and approve (indicated by their signature) all financial reports throughout the year and ensure that all required reports and submissions are made to the district's business office as requested.
- Student Council: For organized ASBs, the student council must review, approve and include in their meeting minutes the monthly and annual financial reports for their own information and for the various clubs' information.
- Individual Clubs: For organized ASBs, each club must review, approve and include in their meeting minutes their monthly and annual financial reports.
- District Business Office: The district's business office must receive the approved financial statements at least quarterly, though monthly is recommended.

There are two basic industry-standard financial reports. They are most useful when they are prepared properly and explained clearly:

- Profit and loss statement, which compares ASB revenue to expenses.
- Balance sheet, which summarizes the assets and liabilities of the ASB.

Profit and Loss Statement

The profit and loss statement provides a financial picture of an organization at a specific point in time, such as the end of a month, and includes all financial activity from the beginning of the fiscal year through the end of that month. This statement compares actual revenues to actual expenses. It is best used when it also includes the projected budget for the same revenues and expenses.

The comparison of the budget to the actual revenues and expenses is probably the most useful financial statement for showing how the club is doing at any point in time. In addition to preparing financial statements at various times throughout the school year (e.g., monthly), a year-end profit and loss statement should always be prepared at the end of the fiscal year and should include a summary of the financial activities of all trust accounts and clubs.

The principal/school administrator or designee should do the following with each report:

- Review periodic profit and loss schedules to determine progress being made during the year.
- Review the year-end report to ensure that it balances; that is, that the revenues less expenditures equal the net profit/loss and that beginning balances are reconciled with ending balances from the prior year.
- Review and investigate any expenditures in excess of revenues, both budget and actual, at both the individual club and student council/general ASB levels, to ensure data accuracy and an understanding of the deficiency.

- Review any encumbered purchase orders that appear out of the ordinary, especially if unexpected.
- Initial and date the report as evidence of their review.

Balance Sheet

A balance sheet is an important document used by businesses, public agencies and municipalities of all sizes worldwide. It is the main indicator of fiscal solvency and a tool for making future business decisions. The balance sheet has similar value in ASB management.

The balance sheet statement lists all assets and liabilities of the ASB organization as of a specific date. The assets are what the ASB owns, such as the following:

- Cash in the bank.
- Savings deposits.
- Student store inventory.
- Anything else of value.

The liabilities are what the ASB owes, such as the following:

- Unpaid bills to vendors for merchandise received.
- Sales tax payments due.
- Other bills owed.

The fund balance indicates the ASB's net resources available for future projects and activities. As periodic financial reports (including a balance sheet) are prepared during the year, the line titled "profit or loss to date" indicates the success or failure of fundraising up to that point in time. A sample balance sheet is included at the end of this chapter.

The principal/school administrator or designee should do the following:

- Review the balance sheet to determine whether assets less liabilities equals equity/fund balance.
- Review accounts of the student council, clubs, and class groups to confirm there are no negative year-end balances.
- Review assets and liabilities for reasonableness, and investigate any anomalies or anything that appears out of the ordinary.
- Initial and date the report as evidence of their review.

Closing the Books

Without exception, every business, whether private enterprise or public agency, must close its books at the end of each fiscal year. Effective June 30, the ASB books must also be closed for that school year, which means posting all financial transactions for that year. For organized ASBs, this is normally done by the bookkeeper. For unorganized ASBs, it is usually the school secretary or similar position.

To close the books, the following must be completed:

- Collect all undeposited money from fundraising events and deposit the funds in the bank.
- Pay all outstanding invoices for goods and services received.
- Contact the vendor for any outstanding purchase orders. Obtain an invoice for purchases that have been delivered by the vendor but not invoiced. Pay these invoices.
- Ensure that the ASB advisor and students take a final inventory of the student store and any vending machine stock on hand.
- Balance the inventory count with the book value of the inventory. Make adjusting entries as needed.
- Verify and balance all trust and student council, club, and class group accounts with the bank statement balance. Coordinate this bank reconciliation with the general/student council ASB advisor and individual club advisors. Make adjusting entries as needed and verify data.
- Prepare the financial statements for the fiscal year.
- Distribute the financial statements according to district guidelines.

District Business Office Support

Preparing financial reports can be challenging and sometimes intimidating for students and employees involved in ASB operations. An understanding and supportive district business office should have the expertise and responsibility to ensure that ASB personnel are trained and should offer to help them. The annual meeting and training sessions sponsored by the district's business office should include a review of the ASB financial reports. Similarly, the business office should give the ASB technical assistance throughout the year as questions and concerns arise.

Annual Audit

The governing board must ensure that all district funds are audited annually by an external, independent auditor (e.g., a certified public accountant (CPA)) approved by the State Controller's Office. The independent auditors report directly to the district's governing board. As part of that annual audit, student body funds will be reviewed and audited. The Education Code also states that the governing board shall provide for the supervision of ASB funds and may provide for internal audits or reviews of ASB funds by school district personnel (EC 48937). This can be done using a district internal control plan and employees the district considers sufficiently experienced to conduct the internal audit or review. The audits must include a study of financial procedures and controls to ensure conformance with the law and must verify all outstanding bank accounts.

Annual audits, whether internal or external, are essential to the district's oversight responsibilities. These audits help the district's administration ensure that appropriate procedures and controls are in place. Audit findings alert the district office to weaknesses in the system that must be addressed and procedures that must be corrected. Audits also protect the district by providing a third-party defense for why policies and procedures are necessary. Staff at all schools who work with the ASB must be made aware of all audit findings and should participate in the steps needed to ensure that they do not recur. This includes findings related to schools

throughout the district so that all employees involved in ASB are made aware of the issues and can prevent or correct improper procedures at their school.

Independent auditors will follow generally accepted governmental audit procedures, generally accepted accounting practices, and other procedures and techniques the auditor deems sufficient to ensure that student body financial transactions are recorded accurately in the district's ASB's financial records. To do so, the independent auditor should do the following:

- Review records and systems for adequacy of internal controls and conformity with generally accepted accounting principles (GAAP).
- Determine whether bank accounts were properly authorized and established by the district.
- Determine whether the bank reconciliations are performed monthly within two weeks of receiving the bank statement.
- Read meeting minutes and note matters pertaining to the audit.
- Determine if the district's governing board has adopted policies and regulations regarding how the student body is governed.
    - Verify that each club and class group has a completed application.
    - Verify that each student council, club, and class group has a constitution and bylaws.
- Verify assets, liabilities, revenues, expenditures, and equity.
- Verify whether there is an approved balance carryforward form, that excessive cash balances are identified, and that there is an approved plan to spend those funds.
- Determine whether fundraisers were approved in advance by the governing board or its designee and were in the student body's best interest.
- Determine if revenue projections were completed for all fundraisers.
- Compare to determine if recorded receipts reconcile with the value of what was charged during fundraisers (e.g., the value of items or ticket prices for entertainment).
- Check for commingling of ASB funds with non-ASB funds.
- For all fundraisers, determine whether cash controls (tickets, receipt books, tally sheets) were used and reconciled with collected cash.
- Determine whether receipts were credited to the proper club account.
- Determine whether any student funds were used for expenses that are the district's responsibility.
- Determine whether all expenditures were approved in advance by the required individuals.
- Determine if budgets for all clubs and the student council were prepared and approved correctly.
- Determine whether the district has a policy or policies that require student body revenues and expenditures to be clearly distinguished from those of the district.

- Verify whether cash is always double-counted.
- Verify whether, when funds are counted, they are sealed for transport in a plastic, tamper-evident bank bag.
- Determine whether deposits are kept secure in a locked, fireproof safe, but for no more than a few days before being deposited at the bank.

Following are some annual audit findings that commonly occur in districts throughout the state:

- ASB budgets are not prepared.
- Little or no supervision over budget preparation.
- Revenue projections are not prepared.
- Revenue projection actual results are not monitored and compared to projected results.
- Prenumbered receipt books and/or receipts are not used.
- Receipt books are not logged in and out with signatures.
- Cash counts are not recounted.
- Large amounts of cash on hand year after year (club balances or student council with savings accounts) without an approved carryover spending plan.
- Prenumbered tickets are not used.
- The number of tickets sold is not reconciled to tickets collected.
- Deposits received are not taken to the bank for deposit within the time specified in district guidelines.
- Purchase orders (or other preapproval forms) are not used.
- The actual purchase date is before the purchase order date.
- The three signatures required for organized ASB expenditures are not obtained before purchase.
- A lack of confirmation that the product purchased was received before payment was made.
- Checks are made out to cash.
- Check stock is visible and unsecured.
- Bank reconciliations are not prepared monthly or on time.

Because they review a sampling of transactions, auditors will not find every instance when things are not being done correctly. Incorrect procedures not detected by the auditors should nonetheless be corrected. Issues need to be corrected before something goes wrong. This protects everyone involved with ASB. The auditors are a valuable resource when questions arise because they are familiar with rules, regulations and best practices.

The ASB audit is part of the school district's audit, and the cost should be paid by the school district.

ASB Items for the Annual Audit

The following items, and any other items requested, should be available for review by district auditors during the annual independent audit:

- Copy of the annual financial report that includes a list of the trust account balances.
- Copy of the ASB budget for all clubs/trust accounts and budget revisions/updates.
- Schedule of accounts receivable that lists names and amounts due as of June 30 (do not include any amounts payable by trust accounts).
- Schedule of accounts payable that lists names and amounts owed to others as of June 30 (do not include any amounts payable to trust accounts).
- Detailed analysis of any adjustments to the beginning fund balance.
- Copies of the inventory (e.g., student store, vending machines, ASB equipment and other items).
- Bank statements for checking account(s) reconciled from July of the preceding year to July of the current year.
- Interest earned on savings account(s) through June 30.
- List of all petty cash funds and the name of the custodian of the funds.
- Official ASB minutes for all clubs/trust accounts.
- Price lists used during the year for ASB card discount tickets and yearbooks, and the number sold at each price.
- Support for expenditures, including original detailed invoices and approved purchase requisitions.
- Support for revenues, including cash register reconciliations, ticket control, tally sheets, receipt books and deposit information.
- Equipment inventory lists.
- Written procedures for ASB functions, if available.

Bank Reconciliations

Timely and accurate bank account reconciliations and reviews are prudent and necessary. Reconciliations should be prepared monthly, within two weeks of receiving the statement. Each ASB organization will have at least one bank account with monthly statements. Bank account statements may be sent directly to the school, or to the district office, which then forwards them to the school. Normally the ASB bookkeeper is responsible for reconciling all ASB bank statements to checkbooks and general ledger accounts.

Challenges of Bank Account Reconciliations

Employees typically report difficulties with bank account reconciliations, and auditors often find problems in this area. In addition to a regular bank account reconciliation, a reconciliation between all club balances and the total bank account balances needs to be performed.

For example, consider a situation where there is a reported $5,000 balance in the combined ASB checking and savings accounts, yet the ASB bookkeeper reports total club balances of $6,000. Can this occur? If it does, who takes what action?

Some of the difficulties reported by staff and auditors are listed below, and immediately following are recommended best practices that help prevent these difficulties from affecting other ASB operations.

Reported problems include the following:

- The bank account is not reconciled each month in a timely manner.
- No one reviews the bank reconciliation after it is prepared by the ASB bookkeeper.
- The total of all club, class group, and student council accounts differs from the total of the bank accounts.
- No one prepares a monthly report showing all cash balances and all club balances.
- No one is certain if there is enough money for an upcoming activity (e.g., the senior class picnic).
- The ASB treasurer does not make a monthly report to the student council regarding all bank accounts and all club and trust account balances.

Fraud Alert

Even with established timelines for completing and submitting bank reconciliations, many ASBs are allowed to continue for many months before the district office makes them accountable for late reconciliations. Numerous excuses are given for late bank reconciliations, but too often they are late because the prospective thief needs time to alter the books.

When the bank reconciliation is late, offer help and/or provide a new deadline such as the next day. One late bank reconciliation may not be a problem; however, many financial frauds in ASBs are connected to inaccurate and late bank reconciliations. The honest person who is late with a bank reconciliation will not object to receiving help because they have nothing to hide. Resistance to help and continued excuses are a fraud indicator that should always be taken seriously.

Good Business Practices for Bank Account Management and Reconciliation

For all accounts maintained by the student organization(s), reconciliations between bank account balances and student organization records should be performed for every period for which a statement is received (usually monthly). Control measures should be established to ensure that bank reconciliations are performed on time and accurately, and that sufficient separation of duties exists.

Best practices for bank account management and for bank reconciliations are as follows:

- The ASB bookkeeper should reconcile the total amount in the club accounts with the checkbook or general ledger monthly.
- The ASB treasurer should provide monthly reports on bank account balances and all club and trust account balances. This report should be entered into the student council minutes.
- The principal/school administrator or ASB advisor should ensure that the bank statement is reconciled within two weeks after it arrives.

- The principal/school administrator or ASB advisor should compare the bank statement to the checkbook or general ledger to ensure that the totals match the numbers on the bank reconciliation.
- The principal/school administrator or ASB advisor should verify that outstanding items are cleared in the following month.
- The principal/school administrator or ASB advisor should ensure that any journal entries made were properly approved and authorized.
- The principal/school administrator or ASB advisor should initial and date the bank reconciliation and the bank statement as evidence that they were reviewed and that the totals are identical.
- The district's business office should conduct a monthly review of ASB bank reconciliations prepared at the schools. This should include the business office signing and dating the reconciliation when the review is complete.

> ***Fraud Alert***
>
> Bank statement reconciliation fraud is as easy as recording a deposit, stealing the money, showing the deposit as outstanding, and then creating a journal entry to write off the missing funds.
>
> Everyone reviewing bank reconciliations should be alert for deposits that are outstanding for longer than two or three days and for journal entries that clear cash from the bank reconciliation cash account.

The ASB bookkeeper performs the bank reconciliation by comparing the transactions posted by the bank to the transactions posted in the ASB books (checkbook or general ledger) for the same period.

The ASB Bank Reconciliation Worksheet at the end of this chapter has been developed for use when performing this task.

Instructions for Completing the Bank Reconciliation Worksheet

1. On line A, record the ending balance shown on the bank statement.
2. On line B, record any deposits made by the ASB bookkeeper that do not show on the bank statement as of the ending date (i.e., that are outstanding). In addition, review the deposits in transit on last month's bank reconciliation to confirm that the bank has posted them to the ASB account.
3. On line C, total the deposits in transit.
4. On line D, record all of the checks that have been written and recorded in the student body books but have not cleared the bank as of the ending date (i.e., that are outstanding). Review the outstanding checks on last month's bank reconciliation, and post on this month's bank reconciliation those that have not yet cleared the bank. Checks that are outstanding longer than one year should be stale dated and returned to the ASB cash balance.
5. On line E, total the outstanding checks.
6. On line F, compute the reconciled bank balance. Add the amount on line A and the amount on line C, then subtract the total of the outstanding checks on line E.
7. On line G, record the amount in the ASB checkbook or general ledger. That amount must be as of the same date as the ending date on the bank statement.

8. On line H, add the interest and any other amounts added by the bank.
9. On line I, total all of the amounts from line H.
10. On line J, record the bank charges deducted by the bank. Also, record the returned checks and returned check charges.
11. On line K, total all of the bank charges.
12. On line L, compute the ending balance. Add the amount on line G and the amount on line I and deduct all bank charges on line K.

    The bank account is not considered reconciled until lines F and L show the same amount.
13. Post the interest and the bank charges to the checkbook or the general ledger.

After the worksheet is completed, the ASB bookkeeper finishes the bank reconciliation by balancing all the general ledger accounts, including all club and trust accounts, and provides copies of the bank reconciliations to the principal/school administrator, ASB advisor and business office.

The bookkeeper should also prepare a report of bank account and club and trust account balances for the ASB treasurer to present at the student council's monthly meeting. The ASB bookkeeper should also provide each club advisor with a monthly financial report that shows year-to-date activity and summary balances.

A more complete discussion of financial reports can be found in the Financial Reporting and Closing the Books section earlier in this chapter.

Chart of Accounts for Small ASBs

Asset Accounts • 100–199

101 Cash in Bank, Checking
103 Petty Cash
105 Cash in Bank, Savings
107 Change Account
109 Accounts Receivable
111 Student Store Inventory
113 Equipment
115 Other Assets

Liability Accounts • 200–224

201 Accounts Payable
203 Sales Tax Payable

Trust Accounts • 225-299

225 Scholarship Account A
227 Scholarship Account B
235 Class of 20XX
237 Class of 20XX
239 Class of 20XX
241 Class of 20XX
245 Club A
247 Club B
249 Club C
251 Club D

Equity Accounts • 300–399

310 Fund Balance

Revenue Accounts • 400–499

401 Student Body Card Fees
403 Student Store Sales
405 Yearbook Sales
407 Social Events & Activities
409 Vending Machine Sales
411 Interest Earned
413 Other Revenue

Expense Accounts • 500–599

501 Student Store Purchases
503 Yearbook Publication
505 Social Event Purchases
507 Vending Machine Purchases
509 Supplies and Purchases
511 Depreciation
513 Other Expenses

Chart of Accounts for Large ASBs

Asset Accounts • 1000–1999

Current Asset Accounts • 1000–1699

Bank Accounts • 1000–1199

- 1001 Bank of America, Checking Account # XXXX
- 1003 Bank of America, Savings Account # XXXX
- 1005 Bank of America, Money Market Account # XXXX
- 1103 United California Bank, Savings Account # XXXX
- 1105 United California Bank, Money Market Account # XXXX

Other Current Asset Accounts • 1200–1699

- 1201 Petty Cash Fund
- 1203 Change Fund
- 1301 Accounts Receivable
- 1303 Accounts Receivable Interest
- 1305 Accounts Receivable Bad Checks
- 1307 Accounts Receivable Yearbooks
- 1401 Inventory Student Store
- 1403 Inventory Vending Machines
- 1405 Inventory Snack Bar
- 1501 Other Current Assets

Fixed Assets • 1700–1999

- 1701 Equipment ASB Office
- 1703 Equipment Student Store
- 1705 Other Equipment
- 1801 Other Fixed Assets

Liability Accounts • 2000–2999

Accounts Payable Accounts • 2000–2099

- 2001 Accounts Payable Vendors
- 2003 Accounts Payable District Salary Reimbursement
- 2005 Sales and Use Tax Payable
- 2007 Other Accounts Payable

Trust Accounts • 2100–2199

- 2101 JFK Memorial Scholarship
- 2103 Mary Smith Memorial Scholarship
- 2105 Ming Kim Memorial Scholarship
- 2105 Frank Diaz Memorial Scholarship
- 2107 Tony Petrali Memorial Scholarship
- 2109 Susan Thomas Memorial Scholarship
- 2111 Clearing Account – Field Trips
- 2113 Clearing Account – Athletics
- 2115 Clearing Account – Other

Student Class Accounts • 2200–2299

- 2201 Class of 20XX
- 2203 Class of 20XX
- 2205 Class of 20XX
- 2207 Class of 20XX

Club Accounts • 2300–2399

- 2301 Marching Band
- 2303 African-American Student Union
- 2305 Latino Student Leaders
- 2307 Art Club
- 2309 Cheerleader Club
- 2311 California Scholarship Federation Club
- 2313 Filipino American Club
- 2315 Robotics Club
- 2317 Orchestra Club
- 2319 Computer Club
- 2321 French Club
- 2323 Future Teachers Club
- 2325 MESA Club
- 2327 Spanish Club
- 2329 Speech Club
- 2331 Girls Soccer Club
- 2333 Track Club
- 2337 Travel Club
- 2339 Native American Culture Club
- 2341 Drama Club
- 2343 Football Club
- 2345 Basketball Club
- 2347 Yearbook Club

Equity Accounts • 3000–3999

- 3001 Fund Balance

Revenue Accounts • 4000–4999

- 4301 ASB Cards
- 4303 ASB Dance Revenue
- 4307 Championship Playoff Gate Receipts
- 4309 Yearbook Sales
- 4311 Yearbook Advertisements
- 4313 Homecoming Dance Revenue
- 4315 Interest Earned
- 4319 Donations

4321 ASB Fundraising
4325 Carnival Revenue
4327 Copy Machine Commission
4329 Talent Show Revenue
4331 Car Wash Revenue
4333 Student Store Sales
4335 Student Store Over and Short
4337 Vending Machine Revenue
4339 Vending Machine Over and Short
4341 Snack Bar Sales
4343 Snack Bar Over and Short
4345 Snack Bar Commissions
4347 Inactive Clubs – Fund Close Out

Expenditure Accounts • 5000–5999

5301 Athletics
5305 Championship Playoff Expenses
5307 Athletic Equipment and Supplies
5309 Athletic Trophies
5311 Athletic Awards Program
5313 CIF League Dues
5315 Band and Music
5317 Cheerleaders
5319 ASB Dance Expense
5323 Carnival Expense
5325 Spring Musical Expense
5327 Talent Show Expense
5329 Yearbook Publication Expense
5331 Academic Teams Expense
5333 Audio Visual Expense
5335 Armored Car Service
5337 Community Service
5339 Over and Short
5341 Student Activities
5343 Student Government
5345 Speakers
5347 Postage
5349 Transportation
5351 Conferences
5353 Leadership Camp
5355 Student Store Purchases
5357 Student Store Returns
5359 Student Store Taxes
5361 Snack Bar Purchases
5363 Snack Bar Returns
5365 Snack Bar Taxes
5367 Vending Machine Purchase
5369 Vending Machine Returns
5371 Depreciation
5373 Other Expenses

Balance Sheet – Small ASB

Associated Student Body
Balance Sheet
As of May 31, 20XX

Assets		**Liabilities**	
Cash in Bank, Checking	$8,000	Accounts Payable	$5,000
Cash in Bank, Savings	2,500	Total Liabilities	$5,000
Petty Cash	25		
Student Store Inventory	350	**Fund Balance**	
Total Assets	**$10,875**	Fund Balance as of July 1, 20XX	$3,000
		Net Gain (Loss) to Date	2,875
		Fund Balance as of May 31, 20xx	**5,875**
		Total Liabilities and Fund Balance	**$10,875**

Bank Reconciliation Worksheet

Name of School: _____

ASB Bank Reconciliation Worksheet

Name of Bank: _____

Account Number: _____

For the Month of: _____

A. Ending Balance
per Bank Statement _____

B. Plus Deposits in Transit:

_____
_____
_____
_____
_____
_____
_____

C. Total Deposits in Transit: _____

D. Less Outstanding Checks:

Date	Check #	Amount

G. Balance per
Accounting Records: _____

H. Plus Interest: _____

I. Plus Adjustments:

_____
_____
_____
_____
_____
_____

J. Total Adjustments: _____

K. Bank Charges:

_____
_____
_____
_____
_____
_____
_____

_____ L. Total Bank Charges: _____

_____

_____

_____

_____

E. Total Outstanding Checks: _____

F. Ending Balance (A + C – E): _____ M. Ending Balance (G + H + J + L): _____

Reconciliation Prepared by: _____
(Name, Title, Date)

Reconciliation Reviewed by: _____
(Name, Title, Date)

Review by Principal/School Administrator: _____
(Name, Title, Date)

Review by District Business Office: _____
(Name, Title, Date)

This page intentionally left blank.

Chapter 8 – Fundraising Events

Although ASB organizations may receive some donations, the primary revenue source for student organizations is fundraising events. Elementary schools usually hold traditional fundraising events such as book fairs and walkathons. At middle schools, junior high schools, and high schools, the students' involvement and the need for extra funds mean that the number and types of fundraising events are constantly expanding.

Approval of Fundraisers

Education Code (EC) 48932 allows the governing board to authorize student body organizations to conduct fundraising activities. This section of the law makes it clear that the governing board or the board's designee is responsible for approving all fundraising activities, not just ASB fundraisers. This includes fundraisers conducted at the school by school-connected organizations.

Before approving any events, the board must consider many issues such as student safety, whether the insurance company is comfortable with the event, and whether the event is appropriate for the students' educational experience. Board members or the board's designee may also have concerns about the number and type of fundraising events and whether these events interfere with the normal conduct of the schools. For example, it may not make sense for all of the high schools in the same district to hold a fundraiser or entertainment such as a school play on the same Friday night in September as a varsity football game, because participation may not be as high.

Fundraising Approval by the Board or Board Designee

As a good practice and to avoid conflicts, the governing board should review and approve the ASB fundraising events at the beginning of each school year or designate an administrator to do so. As the year proceeds, any additional fundraisers would also need to be approved. In addition, the board should approve policies and administrative regulations that delineate allowable and prohibited fundraising events.

Fundraiser Priority Status

Some ASBs and clubs may have existing traditions that prioritize certain fundraisers, such as an annual homecoming fundraiser. For these fundraisers, it is the best practice to identify and prioritize these activities in district board policies, administrative regulations, club bylaws, or other ASB procedures. For all other fundraisers, the district should ensure it has a fair approval process.

School-Connected Organization Fundraising

All fundraisers should be submitted to the district governing board or the board's designee using a fundraiser approval form. This allows the district to coordinate all fundraisers and ensure no fundraisers are in competition with each other. School-connected organizations such as booster clubs do not submit their fundraisers through the ASB for approval. ASBs do not approve school-connected organization fundraisers. School-connected organizations submit their fundraiser requests separately in a process authorized by the district's business office, culminating in preapproval by the governing board or designee.

TO TABLE OF CONTENTS >>>

Good Business Practices for Fundraising Approval

The principal/school administrator or ASB advisor should fill out some type of document at the beginning of each school year indicating the number and types of fundraising events each school's student organizations will hold that school year. Two sample forms are presented at the end of this chapter. When completed, these forms should be sent to the district's business office. Depending on board policy and/or practice, the business office can compile these forms and either prepare a resolution for the governing board to authorize the fundraising events or send the information to the governing board's designee for approval of all listed events. If there are changes in the number or types of events during the year, the principal/school administrator should submit a revised form that the board or its designee may approve.

Fundraising for Events with Tiered or Limited Participation and Entrance Fees

Some ASB fundraisers are combined as part of a competition such as National History Day or sports competitions. When these competitions are ASB-sponsored and something extra the students propose, participation may be allowable. These competitions are often schoolwide, but the funds raised will send only a small number of students to the next round of competition. This means that even though a large number of students initially participated, only a select few qualify to move forward. And typically, the next round of competition requires a per-student entrance fee for the individuals continuing on.

Using general ASB funds for an event in which only a small group of students may ultimately participate is not generally an appropriate use of ASB funds. This is because the students have presumably fundraised for an activity in which only a few will be able to participate. However, if the ASB meeting minutes, fundraiser approval form and revenue potential form were properly approved, meaning the students were fully informed and understood the participation limitations prior to any fundraising, such fundraising may be allowable. To improve awareness and ensure such activities are allowable, there should be board policy, administrative regulations, and ASB bylaws that allow students to fundraise for activities that have tiered, limited, or progressive qualification criteria that must be met for students to earn advancement.

For any such activities, the ASB bylaws and/or district board policy and administrative regulations should be updated to allow recognition of individual successes under these circumstances. This is similar to a district's awards policy that recognizes students for excellence. A district's policy should specify whether it allows or prohibits ASB fundraising and expenditures for competitions that have tiered, limited, or progressive participation criteria that result in a select few students being allowed to move forward and for which additional costs may be incurred, such as competition entrance fees.

A district should also review how it handles similar requests for any events in which only a few students are able to attend or compete. When such circumstances are allowed, The district or ASB should have a special trust account set aside to fund such requests. As outlined above, this type of expenditure falls into a questionable area, because only a few students benefit. A core principle of ASB (and especially of the general ASB) is to benefit a group of students, or as many students as possible. The funding of tiered, limited, or progressive performance criteria-driven activities may therefore be more suitably done by a school-connected organization such as a parent or booster group rather than by the general ASB. Alternatively, if the ASB has established a special trust account for such fundraisers and related expenses, and if

the expenditure has been properly preapproved in accordance with EC 48933(b), it could be allowable, subject to a district's board policies, administrative regulations, and practices.

Revenue Potentials for Individual Fundraiser Events

It is important for all student organizations, whether organized or unorganized, to have adequate internal controls over their fundraising events, evaluate the effectiveness of those events, and decide between often conflicting activity/fundraising requests. A revenue potential form (also known as a fundraiser versus actual report or a reconciliation after actual report) can help with this task and account for a fundraiser's financial activity. A revenue potential/projection/revenue reconciliation is an important internal control, and most external auditing firms will indicate audit findings if some form of a revenue projection/revenue reconciliation is not done for each fundraiser.

The revenue potential form serves as a sales plan that includes expected sales levels, sale prices per unit, expected costs, and net income; thus, it assists with planning and budgeting. All costs associated with a fundraiser, including how the proceeds will be used, should be included on the form. Because EC 48932 requires that the governing board approve fundraising events, this same revenue potential form can also be compiled and submitted to the board or board designee for approval, used to ensure that the principal/school administrator is informed and approves of all fundraising at the school, and used to keep the bookkeeper informed about when they can expect to receive funds.

Each fundraiser needs to operate within a budget. A revenue potential form can serve as a fundraiser's budget document, and multiple revenue potential forms can be compiled to help with preparing the ASB or club annual budget. Without a budget, it is easy to overspend and find that all the students' hard work of raising funds was to no avail because more funds were spent than raised. To complete the form, revenue and expenses will need to be estimated and then compared to ensure that in most cases total revenues are higher than total expenses. If they are not, then expenses will need to be decreased, or revenue will need to be increased. Some activities may be held even if they do not make a profit because they are found to be worthwhile, but funds will have to be raised elsewhere to cover the loss.

A sample Revenue Potential form is provided at the end of this chapter.

Parameters for Fundraising Events

Fundraising events should contribute to the educational experience and should not conflict with the school's educational program. Students should participate and make contributions to fundraising events voluntarily. They cannot be required to participate in fundraising events and cannot be excluded from an activity funded by ASB funds because they did not participate in raising funds. In addition, fundraising proceeds cannot be attributed to specific students based on what they raised. The funds are raised to benefit the entire club or student group, not individual students.

As a good practice, parameters for fundraising events, such as the need for written permission from guardians or parents for their students to participate in fundraising activities, should be addressed in board policy.

Unapproved/Disapproved Fundraisers

All fundraisers, both on and off campus, must be preapproved by the governing board or the board's designee. This should occur using a fundraiser approval form. The responsibility for properly administering and overseeing student fundraising activities resides with school administrators responsible for establishing a proper internal control structure, training ASB and club advisors and students, and ensuring student funds and activities are safeguarded.

If an unapproved fundraiser occurs, the best practice is to accept and deposit the funds into the applicable club's account and counsel those responsible to prevent a repeat occurrence. This is assuming the fundraiser was not illegal or otherwise in violation of district policy, and that the club or ASB does not have a pattern of holding unapproved or disapproved fundraisers. In those instances where these unusual criteria apply, the district's business office should be consulted to determine how the funds should be handled. Ideally, the proper handling of these unusual circumstances should be proactively outlined in district board policy and administrative regulations.

Although a fundraiser may be unapproved or disapproved, the students of the club should not be penalized for their fundraising efforts. Rather, the club advisor is primarily responsible for not following district policies and procedures, and Education Code requirements, provided the club advisor was aware the fundraiser was proceeding without approval. Because the fundraiser should not have occurred, the superintendent should be notified, and an administrative decision should be made about how best to proceed. The reasons for the original disapproval or nonapproval should be considered carefully, including whether student safety, district liability or other concerns were the main reasons for the nonapproval or disapproval. A principal/school administrator should not pass up the opportunity to turn a negative or noncompliant event into a teaching and learning opportunity for all involved.

Fundraising – Internal Controls

When a fundraiser occurs without prior approval, it indicates that district and school procedures must be strengthened in this area. Among other concerns, fundraiser proceeds have a higher potential for not being fully accounted for when the fundraiser has not been approved beforehand. Accordingly, such an internal control weakness should be remedied immediately. Training and reminders of procedures and protocol in this area must occur annually for all ASB clubs and advisors. Club advisors and any other responsible employees must be accountable for understanding and following all ASB provisions in both the Education Code and local board policy. Violations of these provisions should be formally addressed by school leadership and may be identified as findings by the district's external auditors in the annual audit report.

Scheduling Fundraisers

Effective scheduling of fundraising events requires review and coordination by the student council, ASB advisor and school administrator. As a result, obtaining prior approval for a fundraiser is essential. Clubs should also know what fundraising events are already scheduled before requesting additional fundraisers; this helps avoid any conflicts in timing or types of fundraisers and helps maximize the proceeds of each fundraiser. The principal/school administrator should maintain a master school calendar that includes all activities and events.

Extra Credit for Fundraiser Participation

Regular curricular and classroom activities should not require participation in any fundraising, including for extra credit. Both the general ASB and club activities are separate from the regular school curriculum. Offering extra credit for fundraising is inequitable to students who may be unable to fundraise for a variety of reasons, and fundraising participation cannot be a prerequisite for inclusion in any activity.

Shared or Joint Fundraisers

Shared or joint fundraisers, one club fundraising on behalf of another club, two clubs fundraising together, or the general ASB/student council fundraising on behalf of other clubs, is generally allowed provided the typical approvals are obtained from the student representative, advisor, and principal/administrator. Before a shared or joint fundraiser is held, the fundraiser should be discussed with the district's business office to determine whether there are any special provisions in board policy or administrative regulations that allow this practice. If there are no existing district policies, the student council or club constitution and bylaws should be updated to allow approval of one club fundraising on behalf of, or with, another club if it is in the club's interest.

Any time a joint fundraiser is allowed, a written agreement should be developed between participating clubs that describes how funds will be allocated, any participation requirements, cost considerations, and other conditions. Both clubs should specify their intent and the terms of the joint agreement in their respective meeting minutes and fundraiser approval and revenue potential forms.

Student Council Fundraising for Other Clubs

Although shared fundraisers may be allowed, allowing the general ASB/student council to fundraise for an individual club may establish an unintended precedent. If the student council chooses to fundraise for other clubs, it should establish in the ASB constitution or bylaws the criteria that determine whether fundraising assistance will be provided.

If the student council intends to help another club fundraise, funds from the general ASB that were raised for other purposes should not be diverted to help a club. Separate fundraising should occur to ensure that specific fundraising assistance for another club's benefit is not commingled with other general ASB activities. Because general ASB/student council typically fundraises for larger or schoolwide activities, if the student council intends to help individual clubs with general ASB funds, this help should be identified in the general ASB budget for club assistance.

Door-to-Door Sales

The California Code of Regulations, Title 8, section 11706, allows minors under age 16 to engage in door-to-door sales of newspaper or magazine subscriptions, or of candy, cookies, flowers or other merchandise or commodities, only under the following conditions:

1. The minors must work in pairs, as a team, on the same or opposite side of the street.
2. The minors must be supervised by an adult, with one adult for every crew of ten or fewer minors.

3. The minors must be within the sight or sound of their adult supervisor at least once every 15 minutes.
4. The minors must be returned to their respective homes or meeting places after each day's work.

Unreturned Cash Sales or Unreturned Items

Districts should have rules regarding how to obtain unsold items from a student fundraiser (e.g., when the students either did not turn in the money from a fundraising event or did not return the unsold items). The first step is to create board policies or administrative regulations that define the procedures and rules governing unsold items. Next, the ASB should include in the documents given to students and their parents at the beginning of the fundraiser a statement indicating that they are responsible for returning unsold items and all cash collected from items sold, and describing the authorized steps that will be taken in case of unreturned items. Then, the parents should sign a board-approved form that indicates their acknowledgment that they are responsible for unreturned items and any missing cash that is attributable to the sales. The district office and the schools' ASBs need to have policies and rules for unsold items that are consistent with one another.

For example, if the fundraiser is a lanyard sale and a student is issued ten lanyards to sell at two dollars per lanyard, the total sales dollars expected is $20 ($2 x 10 lanyards).

- If the student sells five lanyards, they should return $10 in sales ($2 x 5 lanyards) plus the five unsold lanyards. If the five unsold lanyards are not returned, the student/parent is responsible for paying the additional $10 in unsold lanyards, or for returning the unsold lanyards.
- If the student sells five lanyards, returns five lanyards, but only returns $6 ($2 x 3 lanyards), then the student/parent is responsible for paying the missing $4 ($2 x 2 lanyards).

Frequency and Scheduling of Fundraising Events

The governing board and the principal/school administrator need to consider how many fundraising events the students should hold during the school year. This is a local decision. For example, a principal/school administrator at an elementary school expressed concern that their predecessor had been holding one fundraising event each month. They felt that this level of fundraising was detracting from the educational program at the school.

For organized ASBs, scheduling fundraising events requires review, management, and coordination by the student council, ASB advisor, and principal/school administrator. Clubs on campus need to know which fundraising events are already scheduled before requesting permission to conduct another fundraiser so they do not conflict in timing or type. Only so many magazines, candy bars, tickets and other such items can be sold in a community during a single month. Many districts publish an event schedule that lists all ASB fundraisers for the year at each school that can be reviewed before scheduling any additional events. The district's business office will often maintain the event schedule because they frequently receive the paperwork submitted for board approval of the fundraiser.

Typically Allowed Fundraising Events and Revenues

All fundraisers or revenue-generating activities should be documented for approval using a fundraiser approval form and revenue potential form. In most school districts, the following types of fundraising events (or revenues) are generally considered allowable for ASB accounts:

- Athletic events.
- Concession sales outside the school day.
- Entertainment.
- Advertising.
- Publications.
- Student stores.
- Cultural events/international fairs.
- Limited food and beverage sales.
- Vending machines.
- Car washes.
- Book fairs.
- Dances.
- Merchandise sales.
- Scholarships and trusts.
- Gifts and grants.
- Interest earned.
- Sale of surplus items.
- Donation drives.
- Silent auctions.

Some of these fundraisers are explained further below. Suggestions and tips for good business practices are included along with potential pitfalls to avoid. The intent is to be certain that reasonable safeguards and internal controls have been built into the event to ensure that the students will benefit from the activity.

Good business practices suggest that the principal/school administrator or designee review and approve in advance any materials, performances and publications that will be part of the fundraiser. Legal questions should be referred to the district's legal counsel.

Athletic Events (usually organized ASB): A school may use any school-sponsored athletic event as a source of revenue if the event is in compliance with league agreements. A fundraiser approval form and revenue potential form should be used to document all aspects of the fundraiser. Income can come from various sources such as ticket sales, sales of programs, and concessions. This does not mean the ASB will always be the recipient of revenues from all

aspects of athletic events. The governing board decides which club, school-connected organization or district account will receive the several types of revenue.

One frequent problem with athletic events is that the funds are deposited into an ASB bank account, but a coach wants full control over the funds. ASB funds must benefit students, and although athletic events are an allowable ASB activity/expenditure, students must control how the funds are spent, with coapproval by authorized adults. If it is an ASB activity, an official student club (i.e., one that has a constitution, budget, certificated club advisor, and official meetings and minutes) must sponsor the event and control the funds.

The coach can be the club advisor if they are certificated and if the principal/school administrator agrees to it. If the coach is not certificated, they may help with club activities, but the official advisor of the athletic club is the credentialed teacher. If the event is non-ASB and sponsored by the district, an athletic booster club, or other parent group, the decisions can be made by the adults or the coach(es), but the funds must be deposited into a separate account, (i.e., district, booster club or parent club nondistrict account), not the ASB account.

Concession Sales (usually organized ASB): Concession sales at student body activities such as athletic events or dances are another popular way for the ASB to raise funds. A fundraiser approval form and revenue potential form should be used to document all aspects of the fundraiser. The students may operate the concession stands themselves, or they may enter into an agreement with an outside entity to run the stand (e.g., booster club, foundation, auxiliary organization, other parent-teacher organization, or commercial vendor). If an outside entity operates the concession stand, the school will often contract with the entity to split the profits based on an agreed-upon formula. If the concession sales are after the school day, the numerous laws regarding quantity sold and nutritional requirements may not be applicable. However, if the event is during the school day, these nutritional regulations must be followed. Any time food is a consideration for a school activity, the district's food service director, or equivalent employee, should be consulted.

Entertainment: Entertainment includes concerts, dances, variety shows, and other events where an admission fee is charged. A fundraiser approval form and revenue potential form should be used to document all aspects of the fundraiser. The principal/school administrator or designee should approve the content of any entertainment event in advance by approving the fundraiser approval form and ensuring that the admission charge is a fixed amount that permits the maximum number of students to attend.

Advertising: The ASB organization may sell space in a school newspaper, yearbook, athletic or entertainment program, athletic field billboard, or other school publication, unless the district has policy stating otherwise. A fundraiser approval form and revenue potential form should be used to document all aspects of the fundraiser. The principal/school administrator or designee should approve the content of advertising to ensure that it is suitable for a student publication or event. Contracts should be entered into only after district business office review and approval, and an invoicing system should be developed so that all applicable revenue is collected.

Publications: The ASB organization may sell publications such as yearbooks, literary magazines, and school newspapers. A fundraiser approval form and revenue potential form

should be used to document all aspects of the fundraiser. The principal/school administrator or designee should review the content of all school publications before the publication date. These publications may be sold to students and the general public. The ASB organization may want to establish a price for students that is lower than the price charged to the general public. The goal should be to ensure that the maximum number of students can purchase them.

Student Stores: Student stores are often set up at secondary schools to sell items that students need each day or to sell items that have the school logo on them such as hats, shirts, hoodies, and backpacks. Student store sales are a fundraiser. Food may also be sold, subject to the approval of the district's food service program and compliance with all applicable laws and board policies. Chapter 11 discusses student stores. A fundraiser approval form and revenue potential form should be used to document all aspects of the fundraiser.

Cultural Events/International Fairs: These events usually include food and beverages and must comply with various state laws and local district policies regarding which food and beverage items can be offered and how often such sales can occur. A fundraiser approval form and revenue potential form should be used to document all aspects of the fundraiser. In general, all student clubs are allowed to participate in schoolwide events where they can raise money and showcase club goals. Rules for selling food and beverage items are in Chapter 3.

Limited Food Sales: The sale of food and beverage items is becoming increasingly complicated and limited because of state laws regulating food and beverage sales in grades TK-12. Legal issues regarding food and beverage sales are covered in Chapter 3. When food sales are allowed, a fundraiser approval form and revenue potential form should be used to document all aspects of the fundraiser.

Vending Machines: The sale of food and beverage items is becoming increasingly limited, and profits are declining, even with vending machines. Legal issues regarding food and beverage sales are covered in Chapter 3. When vending machine sales are allowed, a fundraiser approval form and revenue potential form should be used to document all aspects of the fundraiser. Consideration must be given to contracts and inventory control; this topic is discussed further in Chapter 10.

Scholarships and Trusts: Outside donors often give schools funds to establish a scholarship. The student council may accept scholarships and trusts with the approval of the governing board or authorized designee. The acceptance should be made in writing, with all conditions the donor is requesting clearly described. A separate account should be established within the student organization's accounting system, and the requirements of the scholarship should be documented and retained at the school. A statement should also be included regarding the disposition of any remaining balance at the close of the period for which the fund is established. FCMAT recommends that the remaining balance not be given back to the donor because the donor probably received a tax deduction for the scholarship donation; rather, the remaining balance should be moved to a different ASB account or used for an additional scholarship, depending on what the disposition statement indicates is to be done.

Included at the end of Chapter 12 is a scholarship fund information sheet to be filled out when a scholarship or memorial is started so that future actions are clearly understood by all. Chapter 12 also contains more information about scholarships.

Gifts and Grants: The student body organization can accept money, material or equipment with the approval of the governing board or designee. The items received must have a legitimate use in the school program, with consideration given to installation and maintenance costs before they are accepted. This topic is discussed further in Chapter 12.

Interest Earned: Interest may be earned in checking accounts, savings accounts and other investments that meet legal requirements per the Education Code. Interest earned may be prorated to the various student activity accounts or credited as revenue to the general student body account. Checking account balances should also be reviewed to determine whether excess funds should be invested in accounts that earn higher interest. Because the ASB funds should be spent by the students raising the money, saving funds to earn interest is not an ASB priority.

Sale or Disposal of Property and Surplus Items: Sometimes an ASB club may want to sell items it purchased in the past that are no longer useful, or it may want to sell an item below cost or give away an item that it purchased to sell at a profit but has been unable to sell. This may be considered a fundraiser, so a fundraiser approval form and revenue potential form should be used to document all aspects of this activity.

Education Codes 17545 through 17547 state that the governing board of any school district may sell any personal property belonging to the district if the property is no longer required for school purposes, or if it will be disposed of because a replacement will be purchased, or if it is unsatisfactory or no longer suitable for school use. A sale cannot occur until public notice has been given unless the value does not exceed $2,500. When sold, the board shall sell the property to the highest responsible bidder or shall reject all bids.

Governing boards may choose to sell personal property by means of a public auction conducted by employees of the district or other public agencies, or by contracting with a private auction firm.

Because of the specifics of the Education Code and how sales shall occur, the ASB will need to work with the district's business or purchasing office to ensure that the correct steps are followed. A district's business office staff usually have experience in drafting such items for placement on the board's agenda. The fundraiser cannot occur until all of the correct steps are followed.

Disposal of any property or equipment belonging to the ASB is typically done at the discretion of the ASB, subject to local board policies or administrative regulations regarding surplus equipment. This includes scrap/obsolete inventory or supplies such as clothing or costumes belonging to the ASB..

Disposal of Equipment/Inventory Without ASB Approval

If a school disposes of equipment or inventory that belongs to the students without the students' consent, the students may choose to seek reimbursement from the school. However, the circumstances for this are unique to each occurrence. Some of the considerations may include the following:

- If the items belonged to an unorganized ASB, the students may have no recourse because the school administrator typically makes decisions on behalf of the ASB.

Only if the items belonged to an organized ASB, where the students are the primary decision makers, would the students have potential recourse.

- Were there any health, safety or liability considerations that necessitated the disposal of the items?
- Were there storage limitations that may have required disposal?
- Did the school communicate to the students the need to dispose of the items before the disposal occurred, and did the students document the communication in their minutes?
- Can the fair value of the items be reasonably determined, aside from any sentimental value?
- Does the district have an established process for handling or disposing of surplus equipment? In other words, does the district have board policies and/or administrative regulations that address the disposal of equipment or the storage and handling of items owned by the students or ASB?
- Do the ASB or club constitution and bylaws provide any guidance on this issue?
- Is the property a part of the assets on the ASB's balance sheet?

Fundraisers That May Not be Allowed

The following are some of the types of fundraising events that governing board members and designees shall not or should not authorize. These items need to be explained and discussed at the local level if ASB groups wish to consider them.

Shall Not Allow — Raffles or Games of Chance

In California, qualified charities and certain other private nonprofit organizations may conduct raffles to raise funds for beneficial or charitable purposes. However, school entities, including student clubs, are not authorized to participate in raffles because they are not nonprofit organizations exempt from state tax as defined in the Franchise Tax Code. Rather, school entities are exempt from tax because they are government entities as described in Title 26, Internal Revenue Code, United States Code, Chapter 1, Section 170: "Charitable, etc., contributions and gifts" (21 USC 170). The term charitable contribution is defined in 21 USC 170(c).

It is possible for a private, nondistrict, non-ASB nonprofit group (i.e., a school-connected organization such as a booster club, foundation, auxiliary organization, or other parent-teacher organization) to conduct raffles as long as the following criteria are met:

- The organization is an IRS-approved tax-exempt nonprofit organization with an approved tax identification number pursuant to Revenue and Taxation Code 23701(d) and has obtained California Franchise Tax Board (FTB) exempt status. IRS approval is not required; however, if the organization has been approved as a charitable organization as evidenced by an IRS determination letter, the process to obtain California exempt status is simplified. If it does not have IRS recognition, the organization must have an FTB entity status letter stating it is tax exempt.
- The organization must have been licensed to conduct business in California for at least one year before holding the raffle.

- The organization must register with the California attorney general's Registry of Charitable Trusts before conducting the raffle and ensure that written confirmation of the annual registration is received before holding the initial raffle. The registration period is September 1 to August 31. The written confirmation is a Registry of Charitable Trusts confirmation letter.
- These nonprofit groups must register every 12 months and for any given raffle.
- The raffle tickets and stubs must be prenumbered.
- Only adults of the charity or nonprofit may supervise drawings. Minors, which includes most students, may not participate in buying, selling, or drawing ticket winners.
- The raffle or drawing may not be conducted over the internet.
- The raffle funds cannot be used to fund any beneficial, charitable, or other purpose outside of California.
- The organization must ensure that it uses at least 90% of the gross receipts (total amount before deduction of expenses) from the sale of raffle tickets for charitable or beneficial purposes of the organization conducting the raffle or for the benefit of another eligible organization.
- The group must also submit a Nonprofit Raffle Report for all raffles conducted during the reporting year (September 1 through August 31) by October 1; for the following year, the report must include gross receipts, expenses, net profit, and the charitable purpose for which they used the money.
- Raffles conducted during the reporting period may be aggregated; raffles are not required to be reported individually.
- Penal Code 320.5 governs which organizations qualify and how the raffles must be conducted.
- For more detailed and current information about raffles, the State of California's Office of the Attorney General provides extensive information about raffles.

What is a raffle? If a participant is required to purchase a ticket to have a chance to win a prize, the drawing is a raffle and is subject to the provisions of Penal Code 320.5 and related regulations.

May Not Allow — Opportunity Drawings

An Opportunity Drawing, also known as a Free Raffle, may be exempt from registration.

Penal Code 320.5, subdivision (m) states that a raffle is exempt from registration with the attorney general's office only if all of the following are true:

- It involves a general and indiscriminate distribution of the tickets.
- The tickets are offered with the same terms and conditions as the tickets for which a donation is given.
- It does not require any of the participants to pay for a chance to win.

Many school-connected organization groups print tickets with the words "suggested donation" on them and call it a drawing rather than a raffle. This does not make it legal unless the group

is prepared to give anyone who requests a ticket as many tickets as they want for free (no donation required). Even if a district attempts to distribute tickets in an indiscriminate manner, it is unlikely this could be accomplished successfully. Therefore, FCMAT recommends avoiding opportunity drawings.

Shall Not Allow — 50/50 Raffles

Are 50/50 raffles legal? The answer is no, because 90 percent of the gross ticket sale revenue is not used for charitable purposes; instead, 50% of ticket-sale revenue is awarded as the prize and 50% is retained by the organization conducting the raffle. Penal Code 320.5 is a criminal statute, so violations may be forwarded to the local district attorney, city attorney, or county counsel for investigation and possible prosecution. In addition, the state attorney general may take legal action, under the provisions of the nonprofit corporation law, for breach of fiduciary duty or waste of charitable assets. The organization's raffle registration may also be suspended or revoked. For more information, see section 419.2(a)(2) of the raffle regulations, which can be found on the Office of the Attorney General's website.

Shall Not Allow — Other Forms of Drawings

Any drawing in which a winner is selected is considered a raffle. This includes when tickets are given as prizes or as recognition for student accomplishments. This should be avoided. As an alternative, a robust awards policy to recognize student excellence should be developed.

While prizes won through a drawing are often illegal and may be considered a gift of public funds, a prize earned through recognition with pre-established criteria may be considered allowable when there are board policies or administrative regulations allowing this type of recognition.

Shall Not Allow — Trading Student Labor for Fundraising Donations

Some vendors and contractors may request that students provide labor in exchange for a donation to the club or ASB. Even if supervised by a club advisor, such an arrangement must be prohibited. Trading or exchanging student labor for fundraising is an area that can be illegal because of the many payroll and payroll tax issues that may arise. Payment for labor, even for a donation to the club or ASB, could result in payroll tax implications for both the vendor and student. In addition, students may lack the necessary insurance to perform the work, may be compensated at less than the required minimum wage, and the conditions may violate child labor laws, among other issues.

May Not Allow — Activities that Pose Liability, Safety or Risk Concerns

Some fundraisers may not be allowed because they pose risk or health and safety concerns, and the activity is listed as an exclusion in the district's insurance coverage. Examples include:

- Mechanical or animal rides.
- Traveling petting zoos.
- Use of darts, arrows, or other weapons.
- Objects thrown at people (e.g., pie toss).
- Use of water tanks into which a person is dunked.

- Destruction of cars or similar objects with hammers.
- Trampolines, mini-trampolines, or bounce houses.

When the governing board or district employees have concerns about potential fundraising events and questions about whether an activity will be covered by the district's insurance, they should contact the district's risk manager to determine if the district's insurance will cover any accidents that occur during the event. For example, if the senior class wanted to bring in a traveling carnival as a fundraising event, the district should consider all the potential liabilities such as:

- Will the district's insurance cover any damage to property caused by the carnival rides?
- What happens if someone is injured on a ride or becomes ill from eating food served at the event?

Insurance coverage should be determined when fundraising ideas are first discussed, not when a decision has already been made to hold the event. Some districts require the risk manager to sign off on all ASB fundraising events before formal approval to ensure that insurance coverage will not be an issue.

Should Not Allow — Rental of District-Owned Equipment or Facilities to Outside Groups

In most school districts, the equipment and facilities are considered the property of the district. The district's business office oversees the use of district equipment and property. If proceeds are collected for their use per the district's board policy regarding use of facilities, they are typically deposited into the district's general fund. The board policy should state who has the authority to rent district equipment or property and who has the authority to spend the rental fees collected. Most districts' facilities use policies describe the steps required to use district facilities and equipment. Any rental revenue collected is not considered ASB money because the students do not own the facilities and, for insurance and maintenance reasons, rarely retain ownership of equipment they purchase.

Should Not Allow — Collection of AP Testing Fees by or for ASB

If a district reviews all the allowable fee rules and requirements in Chapter 9 of this manual and determines that an Advanced Placement (AP) exam fee is allowable, FCMAT's opinion is that all such exam fees should be deposited into the district's accounts, from which the AP testing expenditures should also be paid. AP test costs and fees do not belong in the ASB accounts because these fees are not student fundraising activities. However, if the district determines that testing fees or other similar revenue, such as library fines, are intended to support the student body, those funds may be deposited in the ASB account. Once deposited, the funds become the property of ASB and their use is determined solely by the students.

Fundraising Revenue — Always Deposit In an ASB Account

ASB funds are public funds, no different than other money a school district receives. ASB funds should only be deposited into the ASB account and not into a personal or other non-ASB account. If funds are incorrectly deposited into a non-ASB account, the funds must subsequently be forwarded to the ASB account. All cash and other forms of payment should be provided directly to the ASB following collection if from an approved ASB fundraiser.

Fundraising Support from School Administration

Schools at all levels have had many successful fundraising events throughout the years. What is successful at one school may or may not be successful at another. Success is often the result of good planning and organization, support from school administrators and the district's business office, and communication and collaboration among all interested parties.

Board Guidance and Approval

Although everyone understands that the goal of fundraising activities is to raise money, it is more difficult to gain a full understanding of which fundraising activities are allowable and who should benefit from the proceeds. The governing board of a school district has the authority to authorize an ASB to conduct fundraising activities and the authority to approve fundraising events. The governing board or its designee should approve fundraising events annually, or the district should have board-approved policies and administrative regulations that delineate allowable and prohibited fundraising events. Approvals for fundraising activities should clearly identify not only the activity or event but also the beneficiary of the proceeds.

Procedures for Reporting Revenue Sources

Although the primary revenue source for student organizations is fundraising events, funds are also received from other sources. It is important for student organizations to recognize all the revenue sources and establish control procedures for each. The control procedures may vary depending on the revenue source and can include revenue from student stores, vending machines, and gifts and donations. These sources are all discussed in other chapters of this manual.

Each revenue source must be identified and included in the budget and in fundraiser approval and revenue potential forms of an individual club or the student council. This ensures that the student organization is aware of the revenue and therefore will include it in periodic budget reviews. In addition, each revenue source must be allocated for a specific use. Funds are always raised for a specific purpose, which should be documented in the fundraiser approval form. If fundraising will continue for more than one event, such as student store sales throughout the school year or other ongoing fundraisers over several months, one fundraiser approval form and one revenue potential form may be used annually to document the entire time frame of the fundraiser.

Nonstudent Group/School-Connected Organization Fundraising

Student body funds and the funds of nonstudent organizations/school-connected organizations (booster clubs, foundations, auxiliary organizations, and other parent-teacher organizations) should never be commingled. Student body funds are never to be used to front money for nonstudent body fundraising expenses, and vice-versa. Nonstudent organizations shall be responsible for the collection of their own money and tickets, their own bank account and audit, and other items.

Nonstudent organizations are not to solicit funds on behalf of a school or its students during the school day without prior approval by the school board or its designee for each individual fundraising event.

Unless board policy or practice states otherwise, students can help with nonstudent organization fundraisers, within appropriate limits. Even though students may be involved, it is important that donors understand this is a nonstudent fundraiser.

The state Legislature passed the disclosure law (Business and Professions Code 17510 to 17510.95) to safeguard the public against fraud, deceit, and unwelcome demands, and to foster and encourage fair solicitations for charitable purposes so that donors will know what portion of the money will be used for charitable purposes. This law requires volunteers older than 18 to give potential donors or buyers information, including the purpose of the solicitation and the address from which further information about revenues and administrative expenses may be obtained. Chapter 21 discusses further how school-connected organizations may operate within the school district.

ASB Accounts are not Pass-Through Accounts

Generally, ASB accounts are not and should not be used as pass-through or clearing accounts, unless there is a properly approved ASB purpose for which a clearing account may be necessary (e.g., donation or charity drive). More information about charity drives and clearing accounts is discussed in the section titled, "Clearing Accounts" in Chapter 13. Unfortunately, many schools use ASB accounts as clearing accounts, typically by making a deposit into ASB and then later journaling or writing a check for that amount out of ASB and moving it to another district account. Common examples of pass-throughs include AP exam testing fees, library fines, and snacks or coffee for teachers.

Money should only be deposited into ASB accounts if it is ASB funds (raised or donated to ASB) and will be used for allowable ASB purposes. Funds deposited into the ASB become the property of the ASB, are governed by students, and require preapprovals for all expenditures. To move any funds out of ASB, even if they were moved there in error, the expenditure approval process must be followed, regardless of the revenue source or purpose of the withdrawal. The preapproval process includes meeting minutes, the use of a purchase order, and all other steps that accompany any ASB expenditure.

ASB accounts are often found to contain funds that have been deposited for a principal's/school administrator's or teacher's discretionary account, or that were raised by a nonstudent fundraiser. An adult's name on an account clearly indicates that the funds have been raised or will be spent based on an adult's decision, not the students'. ASB funds are to benefit the students by providing items and activities that augment their educational experience, not to supplement an adult's budget or support an adult organization's activity.

Fundraising Websites

Online fundraising has become a popular option, and the number of fundraising websites continues to increase. For school district employees and ASBs, they have become a common way to raise funds for educational programs, even though there are often no district guidelines or controls related to their use. Increasingly, individual staff members and students are establishing their own accounts for specific classrooms, clubs, or programs without fully understanding the potential issues or implications.

Donations via online fundraising websites, such as GoFundMe, Snap Raise, and others, are individual campaigns and thus may be considered personal gifts and so are not taxed as

income to the recipient. Anyone can raise money online using these types of websites; users often raise money for themselves or for friends they want to help.

Nonprofit organizations may also use these websites, or they may be used to raise money for an individual's favorite charity, but only if those donations are made to a campaign certified as a charitable tax-exempt organization by the online fundraising website. Otherwise, the donations may not be eligible to be claimed as a tax deduction by the donor.

If an ASB is considering using a fundraising website, it should be aware that some online fundraising entities deduct a fee from each donation they receive. In contrast, a donation directly to the ASB or school for programs or expenditures does not incur a fee and thus the amount the school receives is larger. If donation websites are used, donors need to understand that an amount less than their full donation may be given to the program or club because a fee may be deducted first.

Districts should establish guidelines and policies that prohibit employees from starting their own campaigns to raise funds using 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. When a district allows the use of online fundraising, detailed policies, procedures, and administrative regulations should be established that include all necessary steps to monitor and safeguard those funds. Alternatively, if a district chooses not to allow online fundraising, it is equally important that such a prohibition be described in board policy.

Request for Approval: Fundraising Event

Name of School: _____

Name of Club: _____

Request for Fundraiser Approval

Fiscal Year: _____

Note: To be approved, applications must be submitted at least four (4) weeks before the fundraiser.

Applications must be approved by principal/school administrator before the activity/fundraiser.

Date this form is completed: _____

Proposed event: _____

Description of fundraiser: _____

Requesting Club/Organization(s): _____

Proposed Date(s) of Event: _____

Club Contact Person: _____

ASB or Club Advisor: _____

Location of Proposed Activity: _____

Status of Event (circle one): New Event Held Previously (Years): _____

Budget Plan for Activity (Attach Description)

Revenue Potential form completed? ❑ Yes ❑ No (attached form if completed)

Other Background Information (such as other schools or clubs that have held similar events):

Approval

Submitted and Approved by:

Student Club Representative: _____
Signature, Title and Date

Club Advisor: _____
Signature, Title and Date

Student Council Recommendation ❑ Yes ❑ No

Student Council Representative: _____
Signature, Title and Date

Principal/School Administrator or Designee Recommendation: ❑ Yes ❑ No

Approved by:

Principal/School Administrator: _____
Signature, Title and Date

ASB Student Council President: _____
Signature, Title and Date

Recorded in ASB Student Council Minutes on: _____
Date

Presented to District Office, if applicable, on: _____
Date

Reason for disapproval, if applicable: _____

Request for Approval: Fundraising Event with Revenue Projection Information

Name of School:_____

Name of Club: _____

Request for Fundraiser Approval and Revenue Projection

Fiscal Year: _____

Note: To be approved, applications must be submitted at least four (4) weeks before the fundraiser.

Applications must be approved by principal/school administrator before the activity/ fundraiser.

Date form submitted:_____

PROPOSED ACTIVITY:

Name of Activity or Type of Fundraiser: _____

Location of Activity: _____

Facilities Needed: _____

Items to be Sold:_____

Date of Activity: _____

First Choice:_____Alternate Date: _____

Time of Activity: From _____ a.m. /p.m. To: _____a.m. /p.m.

Ticket Selling Price: $ _____

Cash Box/Tickets Required? ❑ Yes ❑ No

Number of Items Purchased for Sale: _____ @ $ _____ each = $ _____

ASB Purchase Order Required? ❑ Yes ❑ No

Amount of Income Anticipated? $ _____ Amount of Expenses Anticipated? $ _____

How will profit be used? _____

Note: Revenue analysis (fundraiser versus actual statement) is due two weeks after the activity/fundraiser.

Approval

Submitted and Approved by:

Student Club Representative: _____
Signature, Title and Date

Club Advisor: _____
Signature, Title and Date

Student Council Recommendation: ❑ Yes ❑ No

Student Council Representative: _____
Signature, Title and Date

Principal/School Administrator or Designee Recommendation: ❑ Yes ❑ No

Approved by:

Principal/School Administrator: _____
Signature, Title and Date

ASB Student Council President: _____
Signature, Title and Date

Recorded in ASB Student Council Minutes on: _____
Date

Presented to District Office, if applicable, on: _____
Date

Reason for disapproval, if applicable: _____

Date approved for/recorded on master calendar (If applicable): _____

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)	**$**	**$**	**$**
OTHER: (C)			
Items Donated or Given as Prizes – Quantity x Cost	$	$	$
TOTAL PROFIT (A-B-C)	**$**	**$**	**$**

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

Student Body Fundraising Schedule – Report to Governing Board and/or Designee

Name of School:_____

Name of Club: _____

Student Body Fundraising Schedule

Fiscal Year: _____

Date Form Completed: _____

Event	Sponsoring Club	New Event	One-Time Event	Ongoing Event	Date of Event	Club Advisor	Estimated Gross Revenue	Actual Net Revenue

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

Fundraising Event Profit/Revenue Projection

Name of School: _____

Name of Club: _____

Fundraising Event Profit

Fiscal Year: _____

Name of Event: _____

Date of Event: _____

Date Form Completed: _____

Part I: Revenue	**Estimated Sales**			**Actual Sales**			**Difference**	
Revenues	Number	Unit Price	Total (# x price)	Number	Unit Price	Total (# x price)	Units	Dollars
Number of tickets sold								
Number of items sold								
Other Revenues								
Advertising								
(describe)								
(describe)								
Total All Revenue								
Shortages								
Given away (attach documentation)								
Lost (attach documentation)								
Stolen (attach documentation)								
Damaged/Returned								
Remaining Unsold								
Total all losses								
Total Revenue (Revenue - Shortages)								

Part II: Expenses	**Estimated Cost of Sales**			**Actual Cost of Sales**			**Difference**	
Expenses	**Number**	**Unit Price**	**Total (# x price)**	**Number**	**Unit Price**	**Total (# x price)**	**Units**	**Dollars**
Cost of Items Sold								
Other Expenses								
Supplies								
Advertising								
Custodial Overtime								
Fees								
(describe)								
(describe)								
Total Expenses								

Part III: Net Profit for this Activity _____

Net profit is the difference between total revenues and total expenses.

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

Revenue Projection

Name of School: _____

Name of Club: _____

Revenue Projection

Fiscal Year: _____

Name of Event: _____

Date of Event: _____

Date Form Submitted: _____

SALES PROJECTION AND SUMMARY		Item #1	Item #2	Item #3	Item #4
	Pre-Event Information				
1	Description of items sold				
2	Number of individual units received				
3	Less items given away (attach documentation)				
4	Less items lost/stolen (attach documentation)				
5	Potential items for sale (line 2-3-4)				
6	Sale price per individual item	$	$	$	$
7	Total revenue potential (line 5 x 6)	$	$	$	$
	Post-Event Information				
8	Unsold items on hand (attach count)				
9	Calculated potential revenue from unsold items on hand and the sales price (line 8 x line 6)	$	$	$	$
10	Actual proceeds from sales (see below)	$	$	$	$
11	Cash shortage or overage	$	$	$	$

	Proceeds From Sales	Item #1	Item #2	Item #3	Item #4	Total $
1	Gross cash count	$	$	$	$	$
2	Less change fund	$	$	$	$	$
3	Proceeds from sales (line 1-2)	$	$	$	$	$

Explanation of differences in cash counts/proceeds: _____

Explanation of differences in projected sales:_____

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

Distribution:

Pre-event – Copy of form, with header and pre-event information completed, attached to activity request form.

Post-event – Original submitted to ASB bookkeeper; copy retained by club advisor.

Chapter 9 – Student Fees, Deposits, Refunds, and Other Charges

There is considerable confusion regarding fees, deposits, and other charges, and how they relate to TK-12 education. Including this topic in the ASB manual, however, does not imply that the legally permitted fees, deposit, and other charges should be deposited into ASB accounts or belong to ASB. Most of the allowable fees belong to the school district and should be deposited accordingly. This chapter is intended to discuss what is allowable, regardless of where the money should be deposited.

Local educational agencies have limited options when charging student fees, and legal guidelines are in place regarding items for which fees can be charged. Before assessing or charging a fee or deposit of any kind, a local educational agency (LEA) must ensure that it is legal. Because the Education Code may be updated, code numbering may change, or be replaced or removed. Whenever a fee is being considered, the district's legal counsel should be consulted for an opinion about the fee's allowability.

Fees — Legal Challenges

There have been various lawsuits and challenges in this area because of the considerable number of reports from parents that schools were charging students illegal fees. The most publicized of these lawsuits resulted from a statewide investigation by the American Civil Liberties Union (ACLU), which found that more than 50 school districts listed illegal fees on their websites. After the ACLU lawsuit, various laws were passed including AB 1575 (Stats. 2012, c. 776), and the California Department of Education (CDE) updated its Fiscal Management Advisory (FMA) 12-01 with FMA 12-02 in April 2013. Since then, the CDE has provided regular updates to reflect the most recent legislation. The CDE's latest guidance, and the most recent court interpretations, can be found at cde.ca.gov/re/lr/fm/.

Free Public School System

The California constitution provides for a free public school system. Since 1874, the California Supreme Court has interpreted this to mean that students are to be educated at the public's expense (*Ward v. Flood*, 48 Cal. 36, 51 (1874)). Any fees charged for educational activities would clearly be in violation of this free school system guarantee, including fees for textbooks, materials, or supplies. Title 5, California Code of Regulations, section 350, states:

> A pupil enrolled in a school shall not be required to pay any fee, deposit, or other charge not specifically authorized by law.

This understanding is based on Article IX, Section 5 of the California Constitution, which provides for a free public school system, stating the following:

> The Legislature shall provide for a system of common schools by which a free school shall be kept up and supported in each district at least six months in every year, after the first year in which a school has been established.

To Table of Contents >>>

Fees for Participation in an Educational Activity or Class

The Education Code, as amended by Assembly Bill (AB) 1575 in 2012, states that a student enrolled in a public school shall not be required to pay a fee for participation in an educational activity (EC 49011(a)). An educational activity is defined as an activity offered by a school, school district, charter school or county office of education that constitutes an integral, fundamental part of elementary or secondary education, including, but not limited to, curricular and extracurricular activities (EC 49010(a)).

The attorney general's office has also made it clear in many of its opinions that public educational agencies cannot levy fees as a condition of participation in any class, whether the class is elective or compulsory. Prohibited fees include security deposits for locks, lockers, books, class apparatus, musical instruments, uniforms, or other equipment. In its decision in *Hartzell v. Connell*, (35 Cal. 3d 899, 910-911 (1984)), the California Supreme Court stated that students may not be charged fees for participation in either curricular or extracurricular activities. Whenever a curriculum or extracurricular program is adopted, all supplies, both necessary and supplemental, must be provided free of charge by the district because these activities are an integral component of public education. Based on a footnote in the Hartzell case, it is permissible to charge fees for school- or district-sponsored activities that are purely recreational rather than educational and at which attendance is optional, such as an after-school dance or watching a weekend athletic event.

A pupil fee is a fee, deposit or charge imposed on pupils, or a pupil's parents or guardians. Examples of unlawful fees are included later in this chapter. Fee waivers do not make unlawful fees permissible (e.g., waiving a fee for students who are eligible for free or reduced-price meals). School districts and schools cannot establish a two-tiered educational system by requiring a minimum educational standard and then telling students and parents that there is also a second, higher educational standard that pupils can obtain or strive for if they pay a fee or purchase additional supplies that the school district or school does not provide. For example, it is not permissible for a class to have a project that students will be graded on but also offer an additional project that can be done if fees are paid for the materials and/or supplies for it. All students in the class must have the same opportunity to participate in all of the projects and receive all applicable materials for free. Money cannot determine who gets to do what projects.

A district or school shall not offer course credit or privileges related to an educational activity in exchange for money or donations of goods or services from a pupil or a pupil's parents or guardians. In addition, a school district or school shall not remove course credit or privileges related to educational activities, or otherwise discriminate against a pupil, because the pupil's parents or guardians did not or will not provide money or donations of goods or services to the district or school (EC 49011(b)).

Requesting Donations

Schools can always ask for voluntary donations of funds or property, and voluntary participation in fundraising activities, as long as a student's ability to participate in a school activity, either curricular or extracurricular, is in no way determined based on whether a donation was made (EC 49011(c)). When asking for donations or fees, schools and districts should consider working with the district's legal counsel to ensure compliance with these important laws. Many

schools send out donation requests with wording that indicates the donation is required rather than voluntary; this is the same as a fee and should not occur.

Allowable Fees

The prohibition of pupil fees does not include fees, deposits or other charges that have been otherwise allowed by law (EC 49011(e)). The Legislature has passed numerous laws allowing certain fees, and these are included in the Education Code, which means that they are not forbidden by the California Code of Regulations Title 5 prohibition discussed above. Thus, schools are allowed, but not required, to charge the fees listed below. Although these allowable fees are discussed in this manual, it does not mean that they should be deposited into ASB accounts. Very few fees should be deposited into ASB accounts; rather, they are usually district revenues. When reviewing fees that have been deposited into ASB accounts, it is common to find that the fees collected were not legal, or that they were improperly deposited into an ASB account rather than a district account.

The following fees may be levied as authorized in the Education Codes cited:

- Fees for transportation to and from school if the district provides this for its students. These statutorily authorized fees are allowable and do not violate the constitutional free school guarantee (Education Code (EC) 39807.5(b), (d), and (e)).
  - These fees can also be charged for transportation between school and regional occupational centers, programs, or classes.
  - If students are required to ride a bus for extracurricular activities, then fees cannot be charged. But if riding the school bus to an event is optional and students are also allowed to use other means of transportation, then a fee can be imposed.
  - By law, school districts must exempt from transportation fees students of parents and guardians who are indigent as set forth in rules and regulations adopted by the board. There must also be a waiver provision based on financial need.
  - Fees may not be charged for students with disabilities whose special education individualized education program (IEP) includes transportation as a related service necessary for them to receive a free appropriate public education.
  - The fee cannot exceed the statewide average nonsubsidized cost per pupil.
  - The fees cannot be charged to unduplicated pupils as defined in EC 42238.02(b).
- Fees for transportation of pupils to and from their places of summer employment in connection with any summer employment program for youth (EC 39837).
- Charges for food served to pupils, subject to free and reduced-price meal program eligibility and other restrictions specified in law (EC 38082 and 38084).
- Fees for adults for any classes except (1) classes in English and citizenship or elementary subjects and (2) classes for which high school credit is granted when taken by a person not holding a high school diploma. Nonimmigrant foreign nationals enrolled in an English class, citizenship class, or an elementary subject shall be charged a fee not to exceed the actual cost of instruction. (EC 52613(a) and 52612(a).

    - In adult classes, fees may be charged for materials and textbooks, or a refundable deposit may be required for loaned books (EC 60410).
    - Fees may be charged for all or part of the cost of transportation for adult students (EC 39801.5).
- Class materials necessary for enrolled students in adult classes to make articles. The materials shall be sold at no less than the cost to the district. Any article made is then the property of the person who made it (EC 17552).
- A high school district can impose charges for textbooks used in adult classes, or a refundable deposit can be imposed on loaned books (EC 60410).
- Deposits for school band instruments, music, uniforms, and other items for use on an excursion to a foreign country (EC 38120).
- Payment for the replacement cost of any real or personal property belonging to a district (such as books or supplies) loaned to a pupil that the pupil fails to return or that are willfully cut, defaced, or otherwise damaged, up to an amount not to exceed $10,000, which is adjusted annually for inflation (EC 19911 and 48904).
    - When the minor and parent are unable to pay for the damages or to return the property, the school district or private school shall provide a program of voluntary work for the minor in lieu of payment of monetary damages.
        - The State Superintendent of Public Instruction (SPI) is required to adjust the original $10,000 liability limit annually for inflation.
- Tuition fees charged to students whose parents are actual and legal residents of an adjacent foreign country or an adjacent state. These students may be admitted to a school but shall be required to reimburse the district for the cost of their education (EC 48050, 48051 and 48052).
- Tuition fees may be collected from foreign students attending a district school under an F-1 visa, equal to the full unsubsidized per-capita cost of providing education during the period of attendance (8 United States Code (USC) Section 1184(m)(1)).
- Reimbursement for the direct cost of materials provided to a student for property the student has fabricated from such materials to take home for their own possession and use, provided that the reimbursement or fee does not exceed the direct cost of the materials used and provided that the school district's governing board has authorized such sales pursuant to an adopted board policy. This applies to classes such as wood shop, art, or sewing when an item is kept by the pupil, but not when the item remains at school. It also does not apply to food in home economic classes, which is eaten as part of the course work (EC 17551).
    - This section does not authorize a blanket fee to cover multiple items, nor does it mean there is an obligation to purchase the item. This section must be read together with the constitutional free school guarantee and the statutes requiring schools to provide necessary school supplies and instructional materials. Whenever students fabricate products in a class such as woodshop or sewing, the wood or cloth for such products must be furnished free of charge. If the student decides to take a particular item home, the law authorizes the district to sell that

item to the student for the cost of the materials, if a board policy exists allowing this. If there is such a policy and the student does not want to take an item home, the district keeps the item and cannot charge or otherwise penalize the student.

- The school district's board-adopted policies and guidelines should specify the conditions for implementing this section, keeping in mind the free school guarantee.

- Charges for safety glasses, for a pupil to keep, as long as the school provides them free of charge for use in specified courses or activities involving the use of hazardous substances likely to cause injury to the eyes (EC 32030-32033).
- Fees for the sale or lease of internet appliances or personal computers to parents of students within the school district to provide access to the school district's educational computer network, at no more than cost, so long as the district provides network access for families who cannot afford it. The internet appliances and personal computers referred to in this section are deemed supplemental and not an essential part of the school district's educational program (EC 17453.1).
- Fees for an optional fingerprinting program for students in kindergarten or other newly enrolled students if the fee does not exceed the actual costs associated with the program (EC 32390).
- Fees for community classes in civic, vocational, literacy, health, homemaking, and technical and general education, not to exceed the cost of maintaining the community classes. These include classes such as dance, music, theatre, visual arts, handicraft, science, literature, nature study, nature contacting, aquatic sports, and athletics. These classes are intended mainly for adults and are open only to minors whom the governing board believes will profit from such classes (EC 51810, 51811 and 51815).
- Fees for the actual cost of duplicating public records, pupil records, or a prospectus of the school curriculum. There are two exceptions: First, schools cannot charge for furnishing up to two transcripts of a former student's records or up to two verifications of a student's various records. Second, schools cannot charge if the cost would prevent the parent of a special education pupil from exercising the right to receive copies of student records (EC 49063(h), 49065, 49091.14, and 56504 and GC 7922.600). Duplication costs are further referenced in the following:

  Education Code 49063(h) states:

  > School districts shall notify parents in writing of their rights under this chapter upon the date of the pupil's initial enrollment, and thereafter at the same time as notice is issued pursuant to Section 48980. The notice shall be, insofar as is practicable, in the home language of the pupil. The notice shall take a form that reasonably notifies parents of the availability of the following specific information:
  >
  > The cost, if any that will be charged to the parent for reproducing copies of records.

  North County Parents Organization et. al. vs. Department of Education (23 Cal App 4th (1994)) states:

> A fee may be charged for "direct costs of the duplication." This means that a local agency may recover only the actual cost of copying documents; it does not include ancillary tasks associated with the retrieval, inspection and handling of the file from which the copy is extracted.

- Charges for required medical and accident insurance for athletic team members that are not paid by school district or student body funds, so long as there is a waiver for financial hardship (EC 32220-32224).

  Education Code 32221.5 states:

  > (a) A school district that elects to operate an interscholastic athletic team or teams shall include the following statement, printed in boldface type of prominent size, in offers of insurance coverage that are sent to members of school athletic teams:
  >
  > "Under state law, school districts are required to ensure that all members of school athletic teams have accidental injury insurance that covers medical and hospital expenses. This insurance requirement can be met by the school district offering insurance or other health benefits that cover medical and hospital expenses.
  >
  > Some pupils may qualify to enroll in no-cost or low-cost local, state, or federally sponsored health insurance programs. Information about these programs may be obtained by calling _____ (Insert toll free telephone number)."

- Fees for field trips and excursions in connection with courses of instruction or school-related social, educational, cultural, athletic, or school band activities, as long as no pupil is prevented from making the field trip or excursion because of lack of sufficient funds (EC 35330 (b)).
  - Fees should be voluntary only.
  - A school must not require that a student pay an admission charge to an exhibit, fair, theater or similar activity for instruction or extracurricular purposes when a visit to such places is part of the district's educational program (Ops. Cal. Atty. Gen. No. NS-2469 (1940)).
  - No student may be left behind because of insufficient funds, nor may a student be left behind for failing or refusing to participate in fundraisers.
  - A student may be excluded from a field trip, excursion, or event (extracurricular/cocurricular activities) if there is an administrative or disciplinary reason that provides for a denial of participation in accordance with district board policy and administrative regulations.
- Fees for medical or hospital insurance made available by the school district for field trips (EC 35331(b)(2)).
- Fees for outdoor science camp programs, as long as no pupil is denied the opportunity to participate because of nonpayment of the fee (EC 35335).

- Fees for Advanced Placement (AP) and International Baccalaureate (IB) Diploma examinations for college credit, as long as (1) taking the exam is not a course requirement and (2) the exam results have no impact on a pupil's grade or credit in a course. An LEA may pay all or part of the cost of the AP test fee for an economically disadvantaged pupil or the IB test fee for a student who needs financial assistance (EC 52242 and 52922).
- Fees for preschool, but families that have children who meet the priority for services described in EC 8211 may be exempt from family fees. EC 8253 describes the exemptions from fees for up to 12 months. Exemptions exist for families receiving child protective services or at risk of neglect, abuse or exploitation; for families receiving CalWORKs cash aid; and for those enrolled in part-day preschool per EC 8207 and following. Also, fees shall be assessed for children placed in state preschool by an IEP; however, these fees shall be paid by the LEA (EC 8252, 8253 and 56000 and following).
- Fees for childcare and development services, except that no fees shall be assessed for students enrolled in the program for severely disabled children, as stated in EC 8250(d), or for families receiving CalWORKs cash aid (EC 8253, 8487, and 8488).
- Fees may be assessed for extra enrichment programs and study trips in child supervision programs. Fees may be charged in programs for supervision of children before and after school, except that no child who desires to participate shall be denied the opportunity to participate because of inability to pay the fee (EC 8487 and 8488).
- Fees for state preschool, except that no fees shall be assessed to families of students placed in state preschool by an IEP (EC 8239, 8263, 8265, 56000) or families receiving Cal Works cash (EC 8253 and 10200).
- Fees for after-school education and safety programs, so long as any such fees are reduced on a sliding scale based on family income/ability to pay, and waived for pupils who are eligible for free or reduced-price meals, or homeless, or known by the program to be in foster care (EC 8482.6).

Prohibited Fees

Education Code 38118 states, "Writing and drawing paper, pens, inks, blackboard, blackboard erasers, crayons, lead pencils and other necessary supplies for the use of the schools shall be furnished under direction of the governing board of the school districts." The attorney general has issued an opinion that art material for art classes and mechanical drawing sets, cloth for use in dressmaking classes, wood for carpentry classes, gym suits for physical education classes, blue books necessary for final examinations, and paper on which to write a theme or report when such a theme or report is a required assignment, are necessary supplies. Therefore, if a school district requires students to use any of these previously mentioned items, the school district must provide them without charge so students can participate in regular classroom work (Ops. Cal Atty. Gen. No. NS-4114 (1942)).

The attorney general's use of the term "school supplies" excludes items or materials that are essential regardless of whether the person is a student. For example, a district is not obligated to furnish corrective lenses or clothes because these items are needed regardless of whether the person is a student.

Public schools can recommend, and even make available, strictly optional materials for the students' personal benefit. The law allows parents, other individuals and school districts to purchase instructional materials from the state-adopted lists (EC 60310). Also, teachers may make available a list of suppliers of tutorials, books, and supplemental educational materials, or may sell inexpensive quality paperback literature for leisure reading. Teachers may encourage students to use appropriate study aids as long as these purchases are strictly optional and in no way part of the regular instructional program.

Materials are not considered necessary supplies if they are not part of the adopted curriculum or part of an established extracurricular program, and there is no penalty for failure to use or purchase the materials. On the other hand, when such enrichment literature or materials are used as supplemental instructional material for a class or are an established part of an extracurricular activity, they then become necessary supplies, which must be provided or loaned free of charge. Whether a grade is assigned or not is not the crucial point; it is the participation that counts and whether the material used in the instructional or extracurricular activity becomes a necessary school supply.

The opinions of the attorney general indicate that charges may not be levied for the following (see, e.g., Ops. Cal. Atty. Gen. No. NS 2469 (1940)).

- A security deposit, or other payment, that a pupil is required to make to obtain a lock, locker, book, class apparatus, musical instrument, uniform, or other materials or equipment. The law does allow the district to charge students for lost or damaged school property after the fact, but not before the issuance and loss.
- A deposit to guarantee that the district will be reimbursed for loss to the district in case of breakage, damage to, or loss of school property.
- An admission charge to an exhibit, fair, theater or similar activity for instruction or extracurricular purposes when a visit to such places is part of the district's educational program.
- A tuition fee or charge as a condition of enrollment in any class or course of instruction, including a fee for attendance in a summer or vacation school, a registration fee, a fee for a catalog of courses, a fee for an examination in a subject, a late registration or program change fee, a fee for the issuance of a diploma or certificate, or a charge for lodging.
- Membership fees in a student body or any student organization as a condition for enrollment or participation in athletic or other extracurricular or curricular activities sponsored by the school (ASB cards may be sold to allow discounts or free entrance to games and social events, but not to join athletics or other curricular activities).
- Fees to enroll and/or participate in activities of career technical student organizations that are part of a career technical class or course of instruction offered for credit (EC 52375).
- Fees for transportation associated with activities of career technical student organizations that are part of a career technical class or course of instruction offered for credit when those activities are integral to helping the pupil achieve the career objectives of the class or course (EC 52373).

  - The exception to this is when the transportation is between the regular full-time day schools the pupil would attend and the regular full-time occupational training classes they attend that are provided by a regional occupational center or program (EC 39807.5).
- Charges for textbooks and workbooks, except for classes for adults (EC 60070 and 60410).
- Charging an apprentice or their parents or guardian for admission or attendance in any class, pursuant to section 3074 of the Labor Code (EC 48053).
- A purchase or security deposit that a pupil is required to make to obtain materials, supplies, equipment, or uniforms associated with an educational activity (EC 49010).
- Charging for school supplies, materials and equipment needed to participate in educational activities (including classes).
- Charging for mandated standardized gym suits for physical education classes. A student's grade cannot be affected because they do not wear standardized clothes when the failure to wear standardized clothes is beyond the student's control (EC 49066(c)).
- Fees to enroll and/or participate in a career technical student organization that is part of a career technical class or course of instruction offered for credit. This applies to activities both during and outside of the regular school day (EC 52375).
- Fees to process an interdistrict transfer request from a student residing in another district (Ops. Cal. Atty. Gen. No. 04-501 (2004)).
- Reimbursement for lost average daily attendance (ADA) revenue for absences from school (Ops. Cal. Atty. Gen. No. 96-1004 (1997)). The original opinion referred to ADA lost for unexcused absences only. Since then, the law has changed so ADA cannot be earned for unexcused or excused absences ((EC 48205(d), amended by Cal. Stats. 1999, c. 312 (S.B. 1208), section 1)). Presumably the previous opinion likewise applies to ADA lost because of excused absences.

A statute does not specifically authorize tuition for summer school. Therefore, tuition or any such fee or charge for summer school is prohibited under the California Code of Regulations, title 5 (5 CCR), section 350, which precludes charging fees for educational activities not specifically authorized by law.

On April 20, 1984, the *Hartzell vs. Connell* California Supreme Court decision raised serious questions about the imposition of nonstatutory fees for extracurricular activities. The lead opinion on this matter is that fees may be charged for activities that are recreational and optional, but not for those that are educational. Because extracurricular activities are described in the opinion as an integral component of public education, they are a part of the educational program and thus must be free. The court further stated:

> [The] imposition of fees as a precondition for participation in nonstatutory educational programs offered by public high school districts on a noncredit basis violates the free school guarantee. The constitutional defect in such fees can neither be corrected by providing waivers to indigent students nor justified by pleading financial hardship.

It is also the opinion of the CDE and the *Hartzell vs. Connell* decision that a school district may not charge a fee or require students to purchase necessary materials even if the district maintains a special fund to help students who are in financial need or waives such a fee for students with financial need, because the fee or charge remains a condition for all other students not being helped financially. **A fee waiver policy for any students, including those deemed needy, does not make the fee permissible** (Hartzell v. Connell, 35 Cal. 3d 899, 912-913 (1984)). Requiring low-income students and their families to apply for a waiver is considered discriminatory. The requirement to fill out a waiver discourages many students from attempting to enroll in a class because they are embarrassed to ask for a waiver but also do not want to put their family in financial distress.

Cap and Gown Fees

A district cannot require students to purchase or pay for a cap and gown in order to participate in a graduation ceremony, because the California Supreme Court has found that the high school graduation ceremony is an integral part of the educational process because it recognizes cumulative academic achievement. Because the graduation ceremony is an educational activity, pursuant to EC 49010(a), a fee cannot be charged. EC 38119 only authorizes districts to rent caps and gowns from a supplier and provide them free of charge to students. Therefore, a cap and gown fee is not otherwise allowed by law, per EC 49011(a).

The CDE has recommended that a district that requires students to wear a cap and gown at the ceremony inform students that: (1) the district will provide caps and gowns for graduating seniors for use during the ceremony and that (2) students also have the option to purchase an appropriate cap and gown from a vendor (if they desire to keep the cap and gown). No student should be required to self-identify as indigent to receive a cap and gown from the district.

Physical Education Clothes

Regarding physical education clothes, EC 49066(c) states, "No grade of a pupil participating in a physical education class, however, may be adversely affected due to the fact that the pupil does not wear standardized physical education apparel where the failure to wear such apparel arises from circumstances beyond the control of the pupil," such as lack of sufficient funds.

The CDE has stated that a school district may require students to purchase their own gym clothes of a district-specified design and color so long as the design and color are of a type sold for general wear outside of school. Once the required gym uniforms become specialized by having a logo, school name or other similar characteristics not found on clothing for routine use outside of school, they are considered school supplies and the district must provide them free of charge.

Volunteer (e.g., Parent Service) Hours

Education Code 49011(b)(4) bars a school district or school, including a charter school, from requiring parents to perform volunteer hours as a condition of their child's admission, enrollment, continued enrollment, sibling preference, attendance, participation in education activities, or receipt of credit or privileges related to educational activities. Although EC 49011(c) allows school districts, schools and charter schools to request that parents volunteer a specific number of hours per school year, and to identify the benefits of these volunteer services to the school district or school, such requests may not be coercive or imply negative consequences

to a student or parent who does not volunteer. EC 47605(n) states that a charter school may encourage parental involvement but shall notify the parents and guardians of applicant pupils and currently enrolled pupils that parental involvement is not a requirement for acceptance to, or continued enrollment at, the charter school.

When Considering Fees, Obtain a Legal Opinion

The subject of fees, deposits and other charges is complicated and can attract increased attention, especially when state funding declines and school agencies try to generate additional revenue. School agencies considering any type of fee not specifically authorized by statute should ask whether it relates to an activity that is an integral component of public education. If the agency is not sure whether a specific fee should be charged, it should obtain a legal opinion on the matter because this is likely much less costly than a lawsuit against the district because of illegal fees.

FCMAT strongly recommends that school districts, county offices of education and charter schools take the following steps to ensure compliance with pupil fee laws:

1. Review the CDE's most recent fiscal management advisory guidance.
2. Provide additional training to administrators, teachers and employees to ensure compliance with student fee laws.
3. Remind teachers to update websites and course syllabi to ensure compliance with student fee laws.
4. Remind athletic coaches and other extracurricular activity advisors to update policies, websites and written handouts to ensure compliance with student fee laws.
5. Ensure school-connected organizations do not imply or act contrary to the prohibition on student fees in their own fundraising practices.

Refunding Charges

In some instances, refunds of certain fees may be allowable, though it often depends on specific circumstances. Typically, refunds are more likely allowable when fees have been charged for specific events than when tied to donations raised by a group of students. For example, if an event states on the fundraiser approval form that if the activity does not occur, all individual fees will be refunded, then those funds should be tracked by individual payee to facilitate the processing of refunds.

Refunds are more likely prohibited when associated with student fundraising for a specific activity where the funds collected are considered donations, raised by a group of students such that those funds cannot be traced to an individual's personal payment, or when the activity is not advertised as refundable. Refunds are part of the expenditure process. Depending on the circumstances, such as an abatement for issuing a refund, the refund may or may not require preapproval through the ASB purchase order process.

Whether refunds should or should not be issued is a local decision. The criteria for determining when refunds are allowed or not, and the process to be followed, should be outlined in local board policy, administrative regulations, and/or the ASB club's constitution or bylaws.

Fees vs. Fundraising

The requesting of a fee and the fundraising by a group for an activity can appear similar to one another. Both are considered fundraisers, which means they require an approved fundraiser approval form and a revenue potential form. However, fundraising is more often associated with donations. If a fee is considered a donation to the ASB or club, it is unlikely to be refundable. Fees may be collected for field trips, and those fees may be refundable if the field trip is later canceled and if it was advertised that the fee would be refunded if the event did not occur. In these instances, amounts paid by students and/or parents for the event should be tracked by individual payee. Unless refunds were expressly prohibited when funds were collected, if a parent or guardian paid for a student to attend an event, such as a field trip, they should receive a refund if the event or trip is canceled. Any allowable fee, such as those for field trips, should be refunded as long as there are no provisions prohibiting refunds in board policy, administrative regulations, or the ASB constitution or bylaws.

When fees are collected and the activity does not occur, or when fees are advertised as refundable, a purchase order is not necessary to complete a refund because the repayment is not an expense to the ASB but a reversal of a donation or fee. The students should be notified of the forthcoming refunds, but further action by the student body is unnecessary. Unless the district has other required internal control procedures, the ASB bookkeeper may refund the fees and notify the students of the amount.

Fundraising for individual students is not a function of ASB. When students are fundraising, they are raising money for all students to participate as a group. Funds raised in this manner are considered donations and should not be refundable. Although parents may be asked to pay certain expenses, no student can be prevented from attending an ASB club event because they did not pay or fundraise. If there are insufficient funds for an activity or for all students to participate, the activity should not occur unless or until enough funds are raised or found from other sources.

Student Store Refunds

(See Chapter 11, The Student Store)

Charter Schools

Education Code 47605(d) prohibits a charter school from charging tuition but does not mention fees or other charges. Although EC 47610 exempts charter schools from most laws governing school districts, the California Constitution cannot be rendered inapplicable by the Legislature. Therefore, the constitutional guarantee of a free public education (Article IX, Section 5) also applies to charter schools. In 2012, AB 1575 made it clear that the prohibition on pupil fees applies to charter schools (EC 49010(a) and 49011(d)).

Charter schools may charge only fees authorized in the Education Code that are applicable to charter schools. For example, charter schools can charge fees for food and field trips because those Education Codes apply to charter schools (EC 35330(d) (field trips); EC 49430.7(a)(2) (food)).

Chapter 10 – Vending Machines

Vending machines are set up and managed in many ways in districts. Sometimes ASBs operate the vending machines and in other cases the district, food service program, or a school-connected organization operates them. Vending machines are found on school campuses, in district offices and at athletic events. Because vending machines may dispense food and beverages, before any contracts are entered into and any machinery is placed on campus, the district's food service administrators should be consulted.

Purpose

Vending machines have two purposes: to provide products or supplies that students and staff can use, and to raise funds by providing a profit on the sale of those products.

Products Sold

A variety of items may be sold using vending machines, ranging from beverages and foods to school supplies such as pens and pencils. Food and beverage vending machine sales must comply with state and federal laws, which prohibit selling items that compete with the food service program.

Education Code (EC) 35182.5 and 49430–49434 regulate the use of vending machines and establish limits on the sale of specific food and beverage items in grades TK-12, including the following:

Elementary Schools

- Bans during the entire school day the sale of all food and beverages not defined as healthy.
    - Vending machines may be used to sell only healthy food and beverages.
- Bans during the entire school day the sale of all food and beverages considered in competition with the food service program.
- Permits the sale of healthy beverages, which include water, nonfat or 1% milk, 100% fruit juice, and fruit-based drinks with no less than 50% fruit juice and no added sweeteners.
- Allows the sale of unhealthy food and beverages for fundraising under two circumstances: sale by students off school grounds, and sale by students on school grounds at least 30 minutes after the end of the school day.

Junior High, Middle and High Schools

- Bans during the entire school day the sale of all food and beverages not defined as healthy.
    - Vending machines may be used to sell only healthy food and beverages.
- Limits the type of foods and beverages and the number of sales allowed each day.
- Permits the sale of healthy beverages, which include water, nonfat or 1% milk, 100% fruit juice, and fruit-based drinks with no less than 50% fruit juice and no added sweeteners.

This page intentionally left blank.

  - *High school only*: electrolyte replacement beverages with no more than 16.8 grams of added sweetener per eight-ounce serving and limited to a 12-ounce portion (not allowed at middle or junior high schools).
  - The sale of these permissible drinks can occur from one-half hour before school to one-half hour after the end of the school day. These items may be sold during the school day, including during mealtimes, if they comply with the competitive food sales laws mentioned in the food services section applying to secondary schools. There is an allowance for one organization a day to sell no more than three types of approved foods or beverages. If revenue from a vending machine is going to a student organization, the vending machine may be the one-per-day allowable sales entity; the organization could not do this and also sell food daily from a student store.
- Before the Healthy, Hunger-Free Kids Act of 2010, school organizations were allowed to partner with food service programs and share profits. This is no longer allowed. Profits from food service programs must accrue only to that fund, and profits from other organizations need to be coded to their specific funds.*
- Allows the sale of unhealthy food and beverages for fundraising under two circumstances: sale by students off school grounds, and sale by students on school grounds at least 30 minutes after the end of the school day.

* For more information about revenue from the sale of nonprogram food (child nutrition departments) and competitive sales (all other organizations) see the California Department of Education website at cde.ca.gov.

Issues with Vending Machines

The school board should create a policy to provide direction and parameters regarding how vending machines may be used. The areas for policy direction should include the following:

1. How and where vending machines may be placed, indicating responsibility for or sponsorship by the following:
   - ASB.
   - Food service program.
   - School-connected organization (e.g., booster club, foundation, or other parent-teacher organization).
   - Shared or joint sponsorship between two or more organizations or groups.
2. Products permitted:
   - Exclusive product selection or endorsement, in compliance with EC 49430–49434.
   - Nutritional value of products, in compliance with state and federal regulations (EC 35182.5, 49431 and 49431.5).
3. Contract arrangements:
   - Installation, maintenance, quality, quantity, commission rates, and selection of vendor and products, in compliance with the Education Code and Public Contract Code.

To Table of Contents >>>

- Adherence to competitive bidding requirements.
- Contract terms and conditions.
- Contract review parameters and signatory authorization.

4. Fiscal management:
    - Periodic financial statements.
    - Internal control procedures, in compliance with EC 35182.5(c)1A.
    - Inventory management.
    - Audit guidelines.

Good Business Practices Related to Vending Machine Operations

Because of the many different ideas and options for vending machine operations, the district's business office should first meet with principal/school administrator and ASB advisors to determine which options and practices will best meet students' needs. To ensure successful operations, best practices unique to individual district and school needs should be identified. Board policies and administrative regulations may include items such as the following:

- Overall guidelines for vending machine management.
- Administrative regulations describing who does what and when.
- Administrative regulations regarding the latest ideas and where to get help with new situations as they arise.

The procedures described on the following pages are also strongly recommended to ensure successful vending machine operations for ASB organizations.

The good business practices below indicate responsibilities for which the business office should take the lead and those that better rest with the schools and ASB leadership.

Good Business Practices for Business Office Leadership

The district's business office should do the following:

- Actively support school ASB vending machine management by hosting annual meetings to discuss vending machine operations.
- Review board policies and administrative regulations annually with school ASB leaders. In collaboration with the school ASB leaders, the district's business office should propose and draft new policies or regulations to facilitate practices that benefit student organizations.
- Provide annual training on all aspects of ASB fiscal management, including vending machine operations.
- Assign a specific employee to be the contact for all ASB fiscal management questions.
- Review bids, specifications, and requests for proposals on all vending machine options and operations.

- Review all contracts of agreement, including annual contract renewals, for legal sufficiency and for maximum profit margin with minimal risk to student funds.

Good Business Practices for School ASB Leadership

The school should do the following:

- Develop a collaborative relationship with the district business office staff member assigned to work with ASB operations.
- Attend and actively participate in annual meetings and trainings hosted by the district's business office.
- Be familiar with board policies, administrative regulations and district procedures related to vending machine operations.
- Bring all questions to the attention of the district's business office, and request help with all problems.
- Determine which items will provide maximum benefit to students.
- Learn the rules and practices of sound inventory management. For example, monitor the inventory turnover and shelf life of individual products; conduct inventory counts regularly; store inventory stock in a secure place; and have two people count cash and stock or restock vending machines.
- Review and update the sale price of products to ensure an adequate profit margin for students.
- Consider inventory needs during holidays and other times when school is not in session.
- Do not use vending machine items as a reward or payment for services (e.g., handing out free items to students who chalk the lines on the football field before games).
- Remember rules and good business practices related to risk management, such as not allowing students to drive to the store to replenish vending machine inventories.

Vending Machine Operations

An ASB may set up vending machines several ways, depending on how and where the machine is to be used. The four main options for vending machine management are as follows:

- Option I – The ASB purchases, stocks, operates and manages the machines.
- Option II – The ASB leases or rents the machines and stocks, operates and manages them.
- Option III – A contracted third party owns, operates and manages the machines and pays a commission to the ASB.
- Option IV – The district's food service program or the district itself operates the vending machines; the ASB is not involved with the vending machines.

For options I, II and III above, where the ASB operates the vending machines, the following explanations will help districts determine the most successful option for a particular situation or operation. Regardless of which option is selected, as described above, creating best practices,

board policies and administrative regulations provides clarity for successful vending machine operation and management.

Vending Machine Management – Option I

The ASB organization may purchase the vending machines. In this case, the ASB organization is responsible for keeping the machines filled with product and handling the money. Stock is purchased, stored, and inventoried by the ASB. Included with this option are maintenance and repair costs. The ASB should plan and set aside funds to maintain and replace the vending machine as needed if the desire is to continue fundraising.

The ASB has sole discretion to establish product prices and thus determine profit margin, within any district policy limits. Property/liability insurance for loss or damage, particularly vandalism, would be a cost of owning and using the machine as a fundraiser.

Under this option, the club sponsoring the vending machine would count as the one group conducting daily sales, so no other club could sell food and/or beverages daily.

Vending Machine Management – Option II

The ASB organization may contract with a vending machine company to rent or lease the vending machine. In this case, the ASB organization is responsible for keeping the machine filled with product and handling the money. This would include purchasing, storing, and keeping inventory records of the stock.

The main difference between options I and II is that under option II the ASB does not own the vending machine and probably would not have the primary responsibility for any machine repair, maintenance or replacement. The lease or rental agreement with the vendor would specify machine repair and replacement terms, including each party's risk management responsibilities.

Under this option, the club sponsoring the vending machine would count as the one group conducting daily sales, so no other club could sell food and/or beverages daily.

Vending Machine Management – Option III

The ASB organization may contract with a vending machine company to install a machine at a school, fill the machine with products, and take the money out of the machine. The contract must indicate the terms of the agreement. The ASB would receive a commission, usually based on vending machine sales.

The district should consider including provisions in its contract that answer the following questions:

- How much will the ASB organization receive from the sale of each item?
- If the vending machine company raises the price of the product, does the ASB receive a portion of the increase?
- What products will be stocked?
- What happens if the machine is vandalized?

- Who is responsible for giving refunds to students when the machine loses money that is deposited or when the change feature of the machine malfunctions?

The contract should also include a provision that allows members of the ASB organization and the school employees to periodically observe the company's personnel collecting cash from the machine. This allows the ASB to verify that it is receiving the correct amount of revenue.

Under this option, the club sponsoring the vending machine would count as the one group conducting daily sales, so no other club could sell food and/or beverages daily.

Advantages and Disadvantages of Various Vending Machine Operations

Option III is obviously the easiest for the ASB organization, but it also results in less income.

Under the first two options, the ASB organization must purchase the items to sell and be responsible for good business practices and internal controls when taking the money out of the machine and restocking the machine. Each of these functions takes time when performed correctly.

If the ASB is responsible for stocking the machine and handling the money, the organization needs to establish procedures for the following:

- Managing stock.
- Collecting cash from the machines.

In addition, if the ASB is responsible for the machines, the food laws regarding how many groups can sell food and beverages and how often will apply. For example, a vending machine that is available every day during school hours will count as the one group doing daily sales if the group stocks and manages the machine.

The following is an outline of good business practices and proven procedures for managing stock and emptying machines.

Procedures for Managing Vending Machine Stock

If the ASB organization is responsible for stocking the machine, it should buy items in large quantities whenever possible because this usually provides a lower cost per item. However, food and beverages have a limited shelf life, so no more than a two- or three-month supply is recommended as reasonable for these items. Recommended procedures for maintaining stock are as follows and correspond to the sample Vending Machine Inventory Log at the end of this chapter:

1. Store all items in a secure, environmentally-friendly area where access is limited.
2. Maintain a log of all items held in the storeroom. Record the items in columns A and B of the log when they are purchased.

Fraud Alert

A common fraud is to remove coins and cash from the vending machine funds collected. The funds pilfered are usually in the $5-$40 range depending on the number of vending machines and frequency of collection. This type of fraud is easy to reduce by reviewing the vending machine inventory count sheets and periodically recounting vending machine inventory to confirm that the counts are correct.

3. Compute the cost per item for the items purchased and record it in the cost per item column.
4. In column C of the Vending Machine Inventory Log, record the items taken from the storeroom.
5. Use the inventory balance column on the Vending Machine Inventory Log to maintain a total of the number of items that should be in the storeroom at any time. Update this column each time items are purchased or taken from the storeroom. This is accomplished by adding items purchased to the amount on the previous line in the inventory balance column and deducting items taken out of stock from the previous line in the inventory balance column.
6. Take a physical inventory, or count, of the items in the storeroom once a month. Compare the number of items in the storeroom to the amount remaining in the inventory balance column of the Vending Machine Inventory Log.
7. Record the inventory in the last two columns of the log to provide a record that the inventory was taken. Two people should always count the inventory and initial the box marked "Initials." The ASB advisor and the students should determine the reasons for any discrepancies between the amount shown in the inventory balance column and the count of the items remaining, which is shown in the number of items in inventory column.
8. The ASB advisor should contact the principal/school administrator and the district's business office for assistance if any significant discrepancies are noted or if help is needed with inventory management.

Procedures for Collecting Cash from Vending Machines

When it is time to collect the money out of the vending machine, the machine is also typically restocked. The number of times the students will perform this procedure will depend on the volume of sales. The following are recommended procedures for restocking and counting the money.

1. Two students or school staff members should have this responsibility; no one should restock or take money out of the vending machine alone.
2. One person counts the money and records it on the ASB Cash Count form (see sample form at the end of Chapter 13). The total amount of money taken from the machine is recorded on line F of the Vending Machine Control Sheet.
3. The second person counts the number of items remaining in the machine and records this information on line B of the Vending Machine Control Sheet.
4. The second person takes the inventory needed to stock the machine from the storeroom where the stock is kept.
5. The second person stocks the machine and completes the information on line H of the Vending Machine Control Sheet.
6. When each person has completed their work, they trade duties and verify the counts made by the other person. Each person then signs the Vending Machine Control Sheet.

7. Line A is entered from line I of the Vending Machine Control Sheet that was completed the last time the machine was stocked.
8. Lines C, D, E, F, G, and I are entered and computed.
9. Any significant discrepancy on line G should be reported to the ASB advisor and the principal/school administrator, and be investigated immediately by the ASB advisor. The business office should also be advised immediately.
10. The ASB advisor signs the Vending Machine Control Sheet when the process is complete.
11. The information on the Vending Machine Control Sheet is used as the beginning point the next time the machine is emptied and restocked.
12. If the school has more than one vending machine, separate control sheets are used for each machine.

These procedures can vary depending on the type of vending machine the ASB has. For example, if the machine has automated product counters, the students should verify the accuracy of that data.

Vending Machine Control Sheet

Name of School: _____

Name of Club: _____

Vending Machine Control Sheet

Fiscal Year: _____

Machine Number: _____ Machine Location: _____

Number of items in the machine at the last count A _____

(Report Line I from the previous report here on Line A)

Date this report prepared: _____

Date of the last report:_____

Number of items in the machine on _____ B _____
Date

Total number of items sold *(A minus B)*: C _____

Price of items sold: D _____

Cost of items sold *(C times D)*: E _____

Amount of cash taken from the machine: F _____
(This amount comes from the ASB Cash Count form)

Difference between the amounts sold and cash count: G _____

Number of items added to the machine: H _____

Total number of items in the machine *(B plus H)*: I _____

Report prepared by:_____
Signature, Title and Date

Items counted by: _____
Signature, Title and Date

Items counted by: _____
Signature, Title and Date

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

Vending Machine Inventory Log

Name of School: _____

Name of Club: _____

Vending Machine Inventory Log

Fiscal Year: _____

Date this report prepared:_____

Machine Number:_____

Machine Location: _____

This inventory log is for the following item (e.g., soda, juice): _____

Date	Total Cost of Items Purchased	Number of Items Purchased	Cost per Item	Number of Items Taken from Stock	Inventory Balance		Date of Inventory Count	Number of Items in Inventory	Initials of Persons doing Inventory

Report prepared by:_____

Signature, Title and Date

Items counted by: _____

Signature, Title and Date

Items counted by: _____

Signature, Title and Date

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):_____

Date

Chapter 11 – The Student Store

The student store is a popular fundraiser at secondary schools. A student store is typically a subaccount of the student council or the general ASB; the funds raised support the overall student body. Some student stores may be operated by a single club or by a group of clubs. In any of these arrangements, the store should be run by the students and administered by a certificated advisor. The student store typically sells items that students use during the school day, such as pencils, paper, binders, limited snacks and beverages that meet state and school nutritional standards, and items that have the school logo such as hats and sweatshirts. Other items may be sold through the student store to supplement student fundraising. Student stores raise funds for student organizations while also providing a valuable service for students.

All items sold at the store should be approved by the principal/school administrator. To ensure no unapproved items are sold at the student store, a preapproved list of allowable items should be maintained. If the student store is not operated by the ASB or not intended to supplement student fundraising, it should not be accounted for in the ASB books and records.

ASB Store Operations

The student store is usually operated as a fundraising event for the entire student body. For this reason, the student council usually sponsors and operates the store, though a group of clubs or a single club may also operate the student store.

Guidelines and procedures or a student store manual should be developed that specify how revenues from the store are allocated, budgeted and spent. These decisions should be documented in meeting minutes and in the ASB's internal procedures at each school where a store is operated.

The sales volume and profit level of a student store usually depend on the following:

- The number of students at the school.
- The physical size of the store.
- The number of products available.
- The days and hours of operation.
- Student leadership and the counseling role of the ASB advisor and bookkeeper.

Student store hours of operation should be decided jointly at each school by the student organization, ASB advisor and principal/school administrator.

The student store is typically a fundraiser that augments the ASB organization and should operate only to enhance the students' educational experience. Because of the unique objective of a student store, considerations must extend beyond profit per square foot, which is a common metric used in retail sales. Conflicts with class schedules, operational difficulties, and appropriate supervision are all considerations that may point toward a smaller and more efficient student store operation rather than a larger one.

To Table of Contents >>>

Certificated Student Store Advisor

When ASB operates the student store, the advisor overseeing the store must be a certificated employee of the school district. Other adults such as classified employees, volunteers, or the ASB bookkeeper may assist, but the certificated teacher/advisor must always be with the students in the store even if other noncertificated adults are present. If a decision is made that students will not participate in the operation of the store during a specific time, a noncertificated employee may operate the store during that time; this is a local decision. Regardless of how the store is operated, the same cash handling practices and other internal controls should be followed.

Organized versus Unorganized ASB Student Store

In an organized ASB, the student organization must actively participate in decisions about student store operations and how the revenue is generated and used. In an unorganized ASB, the students are much less active and take a minor role in decisions regarding the store. In both organized and unorganized ASBs, however, a careful cost-benefit analysis should be required for decisions. Cost evaluations should consider more than just the dollars spent; the analysis should include employee time, management effort, effects on facilities and the student population, and other factors.

Food Sales

Because of the laws and restrictions related to the sale of food and beverages at TK-12 schools, the ASB advisor and the students should always seek counsel from the district's food service director to determine which food and beverage items can be sold in the student store. This will ensure compliance with legal codes, state and federal regulations, and the district's goals related to student nutrition.

Food and beverage sales cannot compete with the school lunch program. California Administrative Code 15501 authorizes only one student organization at middle and high schools to sell food and beverage items daily. The code must be followed, so if these types of items are sold daily in the student store, that constitutes the one student organization authorized by the code. The district's food service program can help ensure an understanding of and compliance with all district, state and federal requirements.

Clothing Sales

Nonmandated clothes for physical education classes are often sold in student stores. This is a convenient place for such sales because it eliminates the need for cash boxes, tracking procedures and inventory security at other locations at the school. Most organized ASBs will also sell other school-branded clothing items. These are also appropriate sale items for the student store.

Regarding gym or physical education clothes, Education Code (EC) 49066 states the following:

> No grade of a pupil participating in a physical education class, however, may be adversely affected due to the fact that the pupil does not wear standardized physical education apparel where the failure to wear such apparel arises from circumstances beyond the control of the pupil.

The circumstances referred to in code include lack of sufficient funds. The school district may require students to purchase their own gym clothes of a district-specified design and color if they are of a type sold for general wear outside of school and can be purchased anywhere, not just at the student store or the district.

Once the required gym uniforms become specialized in terms of logos, school name or other similar characteristics not found on clothing for typical use outside of school, they are considered school supplies, and the district must provide the uniforms free of charge. Therefore, if physical education clothes with the school mascot and name on them are sold, their purchase cannot be mandated.

School Supplies

Student stores may sell school supplies such as pencils, pens, folders and other items. However, no item carried in the store can be mandatory for students because this would violate the free system of public schools guarantee.

Yearbook and Event Sales

Sales of items such as yearbooks and payments for senior trips, school dances and similar events can all be carried out through the student store. The internal controls set up for the store must allow proper tracking and accounting of these types of sales. Once the controls are established, having the store carry out the sales can greatly simplify the administrative burden these events can create.

Fraud Alert

A student store is often a fun and fast-paced location that offers many opportunities for friends of those operating the store to enter and remove inventory undetected. When this occurs and is discovered, those working in the store are often blamed for inventory shortages. In addition, because student stores are a cash-intensive operation, it is very common for petty thieves to simply not ring up sales and pocket the cash. The strongest deterrent to unexplained inventory shortages or theft is a video surveillance system. If the ASB cannot afford a surveillance system, consider purchasing signs that state that there is a surveillance system. Sometimes the perception of detection is enough to deter theft.

Refunds

Student store refunds are similar to refunds issued in retail establishments. If the district has developed and approved written procedures, board policies, administrative regulations, a student store manual, or ASB bylaws for issuing refunds in certain circumstances, refunds may be allowable in the student store. A refund that meets the district's guidelines should require approval in advance from the store advisor. Some districts also require that the ASB advisor approve refunds as a second level of oversight.

When refunds are considered allowable and are approved by the store advisor, a purchase order is not necessary to authorize the refund and complete the refund process because the refund is not an expense to the ASB but a reversal of a sale. When refunds are issued, the students should be notified of the refund(s) using a district business office-approved form or method of notification, but further action by the student body is unnecessary. Unless the district has other required internal control procedures, the store advisor may refund the sale(s) and notify the students of the amount.

Circumstances in which refunds may be denied should be listed in board policy or administrative regulations and may include when no receipt is available; when signs in the store indicates all sales are final; when a product was partially consumed, used or damaged; when

considerable time has passed since the purchase; or when for any reason the item cannot be resold.

Sound Business Practices for Student Stores

Although a student store is more complex and usually has many more transactions than most of the student fundraising events, transactions should be recorded in ASB accounts just like other fundraisers. The accounting methods, internal controls and rules used for other transactions and fundraisers should be followed for the student store, including the requirement of prior student council approval for all purchases. Responsible administrative staff should review these methods, internal controls and rules at least once a year to ensure they are adequate.

Like any privately owned store, student store operations are susceptible to theft. The following good business practices for internal controls apply to a student store and can help reduce the risk of theft.

Location and Security

The principal/school administrator should provide a space for the student store with a layout that helps prevent theft, damage or other loss of inventory and items used to support the store's operations, including cash receipts. Inventory and cash receipts should always be secured during the school day and on evenings, weekends and holidays when the student store is closed.

Stock and Pricing Policies

The ASB advisor and ASB bookkeeper will need to work with the students to maintain a detailed record of all items purchased for the student store. The ASB advisor should also work with students to determine what types of items to purchase for the store and an appropriate sale price for each item. Past sales should be evaluated each year to determine any changes in pricing or in items stocked. This is an opportunity for students to learn about retail operations.

Cash Handling

Unless the volume of the store is extremely low, it is a good idea to purchase and use a point-of-sale system or cash register. If a cash register is unavailable, a cash box or other secure method should be used.

As sales are made each day, the students should maintain a record of the number and types of items sold and the amount of cash received. Some cash registers have a feature that tracks the types of items sold and the cash collected. If there is no cash register, or if the cash register does not have this tracking feature, the students will need a manual tally sheet or ticket control of the items sold throughout the day. The Student Store Daily Sales form at the end of this chapter can facilitate daily reconciliation of items sold with cash collected.

> ***Fraud Alert***
>
> Student store cash is easily taken. Students who operate cash registers and sell inventory, as well as advisors who handle cash receipts, can easily be accused of theft because they have access and opportunity to remove cash.
>
> Each student should count their own cash with a witness and reconcile cash and inventory at the end of each shift. Advisors should only count cash with a witness, and both the advisor and the witness should sign two copies of the Cash Count form. After the cash is counted, the money should be sealed in a tamper-evident bank bag, and the advisor and the witness should take it to the ASB bookkeeper for deposit.

As items are sold, a student records the sale on the Student Store Daily Sales form. At the end of the day, the marks are totaled and multiplied by the sale price of each item. The total value of all sales is then compared to the cash collected. The ASB advisor and the students should immediately determine the reason for any significant differences reported on the Student Store Daily Sales form. Procedures should be established for daily reconciliation of cash registers or cash box collections with total sales receipts. Scheduled deposits should be made, and night security should be established for all cash on hand. An ASB Cash Count form (found in Chapter 13) and register tapes should accompany all deposits.

Inventory Count and Management

At least once a month, students should take a physical inventory of all items in the student store and compare the physical number remaining to the calculated number remaining. The Student Store Daily Inventory Log form at the end of this chapter is designed for this task. The frequency of inventory counting should be documented in the ASB bylaws.

Two students should count the inventory and record their counts on separate inventory forms. The students should then compare the two counts and recount any that do not match.

After the count is complete, the students should compute the amount remaining in inventory using the Student Store Monthly Inventory Calculation form. This form is used to compare the monthly physical inventory of goods to the number of items that should be in the store based on the recorded daily sales and receipts.

The students and the ASB advisor should investigate any significant differences noted on this form. The ASB advisor and the principal/school administrator should seek the assistance and counsel of the district's business office if they cannot determine and correct the cause of discrepancies in student store inventory.

Accounting

Procedures need to be established to ensure that the daily receipts are allocated to the proper ASB account. This is important for student stores that conduct event sales for which the receipts go to a specific fund or club instead of into a general fund for the student organization.

Training and Practices

A discussion of student store operations should be a standing agenda item at the periodic meeting of the district's business office and ASB leaders. This discussion should include practices, successes, and areas where additional training is advisable. Everyone benefits when there is a successful ASB student store operation: the district, the school and, most important, the students.

Sales and Use Tax

The California Department of Tax and Fee Administration issues two publications that include instructions on sales and use tax: Publication 18 for Nonprofit Organizations, and Regulation 1597 for Property Transferred or Sold by Certain Nonprofit Organizations. Although school districts are exempt from federal and state income taxes, in some circumstances they must pay California sales tax on gross sales. For sales tax purposes, ASBs are considered nonprofit organizations because they are authorized by the governing authority of the public school

district. Publication 18 describes the main factors that determine whether a nonprofit youth organization is considered a retailer that must pay sales tax or a consumer that is not required to pay it. Page 20 of Publication 18 states, in part, the following:

Retailers

Youth groups that sell merchandise such as t-shirts, wrapping paper, mugs, and other items, are generally retailers of those products. Sales of these items are taxable and your group must obtain a seller's permit and file sales and use tax returns. Please see Registration Requirements and Collecting and Paying Tax. Your group may need a permanent seller's permit.

Consumers

Qualifying requirements

Specific types of nonprofit youth organizations may qualify as consumers in certain situations. To qualify as a consumer, your group must be one of the following:

- A nonprofit organization that qualifies for tax-exempt status under Internal Revenue Code Section 501(c). Your primary purpose must be to provide a supervised program of competitive sports for youth or to promote good youth citizenship. The group must not discriminate on the basis of race, sex, nationality, or religion.
- A youth group or club sponsored by or affiliated with a "qualified educational institution." This includes, but is not limited to, student activity groups such as debating teams, swimming teams, bands, and choirs. Most public and private schools are qualified educational institutions. Qualified educational institutions do not include schools that discriminate on the basis of race, sex, nationality, or religion. Youth organizations affiliated with them do not qualify for the tax exemption.

If your youth group does not meet the requirements listed above, it is generally considered the retailer of products it sells and may need a seller's permit.

An ASB authorized by the governing board of a school district is therefore typically a consumer for sales tax purposes. To qualify as a consumer, a group may only sell food products, nonalcoholic beverages, or items made by members of the organization; all profits may only be used to advance the organization's purpose; and sales may occur only on an irregular or intermittent basis. Items made by members of an organization include products such as shirts that the ASB has a vendor alter to include the school's name, logo, or other design modifications. Each school district should determine whether sales are irregular or intermittent.

Irregular or intermittent may be defined as sales or fundraisers that are sporadic, limited in duration, and cover a series of events that continue over a specified amount of time. Examples of irregular or intermittent fundraisers are yearbook sales, occasional sales by the ASB or a club throughout the year, sporting event gate receipts, annual rummage sales, and any fundraiser that occurs in stages and ends during the school year. Sales made from storefront or mobile retail outlets that normally require local business licenses do not qualify as intermittent or irregular sales.

Although consumers do not need to collect sales tax, their purchases are usually taxable, and they cannot issue a resale certificate to any suppliers. Because the suppliers will generally owe tax when they sell merchandise to the ASB, those purchases will typically be taxable to the ASB.

Publication 18 contains the following special provision on page 18 for yearbooks and catalogs sold or distributed to students:

> A public or private school, school district, student organization, or county office of education is considered the consumer of yearbooks and catalogs it sells. The yearbooks or catalogs must be prepared for, or by the school, district, or organization and distributed to students. There is no restriction on how the profits may be used.

Ongoing Sales

In contrast, because student store sales are usually ongoing and neither irregular nor intermittent, they are not exempt from collecting and paying sales tax. However, individual student stores and schools should not have their own sales tax permits. The sales tax permit applicable to ASBs and schools is held by the district office. Only one sales tax permit and resale permit is needed for each school district.

Sales tax is normally paid when goods are purchased at retail, so when the goods are resold, sales tax is due on the difference between the purchase price and the resale price.

Sales Tax Return

The district's business office typically files all sales tax returns for the entire district. It is most efficient for the district to include any sales tax due from all school student store sales districtwide on a single sales tax return. This ensures greater accuracy when preparing the sales tax form.

Use Tax

Use tax must be paid on items purchased from a retailer but for which sales tax was not paid at the time of purchase. This usually occurs when goods are purchased from out-of-state vendors. Just as the district's business office files a periodic sales tax return, it also files a use tax return. It is most efficient to include each student store's information on the district's use tax return.

Additional information about both sales and use taxes can be found on the California Department of Tax and Fee Administration website.

Student Store Daily Sales

Name of School:_____

Name of Club: _____

Student Store Daily Sales

Fiscal Year: _____

Date this report prepared:_____

Item					
Number Sold					
Unit Price					
Total Dollar Value of Units Sold					

Item					
Number Sold					
Unit Price					
Total Dollar Value of Units Sold					

Item					
Number Sold					
Unit Price					
Total Dollar Value of Units Sold					

Item					
Number Sold					
Unit Price					
Total Dollar Value of Units Sold					

Reconciliation of daily sales to the cash collections:

Total dollar value of units sold: _____

Total cash collected: _____

Difference: _____

Explanation: _____

Report prepared by:_____

Signature, Title and Date

Submitted and Approved by:

Student Club Representative: _____

Signature, Title and Date

Club Advisor: _____

Signature, Title and Date

Student Store Daily Inventory Log

Name of School:_____

Name of Club: _____

Student Store Daily Inventory Log

Fiscal Year: _____

Date this report prepared: _____

Item						
Total Number Counted						
Item						
Total Number Counted						
Item						
Total Number Counted						
Item						
Total Number Counted						
Item						
Total Number Counted						
Item						
Total Number Counted						
Item						
Total Number Counted						
Item						
Total Number Counted						
Item						
Total Number Counted						

Report prepared by:_____

Signature, Title and Date

Items counted by: _____

Signature, Title and Date

Items counted by: _____

Signature, Title and Date

Submitted and Approved by:

Student Club Representative: _____

Signature, Title and Date

Club Advisor: _____

Signature, Title and Date

Student Store Monthly Inventory Calculation

Name of School: _____

Name of Club: _____

Student Store Monthly Inventory Calculation

Fiscal Year: _____

Inventory for the month of: _____

Date this report prepared: _____

Item: (e.g. pencil, paper)						
Inventory Count from Last Month	A					
Items Added During the Month						
	B					
	C					
	D					
	E					
	F					
Total (A+B+C+D+E+F)	G					
Less Total of Items Sold	H					
(From Daily Sales Forms)						
Difference (G minus H)	I					
Inventory Count	J					
(From Student Store Inventory)						
Difference (I minus J)	K					

Report prepared by: _____

Signature, Title and Date

Items counted by: _____

Signature, Title and Date

Items counted by: _____

Signature, Title and Date

Submitted and Approved by:

Student Club Representative: _____

Signature, Title and Date

Club Advisor: _____

Signature, Title and Date

Student Store Sales and Inventory Reconciliation Worksheet

Name of School:_____

Name of Club: _____

Student Store Sales and Inventory Reconciliation Worksheet

Fiscal Year: _____

Date this report prepared:_____

Beginning inventory at sales value: _____

Plus: Purchases made during period at sales value:

(For example, if you purchased 20 drinks at varying prices from Costco and sell them all for $1 each, Your addition to inventory would be $20).

Purchase values (maintain records for review including purchase invoice and item pricing): _____

Less: Deposits made during the period from sales: _____

Plus: Sales taxes included in deposits from sales: _____

Less: Documented surplus, destroyed, stolen, etc. inventory at sales value (maintain detailed records): _____

Equals: Inventory sales value to account for at end of period: _____

Physical count of inventory on hand at sales value: _____

Difference: _____

Explanation regarding difference: _____

_____

Report prepared by:_____

Signature, Title and Date

Items counted by: _____

Signature, Title and Date

Items counted by: _____

Signature, Title and Date

Submitted and Approved by:

Student Club Representative:_____

Signature, Title and Date

Club Advisor: _____

Signature, Title and Date

This page intentionally left blank.

Chapter 12 – Gifts and Donations

Gifts and donations from parents, students, community members and business entities are vital contributions to California public schools. These gifts are made in a variety of ways and for a variety of purposes. Schools are frequently the recipients of gifts and donations, which should be deposited into the school's donation account that the district maintains in the general fund, not accounted for through ASB. The exceptions to this are gifts and donations specifically designated for the ASB, which should be deposited and accounted for by the ASB and are subject to the student-directed decision-making process.

Donations can in no way be mandated or made a prerequisite to participating in a club, activity, program or event.

Typically, gifts and donations are made to the district or student body for one or more of three uses:

- For use at a specific school.
- For use in a specific program.
- For student activities.

Gifts and donations may be in the form of cash, scholarships, equipment, or supplies. When a donation is made at the school, it is important for the principal/school administrator or designee to determine whether the donation is meant exclusively for use at that school, if the donor intends the donation to be given to the entire ASB organization or a specific club, or if the donation is for the entire district. The donor may not understand the importance of identifying specifically for whom the donation is intended, so it is important for the district employee who accepts the donation to be able to explain the difference and ensure that the funds are accounted for correctly. Only funds raised by or donated to the ASB should be deposited into the ASB account to be used for ASB purposes.

There is a significant and practical difference between a donation to the school and a donation to the ASB organization. In the former case, funds are allocated to a school or program, there is more latitude regarding what the funds can be used for, and adults always decide how the funds will be spent. In the latter case, funds are deposited into ASB accounts and students decide how the funds will be spent to enhance their educational experience, with the adults' assistance and coapproval (unless this is for an unorganized ASB). In the case of an unorganized ASB, although adults will make all decisions about use of the ASB funds, the allowable uses are more restrictive than for non-ASB funds.

Donations to a District for a Specific School or Program

If a donation is made to a school district for a particular school, or to a specific program, the principal/school administrator or designee will remit the donation to the district's business office in accordance with the district's procedures. If the donation is a check or cash, the district's business office will deposit the funds into the county treasury and record the revenue as a donation for that specific school or program. The school or program budget will then be adjusted to allow the principal/school administrator or designee to use the funds. A separate account is usually set up to identify donated funds and to show how they have been spent

To Table of Contents >>>

and their available balance. Funds that remain unexpended at year end are carried over to the new budget year. The principal/school administrator or designee will determine how to use the donated funds, within district guidelines and in keeping with any donor restrictions about the expenditure and use of the funds.

Board Policy and Administrative Regulations Govern Donations

The district's board policy and administrative regulations regarding gifts and donations need to be understood so employees can follow the correct procedure for notifying the governing board and other district employees and departments when they are received and ensure that the district office records them correctly. In some districts, all donations are brought to the governing board for acceptance; in others, only donations greater than a certain dollar amount are brought to the board. In either case, the correct policy and procedure should be followed. Board policy and administrative regulations should also govern refunds of donations. No matter which organization, school or ASB a gift or donation is intended for, it should be recorded in the district's gift register and accepted by the governing board or their designee, and a written acknowledgment should be sent to the donor.

Donations to an ASB Organization

If a cash or check donation is intended for the ASB organization, the principal/school administrator or designee will deposit the check into the ASB account. The donor should note on the check or in a separate letter that the donation is for the ASB organization and, if applicable, which club. In the absence of this information, the district's business office will usually assume that the donation is intended for the school and the money will be deposited in the district's account for the benefit of the particular school, not the ASB.

If the donation is for the ASB, it must be used in accordance with ASB guidelines and the donor's requests. The donation should also be accepted/approved by the student body, and a thank you letter should be written to the donor, unless district board policy states otherwise (for example, board policy may include information on the correct procedure to follow when receiving donations to the ASB). It is important to review board policy to ensure compliance.

Donations to Students or Families in Need

ASB funds are not intended to provide financial assistance to individuals or families in need. The ASB should not accept donations of funds to assist those in need. Instead, assistance should be provided through a qualified nonprofit organization such as a foundation, school-connected organization, or other charitable entity.

ASB Fundraising as a Donation Drive

Donation drives are typically used when the ASB or a club requests donations to sponsor an ASB activity. Rather than selling items or providing a service, donations are solicited directly. When a fundraiser approval form and revenue potential form have received proper approval, donation drives become allowable.

Students soliciting donations in person should be chaperoned by an adult. As an alternative to in-person solicitation, students may request donations by giving prospective donors instructions about how to donate via mail or through the district's website.

ASB-led donation drives for charity and the use of the ASB account for collecting donations are discussed in Chapter 13 in the section on Clearing Accounts.

Refund of Donation

Generally, refunds of a donation are not allowable. Donations to an ASB or school are similar to donating to a nonprofit charitable organization and are typically nonrefundable. Donations to an ASB and to a school district receive the same favorable tax treatment as those to other nonprofit, tax-exempt organizations. Donations should be accepted based on district guidelines, and an acknowledgment letter should be sent to the donor. If a refund is being considered, there should be board policy or administrative regulations that specify the circumstances under which it will be allowed.

Restricted Donations

If a donor places specific conditions on the donation, it is typically known as a restricted donation. If an ASB is considering accepting a restricted donation, the district's business office should be consulted.

Donated Gift Cards

When an ASB receives a gift card as a donation, the card should be recorded in the ASB's financial records and treated the same as cash. Receipt of donated gift cards should follow the district's board policy and administrative regulations as with any other donation to the district. The receipt of a gift card should be recorded in the ASB's general ledger as an asset, with a corresponding credit to local revenue or another revenue account, such as gift card revenue. Only gift cards donated to or purchased by the ASB should be recorded in the general ledger.

After the donation has been recorded in the ASB's general ledger, use of the gift card should follow the applicable district and/or ASB expenditure rules. For organized ASBs, this includes students determining how the gift card will be used or spent, recording student approval in ASB or club meeting minutes, and obtaining the required approvals using a purchase order before an expenditure is made with the gift card. Gift cards should be stored in the ASB safe. When gift cards are used, at a minimum, a gift card inventory log should be maintained that includes the date of use, the name of the recipient of the card, what the card was used for, and the amount of each card. Gift cards are discussed further in the Purchasing Gift Cards, and Gift Cards as Awards sections of this manual.

Donations of Material or Equipment to the ASB

If a donation consists of material or equipment, the principal/school administrator, ASB advisor, and bookkeeper must understand and follow the district's requirements regarding this type of donation. All districts should require that all ASB donations be formally accepted by the student body and recorded in the meeting minutes. Many districts also require that material or equipment donated to the ASB be approved by the district's governing board or an authorized designee, or that all gifts or donations of equipment or other property be transferred to the district rather than remaining property of the ASB. The district would typically then accept responsibility for maintenance (though not necessarily for replacement) in accordance with district guidelines. The instructions need to be clear so there is no misunderstanding about whether the ASB or the district is responsible for maintenance and replacement.

Before accepting any donation of this type, it must be determined that the school program has a legitimate use for the item and that district policy allows acceptance. For example, many people have donated nonworking computers and printers to schools and ASB organizations. The district should have a policy or procedure to ensure that items are inspected and found to be usable before they are accepted. Installation and maintenance costs must also be considered before an item is accepted.

Donations of Scholarships to an ASB Organization

If they are large enough, donations intended as scholarships may require a separate bank account from the ASB account to simplify tracking the interest the funds earn. In these instances, the school will need to work with the district's business office to open a separate bank account for that purpose.

Whenever possible, student organizations should attempt to persuade potential scholarship donors to donate without special award criteria or restrictions. This will allow the student organization to include the donation in its existing general scholarship fund without a separate bank account or selection and award process. The Memorial Fund/Scholarship Fund form at the end of this chapter can help ensure that the donor's intentions are clear. More information on scholarships is included in Chapter 8.

Donations Between Clubs

Transferring funds, equipment, or supplies between clubs is similar to loaning funds between clubs. This may be allowable depending on the district's board policies, administrative regulations, or the ASB or club bylaws.

If allowable, this should occur only if the students initiate the request, without pressure from adults or other clubs. Funds (and equipment and supplies) raised by the students belong to the students of the club(s) that raised the funds. In an organized ASB, the students are the primary decision-makers.

To properly transfer funds, equipment, or supplies between two clubs, both clubs should meet and document in their respective minutes the students' intent to make the transfer. The donating club should vote to approve the donation, and the accepting club should vote to receive the donation. The minutes of both clubs should state the purpose of the donation.

The ASB or club bylaws and relevant district board policy or administrative regulations should govern what happens when a club transfers funds or other assets to another club. In some instances, the ASB may need to vote to formally approve such a transfer. If there are no district policies, administrative regulations or provisions in the club or ASB bylaws, the first step should be to create a district board policy or update the ASB bylaws to document this process, typically with the help of the principal/school administrator and/or the district's business office.

A detailed accounting of the transfer should be reconciled to ensure the correct amount is transferred to the receiving club. Because the donation is an expense for the donating club, the transfer should be preapproved using a purchase order and authorized by all of the required signers in accordance with the EC 48933(b).

Depending on the ASB accounting system and/or local documented procedures, the transfer may be accomplished using an approved journal entry.

Donations to ASBs from School-Connected Organizations

School-connected organizations (e.g., booster clubs, foundations and other parent-teacher organizations) are independent of both the district and the ASB. School-connected organizations may decide to donate money to an ASB, but once they do so, all ASB rules and requirements apply, and the donor organization no longer has any control or authority over the donated funds.

Nonstudent, school-connected organizations should be organized as distinct 501(c)(3) nonprofit organizations with their own tax identification number; their operations must remain separate and distinct from those of the district and student organizations; and they may not use the district's tax identification number for any of their operations. See Chapter 21 for more information about school-connected organizations.

Good Business Practices for ASB Donation Management

The donation forms at the end of this chapter can be used to ensure donations are recorded correctly. These forms allow a donor's intent to be stated clearly to prevent ambiguity.

Updating gift and donation procedures should be a standing agenda item for the annual district-sponsored ASB meeting with the district's business office. A review of the past year's activities can serve as a starting point, with the intent to improve practices for the coming year. The district should have a policy or administrative regulation detailing how donations should be received, approved, and deposited. Some districts require all donations to be board-approved, while others may have a minimum threshold before board approval is necessary. Regardless of the amount, all donations should be recognized with an acknowledgment letter to the donor.

When the ASB organization spends a donation, it is subject to the same policies and procedures as all other ASB expenses.

Tax-Exempt Status and Disclosure Requirements

When outside business or individuals are considering donating, ASBs are frequently asked for their tax identification number. Neither the ASB nor the district is considered a private nonprofit 501(c)(3) organization; rather, they have nonprofit, tax-exempt status because they are a governmental entity as described in Title 26, Internal Revenue Code, United States Code, Chapter 1, Section 170: "Charitable, etc., contributions and gifts" (21 USC 170). The term charitable contribution is defined in 21 USC 170(c), which explains that charitable contribution or gift means a contribution or gift to any political subdivision of the United States (e.g., a school district or ASB) if it is made for exclusively public purposes.

IRS Publication 1771 provides the substantiation and disclosure requirements for charitable contributions. These include recordkeeping rules and contemporaneous written acknowledgment requirements. Pages 3 through 11 of Publication 1771 state, in part, the following:

> **Charitable Contributions – Substantiation and Disclosure Requirements**, Publication 1771, provides a general explanation of the federal income tax law for

organizations, such as charities and churches, that receive federal income tax-deductible charitable contributions and for donors who make contributions.

The IRS imposes recordkeeping and substantiation rules on donors making charitable contributions and disclosure rules on charitable organizations that receive certain quid pro quo contributions from donors.

- Donors must have a record of the contribution or a timely written communication for any monetary contribution before donors can claim a charitable deduction on their federal income tax returns.
- Donors are responsible for obtaining a contemporaneous written acknowledgment from a charitable organization for any single monetary contribution or noncash contribution valued at $250 or more before donors can claim a charitable deduction on their federal income tax returns.

Monetary Contribution Requirement

A donor cannot claim a federal income tax deduction for any monetary contribution unless the donor maintains a record of the contribution or a timely written communication from the charitable organization showing the name of the organization, the date of the contribution, and the amount of the contribution...

A written communication includes a receipt, a letter, and an email.

A timely written communication from the charitable organization is one that the donor receives from the organization on or before the earlier of the date the donor files the donor's original federal income tax return for the taxable year in which the contribution was made or the due date, including extensions, for filing the donor's original return for that year...

Contemporaneous Written Acknowledgment

A donor cannot claim a federal income tax deduction for any single contribution valued at $250 or more unless the donor obtains a contemporaneous written acknowledgment of the contribution from the recipient charitable organization. An organization that does not acknowledge a contribution incurs no penalty; but, without a contemporaneous written acknowledgment, the donor cannot claim the federal income tax deduction. Although it's a donor's responsibility to obtain a contemporaneous written acknowledgment, a charitable organization must assist a donor by providing a contemporaneous written statement containing:

1. The name of the organization.
2. The amount of any monetary contribution.
3. A description (but not the fair market value) of any contribution of property.
4. A statement that no goods or services were provided by the organization in return for the contribution, if that was the case.

5. If the organization did provide goods or services in return for the contribution, a description and good faith estimate of the fair market value of the goods or services.
6. If the organization only provided intangible religious benefits (described later in this publication) in return for the contribution, a statement so providing.

It isn't necessary to include either the donor's Social Security number or tax identification number on the contemporaneous written acknowledgment.

A separate contemporaneous written acknowledgment may be provided for each single contribution valued at $250 or more, or one contemporaneous written acknowledgment, such as an annual summary, may be used to substantiate several single contributions valued at $250 or more. There are no IRS forms for the contemporaneous written acknowledgment. However, samples of such acknowledgments are provided below.

Letters, postcards, or computer-generated forms with the above information are acceptable. A charitable organization can provide either a paper copy of the contemporaneous written acknowledgment to the donor, or an organization can provide the acknowledgment electronically, such as via an email addressed to the donor. A donor shouldn't attach the acknowledgment to his or her individual federal income tax return, but must retain it to substantiate the contribution. Separate contributions of less than $250 will not be aggregated. An example of this could be weekly offerings to a donor's church of less than $250 even though the donor's annual total contributions are $250 or more.

Whether to use a written acknowledgment form documenting the contribution or gift acceptance is a local decision and subject to the district governing board's policies or administrative regulations, or other requirements or practices. The district's business office may develop policies or administrative regulations that the governing board approves regarding approval and acceptance of donations. The policy may include an amount threshold required for the donation to be approved by the governing board, or whether the board may allow less frequent reporting or respond only to larger donations. However, regardless of the policy details, any acknowledgment should contain at least the information described above. See Chapter 21 for additional information about school-connected organizations and status as nonprofit organizations.

District Tax Identification Number

A district's tax identification number should always be treated confidentially; it should not be given out when asked because donors do not need it to claim a tax deduction. All requests for the district's tax identification number should be forwarded to the district's business office unless each school has been given a letter to send out when asked for the number. Many districts have developed a letter for requesters that will meet their need to document a tax-deductible donation. A sample letter is included at the end of this chapter.

A tax-exempt organization like the district may need an affirmation letter from the IRS to confirm its tax-exempt status or to show a change in its name or address. Tax-exempt organizations that need such a letter can contact the IRS via its website at irs.gov or by contacting its

customer account services by phone, letter or fax. A request for affirmation letter must include the following information:

- Full name of the organization.
- The organization's employer identification number (or tax identification number).
- Authorized signature (of an officer or trustee).

The individual who signs the letter from the tax-exempt entity to the IRS must state the capacity in which they are signing (for example, "John Smith, president of the board of trustees").

The IRS affirmation letter will describe government entities' exemption from federal income tax and cite applicable Internal Revenue Code sections pertaining to deductible contributions and income exclusion. Most organizations and individuals will accept the government affirmation letter as proof of an organization's tax-exempt status.

Donation to ASB

Name of School: _____

Name of Club: _____

Donation to ASB

Fiscal Year: _____

Name of Donor: _____

Street Address: _____

City, State & ZIP: _____

Telephone: _____

Description of the donation: (If cash or check, show the exact amount; if other than cash or check, include a detailed description of each item, including serial number, color, etc.)

Donor's estimate of value: _____

Purpose of the donation (ASB organization, school, or district program): _____

_____

If the donation is for a club or organization that is part of a school's ASB, indicate the name of the club or organization and deposit the cash or check into the ASB bank account. Retain this form as a record of the donation.

If the donation is for the district, either for the use of the school or for another district program, forward the cash, check, or other item to the district's business office with this form. Explain below whether the donation is for the school or a specific district program.

Report prepared by: _____
Signature, Title and Date

Verified by ASB bookkeeper: _____
Signature, Title and Date

Donor: _____
Signature, Title and Date

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

Memorial Fund/Scholarship Fund Information Sheet

Name of School: _____

Name of Club: _____

Memorial Fund/Scholarship Fund Information Sheet

Fiscal Year: _____

Memorial/Scholarship Name:_____

Year Memorial/Scholarship Established: _____

Initial Amount:_____

Name of Donor: _____

Contact Name: _____ Relationship: _____

Address: _____

City: _____State: _____ ZIP: _____

Telephone:_____

Fax:_____

Email: _____

This Gift is in Memory Of:_____

Intended Purpose: _____

Selection Criteria: (attach application and essay instructions if applicable)

Annual Award:_____

Special Instructions: _____

Report prepared by:_____

Signature, Title and Date

Verified by ASB bookkeeper: _____

Signature, Title and Date

Principal/School Administrator or Designee:_____

Signature, Title and Date

Presented to ASB on: _____

Date

IRS regulations prohibit donors from selecting scholarship recipients.

Donors may not request that their donations be returned to them once deposited by the district.

Donor: _____

Signature, Title and Date

Letter Regarding Tax-Exempt Status

(Use district or school letterhead)

Date

To whom it may concern:

Thank you for interest in supporting our schools. We often receive inquiries about our nonprofit status. Please accept this letter as certification that the Sample USD qualifies as a not-for-profit organization. We are a state educational institution, which is considered a political subdivision of the State of California. Because of this, we are considered a nonprofit state entity rather than a private 501(c)(3) nonprofit organization. Donations and private grants made to our schools are tax-deductible under these statutes.

If you have further questions, please feel free to contact me at (000) 000-0000.

Sincerely,

Name

Chief Business Official

This page intentionally left blank.

Chapter 13 – Cash Receipt Management and Procedures

Sound cash management procedures are essential for successful ASB operations. The most common ASB-related finding in a district's annual audit involves inadequate internal control procedures when handling cash from the time it is collected until it is deposited into the ASB bank account. Most fraud in ASB activities is directly related to inadequate or ineffective cash or check handling procedures.

Chapter 5 discusses the importance of sound internal control procedures. When handling cash, such procedures both discourage theft of ASB funds and protect those who handle the funds. Whenever students hold a fundraising event or collect cash, the students, with their advisor, should establish and implement internal controls.

The ASB bookkeeper should also establish and implement sound internal controls for the distribution of cash boxes, and for cash controls (e.g., tickets, receipt books) both before a fundraiser as well as after when cash and checks are received to be deposited at the bank. The internal controls discussed and recommended in Chapter 5 are essential to protect the ASB's assets (e.g., cash) and to protect students and employees who handle cash from accusations of fraud. They also make it easier for all involved to determine whether any discrepancies are the result of simple error or possibly something more serious.

In today's electronic financial environment, every effort should be made to offer non-cash payment options, including credit cards, debit cards and internet-based purchasing alternatives for students and parents. Eliminating or limiting cash transactions improves internal controls and efficiency.

Good Business Practices for Cash Procedures

The cash control procedures described in this chapter are easy to implement and follow, and in most instances the cost is minimal. Each principal/school administrator should ensure that the ASB advisor and students understand that their fundraiser may not be approved unless cash control procedures have been established for the event.

The ASB advisor is responsible for ensuring that the procedures are followed from the time the fundraising event begins until it is complete. If an advisor is not willing to accept this responsibility, the principal/school administrator should not approve the fundraiser and may need to reassess that advisor's role.

Audit Findings and Preventive Action

In response to audit findings related to cash control procedures, principals/school administrators often indicate that they did not have time to implement the right procedures or that implementing the controls would cost too much. This is not true. As noted earlier, implementing good internal controls for cash handling frequently involves little or no cost and little additional time if understandable procedures are available and the individuals involved are trained in their use.

To Table of Contents >>>

Internal controls not only protect against fraud but also help prevent honest errors and act as a defense for the innocent when fraud or errors do occur. Each year there are numerous reports of fraud in the handling of ASB funds. Cash receipt control procedures provide evidence that cash was handled properly. Without good practices, there is no information to determine whether or not fraud occurred.

Well-planned internal controls that students and employees follow consistently will leave a clear record of who did what, when, and why. When the principal/school administrator insists that students and advisors follow good internal control procedures, they are protecting the students, the staff, and themselves against false accusations if something does go wrong. For this reason, if anyone involved in the fundraising does not want to follow sound internal control procedures, they should not be involved in the fundraiser.

Proper cash control procedures should be established and followed at two stages of cash collection: when the fundraising event is held and the cash and checks are collected, and when the cash and checks are given to the ASB bookkeeper for deposit into the ASB bank account. This chapter explains the cash control procedures at both stages.

Cash Control Procedures for Fundraising Events

It is important to be able to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are properly turned in and accounted for. To accomplish this, student organizations, clubs, ASB advisors, and school administrators must ensure that proper internal controls exist for collecting cash, including the following:

- Proper inventory of concession, student store and vending machine items.
- No commingling of receipts from separate events.
- Use of three-part receipts when submitting all event proceeds, or issuing multiple printed copies of the receipt from the accounting system.
- Immediate delivery of all event proceeds to the ASB bookkeeper or secretary.
- Proper cash handling and physical chain of custody for all cash receipts, including:
    a. Two or more individuals collecting, counting, transporting, and depositing cash. Students may help with this; however, an adult must always be present to supervise students. Cash should never be handled without two people present.
    b. Use of a cash collection form, signed by all individuals who help count the cash.
    c. Use of tamper-evident bank bags to store and transport cash awaiting deposit.
    d. Transport of cash by two or more individuals to the ASB bookkeeper for safekeeping in the school safe, and to the bank. The best practice is to have a carrier service transport funds from the school to the bank when possible.

This section describes simple cash control procedures that can be used for any fundraising event. The sales at the school store are also considered fundraising. Each control procedure has strengths and weaknesses; thus, different control procedures are suited to different types of fundraisers. Nonetheless, some method must be implemented that allows for reconciliation between money collected and the fundraiser sales records.

These cash control procedures are:

- Prenumbered tickets for all sales events.
- Ticket control forms.
- A point-of-sale system or cash register for store- or window-type sales.
- Prenumbered receipt books for all receipt transactions.
- A tally sheet for designated activities.
- Inventory control for vending machines, student stores and concessions.
- Cash boxes to make change and keep the received money safe.
- Cash count forms.
- Tamper-evident bank bags to secure funds after counting and for transport to the school safe or bank.

The following table shows nine different cash control procedures and examples of different events where each procedure may be most effective. However, different control procedures can work for almost any event if the procedure is well thought out and followed closely.

Control Procedure	Types of Events
Prenumbered Tickets	Dances Entertainment events Car washes Athletic events Festivals
Ticket Control Form	Any event
Cash Register	Student store Concession stands
Prenumbered Receipt Books	Publication sales Sale of advertising space
Tally Sheets	Dances Car washes Bake sales
Inventory Control	Vending machines Candy sales
Cash Box Cash Count Form Tamper-Evident Bank Bag	Any Event

After a fundraising event is scheduled, the advisor is responsible for ensuring that control procedures are in place. The advisor should help students select and develop good business practices for cash receipts and control procedures and help implement the correct internal controls once the event begins. No student should handle cash without direct adult supervision.

The principal/school administrator responsible for reviewing and approving the fundraising activity request should ensure that the club advisor has developed proper controls as part of their fundraiser planning and will be able to implement those controls.

Following are detailed steps for how different procedures should be used.

Prenumbered Tickets

1. The ASB bookkeeper (or other employee responsible for bookkeeping) at the school is typically responsible for purchasing prenumbered tickets and storing them in a safe place. Generally, only the bookkeeper, principal/school administrator (or designee), or ASB advisor should have access to the ticket rolls.
2. The ASB bookkeeper must maintain a record of the number of rolls of tickets in inventory and the beginning and ending ticket numbers on each roll. The Ticket Inventory form later in this chapter was designed for the bookkeeper to use for this purpose. When a roll of tickets is given to an advisor for a fundraising event, the beginning number is recorded on the form when the roll is issued, and the ending number is recorded when the roll is returned to the bookkeeper.
3. At the fundraising event, this cash control procedure involves two or more people. Ideally, one person collects the money and issues the prenumbered tickets as proof of purchase, while a second person acts as a witness of the funds collected. A third person collects the prenumbered ticket when the person enters the event.
4. At the end of the fundraising event, the total number of tickets issued is counted and recorded on the Report of Ticket Sales form. A second person should count the tickets that were collected to verify the accuracy of the count.
5. At the end of the fundraising event, at least two people should independently count the cash and checks collected. They should use the ASB Cash Count form to help with this.
6. The students then enter the amount of the total cash counted on the Report of Ticket Sales form.
7. If the number of tickets sold does not equal the amount of cash collected, the students and the advisor should determine the reason for the cash overage or shortage immediately after the event.
8. At the end of the event, usually the advisor but sometimes another responsible adult should ensure that the following items are placed in a tamper-evident bank bag and that the bag is sealed, transported with a witness, and stored in the school safe: cash and checks, Report of Ticket Sales form, and ASB Cash Count form. The remaining unsold tickets should also be placed in the safe. It is the best practice to ensure that all of the original signed documents used to verify counts (e.g., Report of Ticket Sales form and ASB Cash Count form) are enclosed in the tamper-evident bank bag. The advisor should retain a second copy of these forms for the club's records. Each school should establish after-hours cash security procedures so cash and checks can be stored in a tamper-evident bank bag in the school safe until the amounts can be counted and verified by the ASB bookkeeper and a witness.

9. The next school day, if the advisor has not provided the original forms described in step 8 above, they should provide the ASB bookkeeper with the Report of Ticket Sales form, the ASB Cash Count form, and the remaining tickets. The cash and checks should already be in the school safe. When the cash and checks are retrieved from the safe, the bookkeeper should issue a receipt for the cash and checks, but only after the two individuals (e.g., advisor and the bookkeeper) have counted the dollar amount together and recorded that amount on the receipt. If the advisor is not able to count the funds with the bookkeeper, another individual must do so; the bookkeeper should never count funds alone. Supervised students may help count money at fundraisers, the student store, and other locations, and help the ASB bookkeeper as a second witness.
10. For events that have tickets of different prices, the students should use different colored tickets for each price. The students must account for each roll of tickets separately, but they may use the same cash count and ticket sales forms.
11. Event tickets should be kept at least until after the annual audit of the ASB is complete, but not for more than two years. Some auditors will audit tickets and cash receipts before the end of the fiscal year, but other auditors will not audit these until October of the following fiscal year. FCMAT recommends discussing records retention requirements with the district's auditor.

In an organized ASB, any funds raised by students are under their control, and they should be involved with collecting and counting the funds. Students in an unorganized ASB may also participate in collecting and counting funds, subject to approval by the school administrator overseeing the ASB and its fundraisers. Older students in an unorganized ASB such as those in grades 6-8 or continuation schools, are encouraged to be involved in the cash counting as well.

Funds collected in a student store have the same internal control requirements. Anyone who helps count funds should also sign the cash count form or any other form used to demonstrate funds were counted with a witness or witnesses.

Cash Registers

Following are cash handling steps for cash registers:

1. Each time a sale is made, the person working at the cash register rings up the sale.
2. At the end of the day, the cash register tape total should equal the total of the cash collected.
3. At the end of the day, the total cash in the cash register should be counted and recorded on the ASB Cash Count form.
4. Students working in the student store who operate cash registers or cash boxes may be involved counting the cash. Depending on district policy, two students may close their work shifts by helping to count each other's cash drawer, and both should sign and date each cash count form. Next, recount the funds with the adult advisor, who verifies the amounts, cosigns, and dates the cash count form. Or each student may close their shift by counting the collected funds together with the advisor. There is no limit to how many individuals may count funds and sign the cash count form as a witness; however,

there must always be at least one responsible adult supervising students during all cash collections and counting of funds.

5. The advisor should immediately investigate any significant differences between the cash register tape and the amount reported on the ASB Cash Count form.
6. At the end of the day, the certificated employee responsible for ASB, typically the advisor, should ensure that the cash, the ASB Cash Count form, and the cash register tape are placed in a tamper-evident bank bag, sealed, and transported with a witness for storage in the school safe. Each school should establish after-hours cash security procedures so cash and checks can be stored in a tamper-evident, sealed bank bag in the school safe until the amounts can be counted and verified with the school bookkeeper and a witness. Supervised students may help count money at fundraisers, the student store, and other locations, and help the ASB bookkeeper as a second witness. No one should count money alone.
7. The next school day, unless the ASB Cash Count form and cash register tape are included in the tamper-evident bank bag with the cash and checks already placed in the safe, the advisor should provide the ASB bookkeeper with the ASB Cash Count form and the cash register tape. When the cash and checks are retrieved from the safe, the bookkeeper should issue a receipt for the cash and checks, but only after the two individuals (ideally the advisor and the bookkeeper) have counted the dollar amount together and recorded that amount on the receipt. If the advisor is not able to count the funds with the bookkeeper, another individual (this can be a student) must do so; the bookkeeper should never count funds alone.
8. After the funds are counted and the bank deposit form is completed, cash and checks should be sealed in a tamper-evident bank bag and placed in the safe with a witness present. Then the safe door should be closed and locked while waiting for transport to the bank or carrier service.
9. Ideally, funds should be transported to the bank by a carrier service. However, if this is not possible and they are transported by school personnel such as the ASB bookkeeper, there should always be at least **two adults** who transport the funds to the bank together. Any adult as the second witness is acceptable. If not transporting funds together, one adult may follow in their vehicle as long as both individuals can be in visual contact during the transport.

Prenumbered Receipt Books

Following are steps for prenumbered receipt books:

1. The ASB bookkeeper is typically responsible for purchasing prenumbered receipt books and maintaining an inventory of all receipt books. The receipt books purchased should contain triplicate copies of each receipt.
2. The ASB bookkeeper should maintain a log of all receipt books and record the issuance of each book. The bookkeeper should record the beginning number of the receipt in the book when it is issued to the ASB advisor and the ending number when the ASB advisor returns it. The Receipt Book Log form at the end of this chapter can facilitate this recordkeeping.

3. Receipts used for a fundraising event should be in triplicate, with copies issued as follows:
    - One copy is given to the person making the purchase.
    - One copy is turned in with the cash.
    - One copy remains in the book as the historical record.
4. Receipts must always be issued in sequence.
5. The students need to note the following items on each receipt:
    - The date.
    - The description and number of items sold.
    - The total cash collected.
    - The name of the person who received the goods.
    - The name of the person who prepared the receipt.
6. If a mistake is made on a receipt, the student should mark the receipt void and issue another. For voided receipts, two copies remain in the receipt book, and one copy is turned in with the cash to ensure the continuity of receipts.
7. At the end of the fundraising event, the amount of cash reported on the receipts is totaled and the receipts are sorted in numerical order. The students must account for all of the receipts that were used from the receipt book. At the end of the fundraising event, at least two people should count the cash and checks collected. The ASB Cash Count form at the end of this chapter should be used for this purpose.
8. If the amount of cash recorded as collected on the cash receipts does not match the cash reported on the ASB Cash Count form, the students and the advisor should determine the reason for the cash overage or shortage immediately after the event.
9. At the end of the day, the advisor should ensure that the cash and checks, the ASB Cash Count form, and all receipts (even if voided) are stored in a safe place. Each school should establish after-hours cash security procedures so collected cash and checks can be stored in a tamper-evident bank bag in the school safe until it can be counted and verified by the school bookkeeper and a second witness.
10. The next school day, when the cash and checks are retrieved from the safe, the bookkeeper should issue a receipt for the cash and checks, but only after two people, typically the advisor and the bookkeeper, have counted the cash together and recorded that amount on the receipt. If the completed ASB Cash Count form was not included in the tamper-evident bank bag, the ASB Cash Count form and all the receipt books must also be returned to the bookkeeper. If the advisor is not able to count the funds with the bookkeeper, another individual must do so; **the bookkeeper should never count funds alone**. Although nobody should count money alone, supervised students may help count money at fundraisers, the student store, and other locations, and may help the ASB bookkeeper as a second witness.

Tally Sheets

Following are steps for tally sheets:

1. 1. When tally sheets are used as the cash receipt control procedure, two people should be involved: one person makes a mark on the tally sheet when an item is sold and issues the goods; the other person takes the cash.
2. The students may use a tally sheet to mark the number of items sold.
3. At the end of the event, the number of items sold is multiplied by the item's price.
4. At the end of the event, at least two people should independently count the cash and checks collected. The students should use the ASB Cash Count form to help with cash counting.
5. The amount computed on the tally sheet is compared to the amount of cash reported on the ASB Cash Count form. If the amount on the tally sheet does not match the amount of cash collected, the ASB advisor and the students should determine the reason for the difference immediately after the fundraising event.
6. At the end of the day, the certificated employee responsible for ASB, typically the advisor, should ensure that the cash, the original ASB Cash Count form, and the tally sheet are placed in a tamper-evident bank bag, that the bag is sealed, and that it is transported with a witness to be stored in the school safe. The best practice is for all of the original signed documents used to verify counts (e.g., Tally Sheet form and ASB Cash Count form) to be enclosed in the tamper-evident bank bag. The advisor should retain a second copy of these forms for the club's records. Each school should establish after-hours cash security procedures so cash and checks can be stored in a tamper-evident bank bag in the school safe until they can be counted and verified with the ASB bookkeeper and a witness.
7. The next school day, unless the ASB Cash Count form and Tally Sheet form are included in the tamper-evident bank bag with the cash and checks already placed in the safe, the advisor should provide the ASB bookkeeper with the ASB Cash Count form and the tally sheet. The cash and checks should already be in the school safe. When the cash and checks are retrieved from the safe, the bookkeeper should issue a receipt for the cash and checks, but only after the two individuals (e.g., the advisor and the bookkeeper) have counted the cash and checks together and recorded that amount on the receipt. If the advisor is not able to count the funds with the bookkeeper, another individual should do so; the bookkeeper should never count funds alone. Students may help count money at fundraisers, the student store, and other locations, and may help the ASB bookkeeper as a second witness. No one should count cash alone.

Cash Box

Cash boxes should be checked out from the ASB bookkeeper when needed. Usually an amount of startup or advance cash is provided in the box so change can be made at events. The startup or advance cash should be counted with a witness and the amount should be identified as startup or advance cash on the cash count form or its own separate startup or advance cash form, and the form should be signed and dated. Cash boxes should always be kept in the safe between uses. If the safe is not large enough to hold cash boxes, the startup cash needed for each cash box should remain in the safe in the tamper-evident bank bag that will accompany the cash box when it is issued. This ensures that a tamper-evident bank bag is included in each cash box. Cash box procedures are important to help ensure the success of the procedures discussed above (prenumbered tickets, cash registers, prenumbered receipt

books, and tally sheets). The security of both the cash box and the staff or students entrusted with the cash box is essential.

Counting and Transporting Funds with a Witness

After an event ends, the funds have been counted by at least two witnesses, the cash count form has been completed, and funds have been placed in a district-provided tamper-evident bank bag and sealed with a witness present, those transporting funds to the school safe should be accompanied by security personnel or at least one witness.

If security personnel are not available, another responsible adult should be available to help escort the cash boxes to school safes. Arrangements should always be made so that those transporting cash are never expected to do so alone. If an escort cannot be obtained, or if the funds cannot be kept in the safe overnight, the fundraiser should not take place. Having witnesses is always important because some individuals may anticipate that the cash collected is not secure, notice that there are poor controls to safeguard the funds, and attempt to steal those funds.

Chapter 8 discussed how to use the Revenue Projection form and the Fundraising Event Profit form to estimate the amount of profit students expect to earn from a fundraising event. These forms have a place to report the results of the fundraising event as well as the estimated sales and expenses. The ASB advisor should help the students complete the Revenue Projection form and the Fundraising Event Profit form at the end of the fundraising event. This is a sound internal control to determine that the funds were handled properly and will help students determine what types of fundraising events are most profitable and worth repeating. It also teaches students the relationship between budgeted or estimated and actual revenue and expenses and profit and loss.

Credit and Debit Cards

It is increasingly common for parents to use a credit or debit card or web-based purchasing option rather than write a check, and ASBs are often asked if they can accept payment by credit or debit card for a variety of things. The answer depends on whether the district's board policy and procedure allow the use of such cards for payment (revenue). If the district allows payment by credit and debit card, then, unless policy states otherwise, the ASB may allow it as well. The ASB should follow all district policies and administrative regulations when taking such payments.

The cash collection procedures described in this chapter are applicable to credit and debit cards. Substitute the credit and debit card receipt for cash, but otherwise follow the same procedures.

Credit Card Surcharges

Civil Code 1748.1 made it illegal for the retailer (which in this case is the school or ASB) in any sales, service, or lease transaction to impose or pass on a surcharge to a consumer who elects to use a credit card instead of paying by cash, check, or similar means. However, it may be legal for a bank to charge such fees to a retailer. A retailer is permitted to increase sales prices to cover the cost of these fees, and/or to offer a lower price or discount to all purchasers if they pay with cash or a check.

The ASB should disclose clearly and prominently what it will charge for an item, including any additional fees. This will ensure the ASB does not violate California laws prohibiting deceptive or false advertising.

The best practice is to offer sales at the same price regardless of the type of payment (cash, credit or debit card), and to increase the sales price rather than adding any fees to the final purchase. If a district is considering adding credit card surcharges to their sales transaction, they should first discuss this practice with district legal counsel to determine how best to proceed.

Cash Control Procedures for the ASB Bookkeeper

The ASB bookkeeper is typically responsible for providing any materials ASB advisors and clubs need for fundraising events, such as ticket rolls, receipt books, and all necessary forms, and for keeping sufficient stock on hand. The ASB bookkeeper is also typically responsible for the cash and checks from the time they are received from the ASB advisor until they are deposited in the bank.

The principal/school administrator or designee must work with each student organization and school employee to develop methods for securing cash collected after hours and on nonschool days.

The following table identifies the different internal control measures clubs use for fundraisers and the documents that should accompany the cash and checks when they are turned in to the bookkeeper and a receipt is given to those who brought the funds.

Cash Control Procedure	Documents
Prenumbered Tickets	All cash and checks collected All remaining tickets Report of ticket sales ASB Cash Count form
Cash Register	All cash and checks collected The cash register tape ASB Cash Count form
Prenumbered Receipt Books	All cash and checks collected All receipt books issued One copy of the receipt issued ASB Cash Count form
Tally Sheets	All cash and checks collected Tally sheets used ASB Cash Count form
Cash Box Cash Count Form Tamper-Evident Bank Bag	Cash collection Record cash collections Safeguard cash collections

Internal Controls for Cash After Receipt

The following are good business practices and internal controls for the ASB bookkeeper to follow when handling the cash and checks after they are received:

1. At the fundraiser, the advisor and a witness should count funds together, both should sign and date the Cash Count form, and they should seal the dual-counted funds in a tamper-evident or locking bank bag for transport, also with a witness, to the school safe and bookkeeper. The witness may be a supervised student who helps count and/or transport funds. A tamper-evident bank bag should be used so there is some certainty that the money counted and put in the bag after the event cannot be tampered with before the bookkeeper can count it. The funds should be kept in a safe until counted.
2. The ASB bookkeeper should not accept any cash or checks unless they are accompanied by the appropriate documents. This is often a judgment decision when funds are brought to the bookkeeper, because it may be students transporting the funds. The bookkeeper will need to decide if it is more appropriate to receive money from students even though documents are missing rather than refuse the deposit and send the funds back to the students' advisor.
3. The ASB bookkeeper should always count the money in the presence of a second witness, preferably the advisor or other designee. This is known as a dual cash count. Although this is always recommended, those in the field often state that there is not enough time to do it. Time should be set aside to count the receipts together, because if a dual cash count is not performed and the advisor and bookkeeper end up with different totals, one of them may be suspected of wrongdoing. Many schools have established times when cash can be brought to the bookkeeper to be counted in the presence of the person who brings the receipts. The bookkeeper and witness should compare their count to the information turned in by the ASB advisor. This includes the following:
    - ASB Cash Count form.
    - Cash register tape.
    - Report of ticket sales.
    - Receipt book log.
    - Tally sheet.

Fraud Alert

If the proper documentation is not received and/or if that documentation does not contain the initials or signatures of the individuals who counted the funds, there is a risk that someone may allege that more funds were raised than the bookkeeper verifies. All funds should be counted by those conducting the fundraising.

Fraud Alert

The cash count/deposit form must be at least in duplicate. To protect those performing the fundraising and the ASB bookkeeper, the fundraising club should retain a copy of the cash count/deposit form for comparison to the amount posted to their club account. When the ASB bookkeeper has sole custody of the funds raised and the only supporting documentation, the opportunity for theft without detection is significant because transaction amounts can be altered and receipts can be voided or destroyed. Always have multiple-copy cash count/deposit and fundraising forms, and always ensure that the club retains one copy when submitting documents to the ASB bookkeeper.

4. The bookkeeper should immediately notify the advisor of any discrepancies noted during the money count. Both the ASB bookkeeper and a witness should sign the Cash Count form and initial the difference.
5. As soon as the advisor and bookkeeper determine the reason for the discrepancy, they should report any significant discrepancies to the principal/school administrator. The loss of tickets is the same as the loss of cash. If the remaining tickets do not reconcile with the money collected to date, something has gone amiss, and a plan should be developed to ensure that it does not continue.
6. The ASB bookkeeper is responsible for endorsing the back of the checks received. Typically, a stamp is used that states, "For deposit to the bank account of the Sample ASB."
7. After the ASB bookkeeper has verified the amount of money, the bookkeeper and the witness(es) should sign and date the ASB Cash Count form and, if applicable, verify and sign other submitted forms (e.g., Report of Ticket Sales, Tally Sheet) and give a copy to the ASB advisor. This information is evidence that the amount of cash the ASB bookkeeper received matches the amount the ASB advisor turned in.
8. Once money is dual counted, and with the witness still present, it should be placed in a new tamper-evident bank bag with the deposit slip, sealed, and placed in a safe, where it should remain until it is retrieved by carrier service or transported to the bank with a witness.
9. To create a record of receipt of the cash, the ASB bookkeeper should prepare a written receipt indicating the amount of money shown on the ASB Cash Count form and give a copy of the receipt to the ASB advisor when the funds are received. The ASB bookkeeper should use a triplicate receipt book for this process or print a receipt from the accounting software.
10. The ASB bookkeeper is typically responsible for storing cash and checks and the supporting documents in a secure, fireproof safe until it is

Fraud Alert

Ensure that the total of the checks and cash received matches the total collected. Would-be thieves swap receipts for checks with those for cash, enabling them to replace cash with checks received and pocket the cash. Many cash count forms are designed to verify that the total of the numbered receipts is the same as the combined total of cash and checks; however, this will not stop fraud.

All numbered receipts should be accounted for using beginning and ending numbers from the prior deposit and for completeness with the current deposit. No receipt numbers should be missing, and cash and check receipts should be matched within the cash and check category totals. Finally, the name on the check should be matched with the name on the receipt. To commit fraud, most perpetrators of fraud need to have several event deposits available and the time and opportunity to mix and match checks and cash as needed. Good ASB bookkeepers will notice that they have not received funds for activities they know have occurred and will notify the school administrator and activities director of any patterns observed.

Fraud Alert

Trusting advisors too often leave funds unattended on the ASB bookkeeper's desk. When the ASB bookkeeper returns, the funds have been taken. When the ASB bookkeeper is not available, assign another individual to receive the deposit and sign for the funds received. As a second level of theft deterrence, install surveillance cameras. Do not leave money unattended.

counted in the presence of a witness and deposited in the bank with a witness. Because of the amount of cash often stored on site, each school should have a secure safe for cash storage (although using ASB funds to purchase a safe may be allowable if approved by the students, the district should purchase a safe if needed because it is responsible for proper internal controls and administration of ASB funds).

11. Deposits should be made to the ASB bank account at least weekly, though within two to three school days of collection is the best practice. Avoid leaving money at school over the weekend or holidays because many thefts occur during those times. If money is left at school during those times, ensure that there is a procedure for securing the funds in the school's safe.
12. When the funds have been deposited, the ASB bookkeeper should retain a copy of the deposit slip with all the documents from the fundraising event. This is important so the auditors can determine when the fundraising proceeds were deposited and compare the amount deposited to the amount collected.
13. The ASB advisor is typically responsible for maintaining the stock of prenumbered, tamper-evident bank bags, locking bank bags, ticket rolls and receipt books, and for updating the Ticket Inventory and Receipt Book Log forms whenever tickets or receipt books are used.

Petty Cash and Change Accounts

Petty Cash

There are reasons for establishing a petty cash fund for ASB operations, such as to make immediate cash payments of a small amount. These expenditures require the same documents and the same prior approval as other disbursements. Petty cash accounts should be established only in ASBs with the strongest of internal controls and only if authorized by district board policy. An ASB cannot open a petty cash fund without district office approval.

Change Account/Startup Cash

A change account or startup cash is normally checked out from the bookkeeper for individual fundraisers or activities and should be used solely for making change. Expenditures should not be made from this account under any circumstances. When the fundraiser is complete, the change account or startup cash should be deposited back into the bank account.

General cash control procedures for petty cash and change accounts or startup cash include the following:

1. **Security**: Must be secured in the ASB fireproof safe.
2. **Accountability**: Cash balances must always equal their authorized value plus any receipted deposits or minus any receipted disbursements.
3. **Control**: A responsible student or staff member must sign out the change box (cash) from the bookkeeper; this should be permitted only for approved fundraisers.
4. **Authorizations to increase cash balances**: Occasionally it may be necessary to temporarily increase the school's on-hand change box balances above the approved limit. The request to do so should go to the district's business office and should include

justification for the temporary increase and a projected date when the balance will be returned to within its original limit.

Clearing Accounts

Generally, ASB trust accounts are not clearing or pass-through accounts. For purposes of this discussion, a clearing account is considered a pass-through account. The ASB bank account should not be used for any transactions other than ASB transactions. An example of an acceptable ASB clearing account is discussed below. Districts establish clearing accounts to set certain financial transactions apart from regular accounts so that different types of transactions are not commingled. They are temporary holding accounts, so a balance will not exist at the end of any fiscal year because all cash will have been transferred to another account. These transfers should be made monthly.

> **Fraud Alert**
>
> Fraud perpetrators will set up suspense and clearing accounts to move funds in and out of club accounts. When a perpetrator finds a club that is not monitoring and reconciling its financial activities, funds can be cleared to the club's detriment. If a club notices that their account is incorrect, the perpetrator makes a correction and proceeds to abuse another club's account. Requiring the ASB bookkeeper to obtain signatures indicating that a transfer is approved and documentation retained will make any unauthorized transactions stand out. Printing the detailed transaction report of all clearing and suspense accounts monthly (or at least semiannually) will also identify activity even when the ending balances are zero.

For example, if non-ASB cash is collected at a school for library fines or AP exam test fees, it should **not** be deposited into the ASB account and then transferred to the district's general fund. Rather, it should be deposited to a district school site clearing account, then transferred to the general fund at a later time.

An approved ASB clearing account may be used when a fundraiser is allowed that supports a charity. In this instance, donations that are not specifically written to the charity may be deposited into a separately created ASB clearing account, unless the district's business office has determined that a different, non-ASB district account should be used. The receipted donations are accumulated in the clearing account and a check is written to the charity, thereby closing out the clearing account.

> **Fraud Alert**
>
> Be on the lookout for interclub transfers. The authorization procedures recommended for clearing and suspense accounts also apply to interclub transfers. No interclub transfer should be allowed unless there is prior authorization for it in the ASB minutes.

When an approved ASB clearing account is used and transfers are made, the journal or transaction entry used to make the transfer should be properly documented, with the signatures of the advisor or designee and the employee making the transfer included on the printed entry. At the end of each month, any balance remaining in the clearing account should be identified by printing the account balance and noting on the document the reason the balance remains, as well as a list of the supporting documents needed to conclude the use of the clearing account.

ASB Funds Should Not be Deposited Into Personal Accounts

Students and employees should never deposit ASB funds into a personal account, even if those funds will later be forwarded to the ASB for deposit into the ASB account. ASB funds should only be deposited into the ASB account. All cash and other forms of payment should be provided directly to the ASB following collection. ASB funds are public funds, no different from other money a school district receives. Consequently, there are restrictions on how these funds can be managed. Among other issues, depositing public funds into a personal account is problematic because of the following:

- Donors to a school district and ASB may receive advantageous tax treatment on their donation because of a school district's nonprofit tax status as a governmental entity. Depositing any donated funds into a personal account and later forwarding those funds to the school district or ASB could be used to enable an individual to improperly seek the same tax advantages as the original donor. Although the individual is only acting as a pass-through for the public funds, they could attempt to use the payment to the ASB as evidence of a donation.
- The deposit of ASB funds may be considered reportable income for tax purposes to the individual acting as the pass-through.
- The individual depositing the ASB funds into a personal account may improperly receive interest income on public funds while the funds are in their account.
- The amount remitted to the ASB may not ultimately be the same as the amount of cash collected on behalf of the ASB.
- A personal check issued to the ASB may not clear the bank, resulting in a need to collect the funds from the individual. This could result in a loss to the ASB if the funds cannot be recovered.
- The individual depositing the ASB funds into their personal account may be accused of diverting public funds, which may have the appearance of fraud.

Accepting Electronic or Online Payments

Online payment services, such as Venmo and PayPal, are increasingly attractive payment options. Although there are no laws against online payments for ASB, some key factors should be considered.

A school district and its ASB should have a thorough understanding of how the payment service operates. The terms of the service should be reviewed, understood, and communicated to potential users if the district and ASB choose to use the service. This includes any charges for use, as well as the net proceeds per payment to be received by the school or ASB.

Effective internal controls are essential for managing such a system. The school and ASB should determine how payments will be tracked and documented for reconciliation and auditing purposes. This should include obtaining periodic statements from the service so all transactions can be reconciled. It is also recommended that the district and ASB, with governing board approval, establish an account that belongs to the ASB and is used exclusively to receive payments from online services.

Security issues unique to electronic transactions should also be identified and addressed. The security features the online service offers to prevent fraudulent activity should be reviewed thoroughly. The vendor's terms should state the responsibilities of both the payer and the recipient when using the service and should hold the school district and the ASB harmless from any loss, erroneous charges, or vendor errors. It is important to consult with the district's technology and business departments to ensure these issues are addressed appropriately.

Board policies and administrative regulations regarding electronic and online payments should be reviewed. Procedures and responsibilities such as reconciliation protocols, a discrepancy resolution process, and other functions may need to be added and/or updated. The district's business office and the ASB should collaborate closely to establish procedures and responsibilities.

Tally Sheet

Name of School: _____

Name of Club: _____

Tally Sheet

Fiscal Year: _____

Fundraiser: _____

Date of Fundraiser: _____

(A) Item Sold	(B) Tally Marks	(C) Total Tally Marks	(D) Sales Price	(E) Extended Total
			$	$
			$	$
			$	$
			$	$
			$	$
			(F) Grand Total	$
			(G) Cash Receipts	$
			(H) Difference	$

(A) Description of each item being sold.
(B) Tally marks made, one mark for each item sold.
(C) Number of tally marks for that item.
(D) Individual item sale price.
(E) Total of (C) multiplied by (D).
(F) Grand total—sum of all extended values in (E).
(G) Cash receipts—cash count of total cash from sales, less any startup cash.
(H) Difference—if (F) does not equal (G), this is the difference between the two.

Do not force the balance on this sheet. If there is an out-of-balance item, it should be researched and resolved.

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

Fundraising Event Profit

Name of School:_____

Name of Club: _____

Fundraising Event Profit

Fiscal Year: _____

This form is to be completed in two steps: estimates before the event, and actuals and differences after the event

1. Prepare the estimated sales, cost of sales, and net profit. Sign and submit a copy to the ASB bookkeeper.
2. After the event, complete the actual sales and differences. Sign, have a reviewer sign, submit one copy to the ASB bookkeeper, and keep one copy for your student body records.

Student Club: _____ Name of Event: _____

ASB Advisor: _____ Date of Event:_____

Part I: Revenue								
	Estimated Sales			**Actual Sales**			**Difference**	
Revenues	Number	Unit Price	Total (# x price)	Number	Unit Price	Total (# x price)	Units	Dollars
No. of Tickets Sold								
No. of Items Sold								
Other Revenues:								
Advertising								
_____								
_____								
_____								
Total all revenue								
Loss Items (explain)								
Given Away (explain)								
Lost (explain)								
Stolen (explain)								
Damaged/Returned								
Remaining/Unsold								

Total all losses								
Total Revenue (Revenues–Losses)								
Part II: Expenses								
	Estimated Cost of Sales			**Actual Cost of Sales**			**Difference**	
Expenses	Number	Unit Price	Total (# x price)	Number	Unit Price	Total (# x price)	Units	Dollars
Cost of Items								
Cost of Items								
Other Expenses:								
Supplies								
Advertising								
Custodial OT								
Fees								
Equipment								
_____								
_____								
_____								
Total all Expenses								

Part III: Actual Net Profit for this Activity_____

Net Profit is the difference between Total Revenues and Total Expenses.

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

Report of Ticket Sales

Name of School: _____

Name of Club: _____

Report of Ticket Sales

Fiscal Year: _____

Note: This form was designed for one ticket or wristband color. If multiple prices or colors are used, use additional Ticket Sales Report sheets, one for each price, and summarize all sheets at the bottom.

Name of Fundraiser/Event:_____ Date of Fundraiser/Event:_____

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

Name of Ticket Seller/Event Coordinator: _____

Starting Ticket Number: _____

Ending Ticket Number: _____

Total Tickets Sold:_____@ $ _____each = $_____

Starting Ticket Number:_____

Ending Ticket Number: _____

Total Tickets Sold:_____@ $ _____each = $ _____

Total Ticket Sales = $_____

Cash Box Total = $ _____

Over/Short* = $ _____

*Explanation of Over/Short: _____

Ticket Seller/Event Coordinator Signature: _____ Date:_____ _____

Bookkeeper Signature: _____ Date: _____

Dance Ticket Tally

Name of School: _____

Name of Club: _____

Dance Ticket Tally

Fiscal Year: _____

Dance Ticket Sales

As payment is received by another party and each student enters through the door, please mark each payment as a tick mark, and count by fives.

Date: _____ Location: _____

Name of person completing form: _____
Date completing this form: _____

$3 Tickets			$5 Tickets				

$3 Tickets			**$5 Tickets**				
Totals:							
Total Collections Should be:							
x $3 =			**+**	**x $5 =**		**=**	
Less:	**Amount collected at the door:**						
	Difference (short/over):						

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

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

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

Receipt Book Log

Name of School: _____

Name of Club: _____

Receipt Book Log

Fiscal Year: _____

Name of person completing form: _____

Date completing this form: _____

Receipt Book Number	Receipt Number Sequence	Issued To	Date Issued	Date Returned	Receipts Used

For each approved ASB activity that will issue receipts as their internal control measure, the receipt book should be controlled by the ASB bookkeeper or other designee and signed out before the event using this control log. When the event is over, the unused portions of all receipt books issued are to be returned and this control log is to be completed.

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

ASB Cash Count

Name of School: _____

Name of Club: _____

ASB Cash Count

Fiscal Year: _____

Name of person completing form: _____

Date completing this form: _____

(A) Denominations		(B) Number of Bills or Coins	(C) Total Amount Collected (A times B)			
Pennies	.01					
Nickels	.05					
Dimes	.10					
Quarters	.25					
Half dollars	.50					
Dollar coins	1.00					
Dollar bills	1.00					
Five dollar bills	5.00					
Ten dollar bills	10.00					
Twenty dollar bills	20.00				Totals from Receipts Adding Machine Tape	
		Total amount of all cash	$	(D)	$	Total Cash Receipts
		Total amount of all checks	$	(E)	$	Total Check Receipts
		Total amount of all cash and checks	$			
(Prerecord amount and initial the amount of change funds received)		Less startup change fund amount	$			Initial upon receiving change funds
		Total net amount of all cash and checks				

Note		ASB Bookkeeper	
Confirm that total "cash & coin" receipts equal total amount of all cash.	(D)		Initial
Confirm that all check receipts match attached receipts.	(E)		Initial
Confirm that all check payees individually match attached receipts.			Initial
Confirm that all receipt numbers are sequential, with none missing.			Initial

Follow up on ANY differences.

Cash Count form prepared by: _____

Signature, Title and Date

Cash counted by:_____

Signature and Date

Cash counted by:_____

Signature and Date

Verified by ASB Bookkeeper:_____

Signature, Title and Date

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

Supporting documentation:

(Must be included when this form is turned in)

Cash register:

Report of Ticket Sales form.

Unused tickets returned.

Prenumbered receipt books:

Cash register tape.

Copy of each receipt issued.

Tally Sheet:

Copy of each receipt issued.

All receipt books returned.

All receipt books accounted for.

Completed tally sheet(s).

Bank Deposit

DEPOSIT TICKET

BANK NAME
ADDRESS
DATE: _____

SCHOOL NAME
SCHOOL ADDRESS
BANK ACCOUNT NUMBER

	DOLLARS	CENTS
CURRENCY	2784	00
COIN	348	92
1.	18	50
2.	34	00
3.	57	02
4.	91	45
5.	35	84
6.	85	44
7.	18	33
8		
9.		
10.		
SUBTOTAL (CHECKS)	340	58
TOTAL DEPOSIT	3473	50

TAPE TOTALING ALL RECEIPTS

```
1,547.33 +

1,052.10 +
  874.07 +
3,473.50 +
```

TAPE TOTALING DEPOSIT

```
2,784.00 +
  348.92 +
  340.58 +
3,473.50 +
```

TAPE TOTALING CHECKS

```
  18.50 +
  34.00 +
  57.02 +
  35.84 +
  91.45 +
  85.44 +
  18.33 +
340.58 +
```

Summary Recap – ASB Deposit

Name of School: _____

Name of Club: _____

Summary Recap - ASB Deposit

Fiscal Year: _____

Date Funds Received	Received from Advisor/Teacher	Receipt Number	Deposit For: (Identify Club or Activity)	Amount Received
		Total Deposit		

Submitted and Approved by:

Student Club Representative: _____
Signature, Title and Date

Club Advisor: _____
Signature, Title and Date

Principal/School Administrator: _____
Signature, Title and Date

Verified by ASB Bookkeeper: _____
Signature, Title and Date

Recorded in ASB Student Council Minutes on: _____
Date

This page intentionally left blank.

Chapter 14 – Allowable and Questionable Expenses

ASBs are an integral part of a school district, following the same laws, board policies and administrative regulations to ensure the allowable spending of funds. 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 public benefit of promoting students' general welfare, morale, and educational experience. With few exceptions (such as awards and scholarships, which are discussed later in this chapter), ASB expenditures must benefit a group of students rather than individuals. It is critical to ensure that no expenditure is a gift of public funds.

Determining Allowable Expenditures

Because the distinction between allowable and prohibited expenses can be confusing, consistent guidelines and practices are important. As with many business situations, using common sense is essential. The ASB can also ask the rhetorical question, "If this situation were to be published on the front page of the local newspaper, would the same action still be recommended?"

Those involved must be able to answer "yes" to all of the following questions for an expenditure to be an allowable expense:

- Does it comply with law and district board policy?
- Does it promote the students' general welfare, morale, and educational experience?
- Is it directly linked to the students' benefit?
- Has it been preapproved by at least the three required signatures (EC 48933(b))?
    - Have the students agreed to the expenditure before it occurs?
- Is it something beyond what the district should provide, or has provided in the past, from its own general funding sources?
    - Do you ensure that the district does not ask the ASB to pay for something to compensate for district budget reductions?
- Does it benefit a group of students (with few exceptions)?
- Is it something extra the students really want, without any pressure from adults?

The district is responsible for the basic school experience, including curriculum and the staff and materials needed to support the school experience. ASBs augment the basic experience and pay for items the students are requesting that are in addition to the basic experience. ASB expenditures that do not meet the requirements outlined above are not allowable.

To Table of Contents >>>

Good Business Practices

The district and ASB should:

- Establish board policy and administrative regulations that include guidelines regarding allowable and prohibited expenditures.
- Establish board policy and administrative regulations regarding procedures to follow if questionable expenditures arise.
- Conduct regular reviews and updates of all ASB-related board policies and administrative regulations.
- Assign an employee position in the district's business office to provide help when ASB questions arise.
- Provide annual training on expenditure guidelines, sponsored by the business office, for all employees and students who have ASB responsibilities.
- Include a statement in the ASB constitution or bylaws setting parameters for determining what is and is not an allowable expenditure.

Student Authority over How ASB Funds are Spent

In organized ASBs, the students should be the primary authority that decides how the ASB funds are spent. This helps ensure that students' interests are protected. In unorganized ASBs, the students are often not involved in ASB 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 vary depending on the type of ASB, the types of expenditures that should be made with ASB funds remain the same.

When questions remain regarding whether an item is an appropriate use of ASB funds, the principal/school administrator or the ASB advisor should contact the staff in the district's business office for guidance.

Examples of Generally Allowable Purchases/Expenditures

The following are some examples of the many types of items generally considered allowable expenses from ASB funds. These examples include frequently questioned items; they do not include obviously appropriate ones, such as supplies for a student store, school photos, or a disc jockey or decorations for a school dance. These and similar expenditures that enhance students' educational experience and that directly benefit a group of students are other than what the district must provide from its general funding sources.

The following are examples of appropriate expenditures using ASB funds:

- Magazines and newspaper subscriptions for student use.
- Supplemental equipment for student use that is not normally provided by the district, such as telescopes, 3-D printers, and aquariums.
- Field trips/excursions and outdoor education/science camps.
- Extracurricular athletic costs, including costs for ticket sales, game officiating and security.

- Costs for student social events.
- Scholarships (under specific circumstances).
- Awards, if there is a district policy allowing them.
- Substitute teacher, if the regular teacher's absence is due to an authorized ASB activity.
- Costs for adult supervision or adult volunteers, when required, to help at an approved ASB activity such as a fundraiser or field trip (see additional information below).
- Indirect charges.
- Gratuity when dining or receiving services (see additional information below).

Adult Supervision/Volunteer Costs

When it does not conflict with district practices or board policies or administrative regulations, the costs of adult supervision, volunteers, or chaperones are allowed and may include expenses such as incidental or additional food for those helping, entrance fees or tickets, and other preapproved costs. In other words, when adult supervision is required or adult volunteers are needed at an approved ASB event, ASB funds may be used to support this, especially when their participation is necessary for the activity to occur. This is only if the costs of the anticipated expenses have first been approved by the students without any pressure to do so from adults.

The club or general ASB's raising and spending of funds should include all costs associated with the activity, including food and other expenses as described in the Fundraiser Approval and Revenue Potential forms. This ensures all costs associated with both a fundraiser and proposed purchases are accounted for before approval and before the fundraiser or activity occurs.

ASBs should not pay for adult compensation directly. Compensation should be paid by the district through its payroll procedures, and the ASB may reimburse the district for all costs, including benefits and indirect charges.

Costs Passed Through From District

It is generally allowable for the ASB to use its funds to pay for the total cost of operations as well as to participate in activities. This may include the cost of substitute teachers, transportation, food, custodial services, and so on. A properly structured organized ASB will have an established constitution and bylaws that outline specific operational parameters for the ASB and its individual clubs, often including costs associated with using the district's facilities. A district's board policies and administrative regulations regarding ASB should include any allowable fees that may be charged to ASB clubs or student councils.

Each school district likely has a facilities use agreement. That agreement is typically for nondistrict organizations that wish to use the district's facilities. ASBs are part of the school district and so typically do not have to follow such procedures; however, there may be an internal form that ASBs must use to request use of facilities. Whenever facilities, custodial, transportation, or other district services are considered part of an ASB activity, these requirements should be identified in a fundraiser approval form and revenue potential form.

Even if a district may charge for facilities use, transportation, or custodial services, it should not impose a fee or fine on a club unless the ASB previously authorized and agreed to it. In other words, if a district has not previously charged the ASB for custodial services, it should not suddenly begin charging for those services, especially if it is to shift the burden of a district cost to the ASB. If a district's governing board has determined that certain costs (e.g., for substitute teachers, custodial services, or portable toilets) are to be paid for by the ASB when activities occur, this is something that should be brought to the ASB's and clubs' attention early in the ASB's budget and fundraising process to allow them to plan for and approve the anticipated costs.

In addition, ASB and club fundraising proceeds should always be used to support the purpose(s) outlined on the Fundraiser Approval and Revenue Potential forms. Expenditures such as custodial expenses, substitute teachers, and adult volunteer or chaperon costs should be identified as a planned expense if known. All ASB expenditures must be preapproved in the ASB and club minutes, have a preapproved purchase order, and be identified in other documents such as the Fundraiser Approval and Revenue Potential forms. The more clearly documented and transparent student costs are, the less likely there will be confusion later.

Examples of Generally Prohibited Purchases/Expenditures

Expenditure of student funds for the following items is not usually allowable because they do not directly promote the general welfare, morale or educational experience of the students, or are considered a district responsibility, or do not benefit a group of students (with some exceptions), or are considered a gift of public funds:

- Employee compensation or supplies that are the responsibility of the district. Some examples are teacher compensation (e.g., ASB advisor), ASB employee compensation (such as the ASB bookkeeper), curriculum or office supplies, office equipment, and ASB operating/accounting software and licensing fees. However, substitute teachers' compensation may be allowed if they are substituting because of an ASB-approved and ASB-related activity and if the expenditure to pay for the substitute teacher was preapproved as part of the fundraising event's potential expenditures.
- Compensation to students who perform ASB duties, such as general ASB or club leadership roles.
- Repair and maintenance of district-owned facilities and equipment. An exception might exist for equipment that the ASB purchased and then donated to the district, if the donation agreement includes a provision that the ASB will maintain the donation in the future, including paying for any repair, maintenance or replacement.
- Permanent buildings.
- Items for personal use by district employees.
- Employee meeting expenses.
- Employee professional development expenses (e.g., California Association of Directors of Activities (CADA) conferences), including ASB software training, unless students are also attending the event or activity (see the Employee Professional Development section later in this chapter for additional information).

- Ongoing expenses that obligate future ASB classes or clubs. Exceptions include limited multiyear projects approved by the governing board, and expenditures that may overlap to a subsequent fiscal year, such as yearbook expenses.
- Expenses of school-connected organizations.
- Large awards, unless board policy states otherwise (see the Awards section later in this chapter for additional information).
- Gifts of any kind, including employee appreciation gifts.
- Employee appreciation meals.
- Employee clothing (for more information, see the Employee Clothing section later in this chapter).
- Donations to charities or other organizations, unless specifically allowed in board policy.
- Donations to families or students in need.
- Cash or gift card awards, unless a district's board policy states otherwise (FCMAT does not recommend this).

Because student body funds are to benefit students as a group and not individuals, use of ASB funds for awards and scholarships is generally discouraged but is allowable as discussed later in this chapter.

Student Compensation

Compensating students with stipends, wages or scholarships for performing ASB duties for the general ASB or a club is generally prohibited. Participation in ASB, including in leadership positions, is voluntary. Paying students for ASB leadership roles can create equity concerns as well as potential issues with payroll and payroll tax withholding, employer benefits, and collective bargaining agreements. It also contradicts the concept of volunteering. Payment by alternative means, such as gift cards or scholarships, may also be viewed as payroll tax avoidance or unreported compensation.

Paying students for handling larger and more frequent ASB functions, such as working in a student store, is also not recommended. However, if the governing board and business office have established compensable positions as allowable ASB expenditures, and if proper payroll reporting is in place, students may be hired as district employees, subject to the constraints of the Education Code and collectively-bargained agreements. Including this in the appropriate board policy or administrative regulations and ensuring the district's legal counsel reviews it is also important if such student positions are being considered.

Purchasing Gift Cards

Purchasing gift cards is discouraged because internal controls for gift cards are difficult to establish and maintain. As cash equivalents, gift cards can be challenging to track and control once purchased by or donated to the school district or ASB. Most vendors treat gift card purchases the same as cash purchases: no identification, purchase authorization, or other control mechanism is required.

However, if a district has approved board policies and administrative regulations as well as strong internal controls, gift cards may be purchased and used for awards and other ASB purposes. See the Gift Cards as Awards section later in this chapter for more information.

Gifts are Never Allowed

Questions often arise about giving gifts, which has a personal as opposed to a public character. Contrary to what often occurs in the field, gifts are not allowable, even if the amount is small. Gift certificates are ordinarily characterized as gifts of public funds even when purchased for an event with a public purpose, because they confer a tangible private benefit on an individual. To avoid making a gift of public funds with gift certificates, ask merchants or individuals to donate gift certificates. Although some school administrators may feel that the school or district benefits from positive relationships established by sending gifts to students, parents or others, the public relations value is of primary benefit to the respective administrator involved, not to the district itself as an institution. If students (or administrators) want to give gifts, use private funds, not public funds.

Discussions regarding gifts often conclude that trivial or insignificant gifts are acceptable. However, given modern governmental accounting practices and regulations, conflict of interest law, and criminal law, such expenditures of public funds or use of public funds in any amount can never be considered trivial or insignificant. The law clearly regards the misappropriation of public funds as a criminal act, with no minimum monetary limit specified, so it is best to avoid gifts of any amount.

While gifts are never allowed, there is a distinction between gifts and awards or gift cards used as awards. Gifts convey a personal benefit and typically have no ASB purpose, so are thus prohibited. Awards typically have an objective, meet criteria, and are board-approved as a component of student recognition, which means they may be allowed. Gift cards used as awards are allowed when the criteria for receiving an award are met, when board policy authorizes the use of gift cards, and when sufficient internal controls are in place to account for the purchase and use of gift cards.

Awards

Education Code 44015 authorizes school districts to make awards to employees for exceptional contributions and to students for excellence. Excellence for students can mean many things and can be specific to each student and district. If items are intended as employee or student awards, the governing board must adopt rules and regulations regarding such awards. Such awards shall not exceed $200 unless a larger award is expressly approved by the governing board. Employee awards of any kind cannot be made or purchased from ASB funds. Awards to community members, parents, or volunteers are not considered authorized because they are not included as allowable in the Education Code.

Student Awards

Some types of awards that recognize students for excellence, achievement, attendance, leadership, spirit, citizenship, good behavior, and other achievements are as follows:

- Letters of commendation.
- Board resolutions.

- Trophies.
- Certificates.
- Plaques.
- Medals.
- Badges.
- Pins.
- Homecoming flowers and sashes.
- Shirts, hoodies, jackets.
- Pencils, erasers, and similar items.

Awards may also be in the form of a gift certificate or a scholarship, within the statutory monetary limits, if the governing board has approved such items as allowable awards and if IRS reporting requirements are followed. The governing board may also approve an expenditure for flowers or candy as part of an award or prize, which is allowable only if the school district's board policy on student awards complies with the Education Code and IRS regulations.

A district's board policy allowing student awards should specify what is considered an allowable award. The longer the list of what constitutes and allowable award, the more likely it is that students and the community will understand the policy.

Gift Cards as Awards

To provide a gift card as a student award, a district's board policy should state that gift cards are an allowable award. In these instances, ASB funds may be used to purchase gift cards if funds were raised for this purpose through an approved fundraiser.

Gift cards require a higher level of security and internal controls. Gift cards should be secured the same way as cash, and access should be restricted. Without adequate internal controls, gift cards can be stolen, used completely or partially depleted without the cardholder's authorization or knowledge. ASBs should work with the district's business office to establish adequate internal controls. If the cards are purchased to be used as awards, at a minimum, a gift card inventory log should be maintained, including the date of award, the name of the recipient, and the amount of each card.

Unapproved Purchases/Expenditures

As stated throughout this manual, all ASB expenditures require preapproval in accordance with Education Code (EC) 48933(b). When preapproval is not obtained, it is a violation of law. The responsibility for administering and overseeing the proper expenditure of student funds rests with school administrators, who should establish a strong internal control structure, train club advisors and students, and ensure student funds are safeguarded throughout the expenditure process.

Nevertheless, there may be occasions when the preapproval of an expenditure does not occur. In the absence of prior approval, the ASB may choose to pay the expenditure depending on the circumstances. The considerations for allowing reimbursement without prior approval vary; however, general guidelines may include the following:

- Have unapproved expenditures, including expenditures that lack one or more of the necessary approvals, occurred in the past?
- Have the individual(s) involved in incurring the unapproved expenditure been involved in previous transactions without prior approval? If so, was any action taken to prevent a recurrence?
- Is the expenditure something that would otherwise have been approved?
- Does the expenditure comply with district board policy, Education Code, and any other applicable guidelines regarding allowable expenditures, other than not being preapproved?
- What caused the individual(s) to incur an expenditure without prior approval (e.g., lack of training or knowledge, inexperience)?

Although the Education Code is clear regarding the requirement for prior approval, there is not a prescribed procedure for when this does not occur. Exceptions must be handled locally, with consideration given to the above questions, as well as any other relevant factors. The district and ASB may determine that an exception can be made in certain cases to prevent a student, employees or the district from having to pay the cost of an otherwise allowable expenditure.

The ASB should act to prevent transactions that lack sufficient approvals. This could include implementing stronger internal controls, providing additional ASB training, or consulting with the applicable individual(s) and/or ASB leadership. If an unapproved expenditure occurs, it should be disclosed to the student council, which should take action to ratify the expenditure after the fact. The ratification should be reflected in the student council meeting minutes as part of the documentation process. Any actions taken in response to an expenditure that lacks preapproval should be thoroughly documented; this helps create a record of the incident and can help with handling future issues. Changes or improvements to board policies, administrative regulations, and the ASB or club bylaws may also be necessary.

Gratuities

Reimbursement for voluntary gratuities is not prohibited by statute, and whether to do so is a local decision. A district's governing board determines the policy decisions that result in what is reimbursable, and gratuities are usually allowable at school districts (and ASBs) up to a specific percentage, which is typically specified in policy or district procedure and which the ASB should follow. FCMAT recognizes that a gratuity for meals is a common expense and that it is reasonable for a school district or ASB to reimburse for this cost. Reimbursement is typically subject to a maximum of 18-20%. Such an allowance is often included in the district's travel and expense reimbursement policy, which would also apply to the ASB unless otherwise noted in ASB bylaws or the constitution. Please review your district's board policy or administrative regulation to determine what is allowed at your district (if necessary, contact the district's chief business official for this policy and guidance).

Donations

Donations to nonprofit organizations and students or families in need usually are not allowable ASB expenditures because they are considered a gift of public funds, no matter how worthy the cause. ASB funds are legally considered public funds. In general, fundraising that occurs on campus should be for the benefit of the ASB and not for other organizations.

A student group may organize a fundraiser to support an outside organization such as a charity when the fundraising event is clearly identified as raising funds to donate to that charity. To do so, all donations should be in the form of checks made payable to the charity and should be picked up by or delivered directly to the charity so that funds are not deposited into the ASB account. All checks written directly to the charity should be placed in the ASB or school safe, treated as if they are cash, and remitted to the charity within a few days of collection. Holding checks to the charity in the school safe should be minimized. If the funds collected are cash or coin, the ASB may remit the counted cash and coin directly to the charity. Do not deposit the collections in the ASB bank account. An alternative is to take the collection to a bank and have the bank count it and issue a cashier's check to the charity.

When students request to fundraise for other charities, because there may be many influences on the students' decisions about which charity to support, it is recommended that these fundraisers be approved by the district's governing board (or its designee). No funds from other clubs, inactive accounts, or fundraisers not approved by the governing board should be donated to outside organizations. The governing board or its designee who approves fundraising for other charities should be mindful of how many of such fundraisers are allowed. Students should not become the fundraising arm of charities. Students should be fundraising for their own activities and to augment their educational experience, not for outside organizations.

An ASB club established to fundraise for student-approved charities may be allowable if the club is properly approved. Clubs established to support charities should be approved by the governing board. Care should be exercised to ensure that students of the club are not pressured to fundraise for other charities and that all the procedures outlined in this manual are followed.

Other Fundraising Options

Other fundraising options for students who want to raise funds for charities are to work with a parent group (e.g., parent-teacher association or organization), foundation, or other nonprofit, school-connected organization. If this is to be an option, the administrators should verify that the organization has its own tax identification number and enough internal controls to operate the fundraiser. If the organization meets with the district's approval, the students could ask them to operate the fundraiser, because groups such as this are not subject to the rules regarding gifts of public funds.

ASB or School Donation Drive

Many schools, especially elementary schools, hold what is often called a coin or penny drive. For a coin drive, students place secure coin containers in classrooms, students put collected pennies or other coins in jars, and the money is then given to a designated charity. Another form of the coin drive is to have students walk around campus with containers soliciting loose change from students and others who might be around.

These are allowable when formally approved as a fundraiser but should be limited in their frequency. If the fundraiser is approved to allow students to solicit funds on campus, the security of students holding containers of coins should be considered. Some districts do not allow students to solicit while walking around campus, some allow soliciting only if

accompanied by an adult, and others allow campus solicitation if students work in pairs. The best practice is for students to solicit funds on campus only, with adult supervision.

Rather than depositing coins directly into the ASB account, ask the bank to count and issue the money directly to the charity. If the funds are transferred directly to the charity, because no check will be written by the ASB, the transfer of funds should be documented to maintain an audit trail.

If the governing board has determined that a specific fundraiser or expenditure will benefit the education of students by serving a public purpose, the expenditure or transfer is unlikely to be a gift of public funds in the eyes of most courts. As such, funds collected could be deposited in an ASB bank account and a preapproved ASB expenditure made to the charity equal to the amount of the collected funds. The normal rules regarding prior approval apply to donation disbursements: as with all ASB expenditures, the approval should be documented using the expenditure approval form signed by the student representative, advisor, and principal/school administrator, and should be noted in the club meeting minutes.

Assistance to Individual Students or Families in Need

Under no circumstance should student groups donate funds to an individual needy student or family, or use school equipment for a fundraising drive for one student or family. ASB funds are public funds as well as trust funds, raised to provide extras to benefit a group of students. Donating ASB funds to individuals or a family in need can create an illegal gift of public funds.

Food Drives

Food drives (e.g., canned food drive) are allowable when properly approved, because rather than ASB money being used for a charity, students bring food from home to donate, and no money changes hands.

Scholarships

As discussed in Chapter 8, the student council may accept scholarships and trusts from outside donors (individuals or organizations) with the approval of the governing board or authorized designee. The acceptance should be made in writing and should clearly describe all the conditions the donor is requesting. These funds should be accounted for separately in a trust account within ASB and be used specifically for scholarships. If the donor does not establish criteria for award of the scholarship, the principal/school administrator should work with a committee that includes at least one student representative to determine the criteria for the scholarship.

Specific Student Scholarships

A donor may not donate toward a specific student's scholarship. If a donor wishes to fund a specific student's higher education, the district or ASB should not accept the scholarship.

Board Approval Required

Scholarships paid from student body fundraisers rather than from outside donations are normally not allowable because they do not benefit a group of students. School district governing boards may sometimes approve fundraisers specifically to raise scholarship funds or may approve a club whose sole purpose is to raise scholarship funds. If governing board approval has been received, a separate trust account should be opened within the ASB

specifically for these fundraisers and then closed after the scholarship(s) are paid. It is essential to ensure that the board approves this fundraising and to clearly document that the only funds raised for scholarships were those fundraised and paid out for that specific purpose. No funds from other clubs or accounts should be used for scholarships.

Scholarship Payments

If scholarships are to be allowed, a district should set guidelines regarding how many will be allowed annually. There should be clear selection criteria for all scholarships. Cash awards are not allowed; rather, scholarship checks should be made payable to an institution of higher learning (e.g., community college, university, trade school) or to a college bookstore, to be used for tuition or books and supplies. The institution of higher learning should be defined by the governing board in policy or administrative regulations. Scholarship payments made directly to students are not permitted, because the district and ASB have no assurance that the funds will be used for the intended purpose.

Among other issues, donations afford favorable tax treatment for the donor, and the donor's intent or how funds were raised for a scholarship may also affect how a scholarship is to be paid. A payment made directly to a student could become a gift of public funds if the donation is diverted for other purposes. If a scholarship is paid directly to the students, once the payment is issued, there is no guarantee of how the funds will be spent, despite obtaining a class schedule and/or student identification number or other information. Scholarships should not be paid directly to students. However, if the governing board has established board policy or administrative regulations and criteria that allow scholarship checks to be made payable to an individual student, it may be allowable. Districts should obtain their legal counsel's opinion regarding issuing scholarship checks payable directly to students.

The normal rules regarding prior approval also apply to scholarship disbursements. As is the case with all ASB preapproved expenditures, the approval should be documented on the expenditure approval form by the signatures of the student representative, advisor, and principal/school administrator, and noted in the club meeting minutes.

Transferring Scholarship Funds

Transferring scholarship funds to another district account or a nonprofit corporation may be allowable. However, the donor of the scholarship may not have intended the funds donated to be moved outside of the ASB's authority. If there are no donor prohibitions, or if the donor has agreed that the funds may be moved to another entity, and if there are no district board policies or administrative regulations that prohibit transferring the funds, it may be allowable. Any transfers of scholarship funds should be to formally recognized nonprofit corporations. In addition, if the entity receiving the funds cannot guarantee that it will administer the funds and selection of recipients in the same manner as the ASB, then the funds should remain in the ASB.

Districts have the ability to establish scholarship funds and receive donations toward specific scholarships. They also routinely administer scholarship agreements. If the ASB does not wish to handle scholarships, consult with the district's business office for assistance in setting up a district scholarship fund.

Employee Appreciation Meals from ASB

Adults cannot receive any form of financial or in-kind recognition from ASB trust funds; this would be considered an illegal gift of public funds. Appreciation meals are a form of in-kind recognition. ASB student funds and resources cannot be used to provide appreciation to adults.

Employee Clothing

As stated above, employee clothing is generally a prohibited ASB expense. There is no statute or case authorizing the expenditure of ASB funds for items such as jackets, sweatshirts, or t-shirts for employees, because these items benefit an individual and could be considered a gift of public funds. District funds may be used to pay for clothing or equipment that is necessary or required for the employee (e.g., athletic coach, club advisor) to perform their duties in that capacity, or for clothing or equipment that is properly given as an award under EC 44015. Charging employee clothing expenditures or awards to ASB funds is not allowable, because ASB funds should be used for students.

If, however, the ASB students have determined that as part of their fundraising efforts they want the advisor or ASB coach to wear the same uniform as the club or team, the cost of that clothing may be allowed. For this to be allowed, the students should do the following:

- Document that they have confirmed there are no district board policies, administrative regulations, ASB bylaws, or district business office prohibitions against students fundraising for clothing to be purchased for and provided to ASB advisors or coaches.
- Ensure that club minutes indicate their intent, and include limits on the quantity and type of clothing to provide the advisor or coach (e.g., the same uniform or shirt as the club members, or other clothing limits).
- Ensure that the fundraiser approval form and revenue potential form define the specifics of the type and quantity of clothing for the advisor or coach.
- The ASB purchase order should separately identify the clothing purchase for the advisor or coach.

Indirect Charges and Other Assessed Costs

Some people ask whether a district may charge ASB funds an indirect cost rate as it does for allowable local, state and federal programs. Indirect costs include services that support but are not directly attributable to ASB, such as insurance, utilities, management, and supplies. Although it is allowable to charge the ASB for indirect costs, this should be discussed with the schools so they can plan for that expenditure and understand what the charge pays for. If it chooses to do this, the district should ensure that the board policy regarding ASB states that the current state-approved indirect cost rate will be charged to ASB. As with all ASB expenditures, any such charge would need to be preapproved. It is not customary for districts to charge indirect costs to an ASB.

Using District Funds to Support ASB

A district may help an ASB financially. As with most ASB processes and procedures, the district should create or change its board policy or administrative regulations to specify the circumstances under which such financial help is allowable (e.g., for startup money, credit card fees, athletics or club subsidies, or unforeseen circumstances). Such a policy should include the

amount(s) and which school district funds can be used (such as unrestricted funds or certain local funds).

A board resolution could also be used to provide financial help, including a detailed explanation of the need for the financial help. If necessary, this resolution could specify that the help is only for the current school year and that future assistance may be reviewed and renewed annually at the board's discretion.

When such an arrangement is permissible at a school district, the district may issue a check or warrant to an ASB for deposit into the ASB's account. All funds spent by the ASB, including those received from the district, should follow the same preapproval procedures required for all ASB expenditures.

Employee Professional Development

There are important points to consider when student money is used to pay for adults to attend a conference, training or workshop, especially when students are not also attending the event. For purposes of this section, conferences, training, and workshops will be referred to as professional development. Typical employee professional development conferences, trainings or workshops include those offered by the California Association of Directors of Activities (CADA), ASB Works, coaching clinics and athletics clinics.

It is the opinion of many districts, and of FCMAT, that if students are not attending the professional development with the adult(s), it is not appropriate for the expenditure to be charged to ASB, because there is no direct benefit to the students. Following this guidance, these costs — registration, travel, and related costs — would not generally be an allowable ASB expenses.

It is also important to be mindful of how the general public may view spending the proceeds of a student fundraiser to pay for an adult to attend a professional development activity, especially when it may include meals, lodging and/or transportation paid for by the ASB. This is especially important if the student fundraiser approval form and ASB minutes did not specify that the proceeds of the fundraiser would be spent for an adult to attend professional development.

If the professional development and its costs are determined to be vital to the district or program, and if students are not also participating in the activity, the district should strongly consider paying for the professional development, because this could be more appropriately considered an expenditure for an employee's professional growth. Further, if the district has been paying for similar activities in the past, it should not suddenly become an ASB cost now, even if the district may be experiencing financial difficulties. Ideally, a district should have governing board policies and/or administrative regulations expressly allowing or prohibiting payments by the ASB for adult professional development and other similar expenditures, and ensuring that all ASB funds are used for purposes in line with what the governing board considers appropriate for the district and ASB.

In all instances, ASB expenditures must be directly linked to the students' benefit, should benefit a group of students (with few exceptions), and must be outside of what must be and has been provided by the district's general funding sources in the past. Refer to the section above titled, "Determining Allowable Expenditures" for a list of criteria that can help determine what an allowable ASB expenditure might be.

Also remember that in an organized ASB, the students should decide how funds are raised and how they will be spent. The ASB or club advisor and the school administrator or principal should offer guidance but may not pressure or compel students to spend their funds in a certain manner.

However, if the students have initiated the professional development expenditure and have documented their intent and choice to fundraise for and spend their proceeds on professional development for adults, the cost may be allowable if all of the following are true:

- There are no district board policies, administrative regulations, ASB bylaws, or district business office prohibitions against students fundraising for and spending their funds on ASB-related professional development for an adult.
- Club meeting minutes provide the details of the students' intent and any limits on what they have agreed to pay for (e.g., travel, meals, registration).
- The fundraiser approval form and revenue potential form define the specifics of the professional development and are properly approved with all required signatures.
- Each ASB purchase order includes sufficient details to identify the anticipated expenses and is properly approved with all required signatures.

Chapter 15 – Contracts

An ASB will normally need to enter into contracts for goods or services. A contract is a legally binding document that must be reviewed carefully before it is executed. Like any other contracts, all contracts related to ASB must comply with state law and the district's rules regarding who is authorized to execute and/or sign contracts.

Some districts' board policies and administrative regulations clearly describe how all contracts, including ASB contracts, are to be managed from beginning to end, while others are completely silent regarding ASB contracting practices. If the latter is the case, the ASB should follow existing policies for other district contracts (e.g., if board policy lists the superintendent and chief business official as the administrators who can sign all district contracts, then those are the only individuals who can sign ASB contracts). This chapter suggests best practices to facilitate ASB contracts and to protect the ASB, the students and their assets.

Various Education Code provisions set limits on contracting. These include time (Education Code (EC) 17596) requirements for governing board approval (EC 17604 and 17605). Likewise, the Public Contract Code and Government Code provide other requirements and set forth exceptions (PCC 20111, GC 53060).

Contract Situations

An example of an ASB organization contract is an agreement for vending machine management. Additional contracts may include those for yearbooks, disc jockeys, and picture sales, as well as other activities.

Some contracts may be for one event; others may be ongoing, such as for yearbook and picture sales, or for events that repeat throughout the school year.

Any document that requires one party to do any specific action and receive compensation of any kind in return is considered a contract, regardless of what the document may be called. Contracts can obligate the student organization to pay for goods or services, or they might guarantee payment to the student organization for allowing access or advertisement. These documents may be called agreements, letters, memoranda of understanding, grants, or have other names; however, all are contracts, and thus board policy must be followed when they are agreed to.

Potential Problems

As noted previously, a contract is a legally binding document. Some ASB organizations have found that the contracts they executed did not adequately protect their interests and the organization lost money. ASBs also often find that the employee signing the contract did not have the authority to do so. In other cases, questions were raised about the propriety of the contract. For example, was it entered into impartially or was the vendor a relative of a school administrator or another employee? Questions to consider include the following:

- Are the contract terms and conditions stated clearly?
- Does the contract comply with board policies and regulations?
- Did the business office review the contract?

- Did legal counsel review the contract, if necessary?
- Does the contract contain indemnification language to protect the ASB?
- Are there adequate insurance terms and hold harmless clauses in the contract? Whom do these clauses protect?
- Does the contract have renewal provisions? Does the district allow contracts that span more than one year? If so, are renewal provisions scrutinized before the contract is signed?
- Did the person signing the contract on behalf of the ASB have signatory authority? Up to what dollar amount do they have authority to sign?
- Are there adequate funds to pay all costs of the contract?
- Is the contract subject to the state's bid limit?
- Was there a competitive process that ensured fairness?
- Will the contract obligate the ASB beyond the current year?
- Did the ASB review the contract and approve it in their minutes?
- Have the costs of the contract been properly budgeted by the ASB, and are they preapproved for eventual payment by an ASB purchase order or other similar form that indicates preapproval?

Role of the Business Office

Because student organizations are considered part of a school district, the district's business office has the same responsibility and authority over ASB contracts as it does for any other district activity. This often includes the following:

- Risk management review for potential liability and any indemnity from harm or blame.
- Purchasing review to ensure that terms are clearly stated and understood.
- Business services review to ensure that financial considerations are clear and have been fully factored into the decision.
- Business services reviews to ensure compliance with state procurement laws.
- Business services contacting the district's legal counsel for advice, if necessary.

For these reasons and because of the complexities of contract law, the ASB organization should have contracts, particularly long-term and ongoing contracts, reviewed by the district's business office before the contract is finalized.

A supportive and informed business office can provide counsel and assistance in many ASB contracting matters. Several steps in contracting require expertise in specialized business areas. Many purchasing departments help the ASB define specifications, request proposals, request bids, and evaluate responses from vendors and bidders. The district's legal counsel may need to review the terms and conditions of the contract because of its size and complexity, or because such a review is mandated by board policy. The district's risk manager is often involved in various aspects of ASB contracting as levels of insurance, coinsurance, hold

harmless or other indemnification terms are considered. Standard contracts should be developed for common ASB activities, such as disc jockeys for dances.

All contracts require approval or ratification by the governing board. The governing board determines who has the authority to sign district contracts, including ASB contracts. This authority may be limited to certain individuals based on the monetary amount. For example, in one district, all contracts for more than $5,000 must be signed by the chief business official (CBO), while ASB contracts for less than $5,000 may be signed by the principal/school administrator. Individuals who sign contracts without proper authority may be assuming personal responsibility. Students are usually minors and should never be allowed to sign contracts on behalf of the ASB.

Uncompensated Service Agreements

Sometimes an organization wants to enter into an agreement with a student organization to provide specific services free of charge. Although these organizations are not requesting compensation, it is a good business practice to use some type of contract so that terms can be specified and issues such as insurance and fingerprint clearance can be addressed. These agreements will usually be used for ongoing programs involving regular interaction with district students, but they may also be used for one-time events. The primary concern is exposure to liability. School administrators should seek guidance from the district's CBO whenever an uncompensated service for any event is discussed and before any agreement is finalized. Whether compensated or not, the same approval and signature requirements exist.

School-Connected Organizations

School-connected organizations such as booster clubs, foundations, auxiliary organizations, and other parent-teacher organizations are independent of both the district and the ASB. School-connected organizations must enter into their own contracts or agreements with external organizations and must not be appended to or be part of district or student organization contracts. Because many of these nonstudent school-connected entities are organized as 501(c)(3) nonprofit organizations and have their own tax identification number, their operations must remain separate and distinct from those of the district and student organizations.

Good Business Practices

To help ASB leaders and advisors in contract matters, a district should have policies and procedures that do the following:

- Clearly identify in board policy or administrative regulations who has authority for various aspects of ASB contracting.
- Define the responsibility and support roles of key district employees, including the following:
    - ASB advisor.
    - Principal/school administrator.
    - Business office staff.
    - Chief business official.

    - Risk manager.
    - Facilities employees.
    - Maintenance and operations employees.
    - Legal counsel.
    - Purchasing officer, with responsibility for:
        - Identifying services and products with clear specifications.
        - Soliciting and evaluating proposals and bids.
        - Selecting the best proposal.
- Contract Negotiation:
    - Terms and conditions.
    - Price.
    - Deliverables.
    - Indemnification/hold harmless.
    - Insurance provisions.
    - Escape or termination provisions.
    - Renewability.
    - Nonappropriation.
    - Nondiscrimination.
    - Venue and applicable law.
    - Conflict of interest.
    - Conflict resolution.
- Mandatory review by the business office of all contracts.
- Standard contracts for annual or recurring activities and services, such as disc jockeys, pictures, and yearbooks.
- Limitation of contract term to one year, or applicable Education Code limits.
- Ensure that the activity has been approved, noted in the minutes, and budgeted by ASB.
- Ensure that all contracts are reviewed for compliance with the bid limit. Under the Public Contract Code, some bid limits change annually, so it is essential that someone in the business or purchasing department review the contract to ensure compliance.

  ASBs should not be involved in construction contracts.

Chapter 16 – Equipment Purchases and Management

Occasionally, students purchase equipment with ASB funds. Equipment is typically defined as movable personal property of a permanent nature (excluding land and buildings) with a useful life of more than one year and a cost of more than $500. Examples include machines, furniture, vehicles, and furnishings that are not integral parts of a building or a building service system. Some equipment also requires periodic maintenance and repairs. When purchasing equipment, the district's business office should be consulted. The business office will be able to better inform the students about insurance needs, exposure to various risks such as vandalism and theft, inventory and property tagging requirements, and capitalization thresholds.

Equipment and Capital Asset Ownership Options

Many districts prohibit student organizations from owning equipment or long-term assets of any kind. When ownership is allowed, equipment purchased by an ASB organization is the property of the ASB. An ASB or student club may then donate the equipment to the district if the district is willing to accept it. This has many advantages for the student organization because the district usually assumes responsibility for maintaining and repairing the equipment, unless there is an agreement between the district and the ASB that states otherwise. If the student organization does not donate the equipment to the district, current and future students will have to assume responsibility for all associated costs, including those for maintenance, repair and insurance.

If the ASB donates the equipment, if there are any special terms to the donation, they should be agreed to in writing by both the ASB and district. The governing board should formally accept the equipment donation just as it would any other donation. Acceptance of the donation does not mean that the district will replace the item in the future if it no longer works or is obsolete. In addition, because the district is not required to accept any donation, the ASB should communicate with the district before purchasing the equipment to ensure that the district agrees to the donation.

A sample letter for transferring equipment to the district is included at the end of this chapter.

Fraud Alert

Digital cameras, scanners and other small devices that do not cost more than $500 but may have a useful life of more than one year and are susceptible to theft are often too small for an inventory tag or bar code. Consider doing the following to deter theft.

- Engraving the ASB name on each item.
- Identifying the make, model and serial number of each item in the inventory.
- Requiring that each item be checked in and out for use, using a signature log.

Risk Management and Insurance Options

A district's insurance policy covers district-owned equipment for various risks. If the ASB prefers to retain ownership of the equipment, it should check with the district's risk manager before the purchase to determine what type of insurance is needed. The ASB advisor should counsel student leaders about business issues such as deductibles, self-insured retention, replacement value, and depreciated value of equipment.

To Table of Contents >>>

Inventory Practices

If a district accepts a donation of equipment purchased by the ASB, an employee should place a tag on the equipment identifying it as district property and should include the item or items in the district's equipment inventory list. The district should have policies and procedures related to inventory practices and should follow them. Per Education Code (EC) 35168, the following information must be recorded for equipment valued at more than $500:

1. Name and description of the property.
2. Serial number or other identification number.
3. Original cost of the property (a reasonable estimate may be used if original cost is unknown).
4. Acquisition date.
5. Location of use.
6. Time and mode of disposal (when applicable).

If the ASB retains ownership of the equipment, it should ensure that the equipment is marked and identified as ASB equipment. In some districts, the equipment marking is done with electronic bar coding. In addition, the ASB organization should maintain a list of all the equipment it owns, separate from the district's list. To ensure compliance with the Education Code, this list should include the information listed above and should be retained as a permanent record.

Once a year, the ASB bookkeeper should verify that all items on the ASB-owned equipment inventory list are still at the school. This is referred to as taking a physical inventory of the equipment. When equipment the ASB owns is sold or deemed obsolete, the ASB bookkeeper should credit the proceeds of the sale to the club that originally purchased the item and remove the item from the equipment inventory records. Accounts for all fixed assets will need to be set up in the student organization's accounting system. See the sections in Chapter 4 on Disposal or Sale of Equipment – Active, Inactive and Dissolving Clubs, and Disposition of ASB Equipment, and the section in Chapter 8 on Disposal of Equipment/Inventory Without ASB Approval.

Delivery of Goods

All purchases, including online orders, should be delivered to the ASB advisor, bookkeeper or other district-approved designee at the district warehouse or school. When deliveries are not sent to the school or district warehouse the chain of custody of the purchase is weakened and there may be fewer internal controls to confirm that the purchase was properly received.

If the district chooses to allow alternative delivery options, those options should be defined as part of detailed board policies or administrative regulations. If allowed, alternative delivery options may be to a lock box such as an Amazon locker or other location approved by the district's business office. The district's business office should develop internal controls and procedures to ensure that if alternative delivery options are allowed there is a documented process to confirm what was received.

Equipment Donation

To: Sample District, Chief Business Official or Designee

From: Sample School Club

Subject: Transfer of equipment ownership to Sample District

The below items were purchased/received by the student organization for _____ School.

The governing board formally accepted the donation of the equipment on _____ . _____ Acceptance of this gift does not necessarily mean that the district will replace the item in the future if it is no longer working or is obsolete.

It is requested that, although ownership is transferred to _____ District, operational control and use be retained by the student organization, as administered by the principal/school administrator.

It is recognized that transfer of ownership transfers responsibility for maintenance and replacement, consistent with the priorities and practice of the district and in accordance with existing financial management guidelines and procedures.

The effective date of this transfer is:_____

Specific equipment transferred: _____

Name and description of the property: _____

Serial number or other identification number: _____

Original cost of the property
(a reasonable estimate may be used if original cost is unknown): _____

Acquisition date: _____

Location of use: _____

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

This page intentionally left blank.

Chapter 17 – Employees and Independent Contractors

In certain circumstances, an ASB may need to hire someone to perform a service on behalf of the students. For example, the ASB may need extra custodial help after a school carnival or a disc jockey for a school dance. All of these individuals will need to be paid, so the question is, "What is the legal and proper method to compensate them?"

When people are paid to help the ASB, they are compensated either as an employee or as an independent contractor/consultant (in education, independent contractors are often called consultants, so this manual uses the terms interchangeably). The Internal Revenue Service (IRS) has regulations regarding when someone must be paid as an employee and when they must be paid as a consultant. The district's business office and personnel department also should be available to help the students, the ASB advisor and the principal/school administrator determine on a case-by-case basis whether the individual hired is to be considered an employee or a consultant. This determination has important tax consequences. For employees, the district should withhold and pay federal and state income tax, social security taxes, Medicare taxes, and federal unemployment tax, as well as report wages and issue statements to employees. For independent contractors, usually no withholding is required. This chapter includes the criteria for determining who is an employee and who is a consultant, the best method of payment, and federal reporting requirements.

ASB Employees

Because ASB organizations are legally part of the district, anyone hired to be an ASB employee is an employee of the district, with requirements for employability and immigration status, fingerprinting, oath of allegiance certifications, and collective bargaining agreements. Because the individual is an employee of the district, the district's personnel department would be involved in the process from the beginning and would provide the best counsel and guidance in this area. This department should help the ASB with any personnel it is authorized to hire. Although the funding for the position might come from the ASB, all district policies, rules and regulations apply.

Good Business Practices for ASB Employee Payroll Management

All ASB employees, including substitute employees, are paid using the district's normal payroll process. The individual fills out the standard time card used by other district employees who work in a similar capacity. This time card is processed with the regular district payroll. If it is a preapproved ASB expenditure, the business department then invoices the ASB for the cost of the salary and associated statutory benefits. The payroll department ensures that it obtains all the documents needed to pay the individual correctly and legally.

District Employee Performs Extra Duties, Consulting, or Services for ASB

Someone who works for the district and performs extra duties for the ASB must be paid as an employee through the payroll system regardless of the task they perform and even if the work performed is normally considered consultant work. For example, if the school secretary types the school play in the evenings for $20 an hour or serves as a disc jockey at a dance, they must

TO TABLE OF CONTENTS >>>

be paid through the district's payroll because they are already an employee of the district. In addition to deciding if this additional work is subject to overtime pay, the personnel department would determine if any collective bargaining parameters should be considered. Because the secretary is a district employee, the ASB may not write a check from ASB funds to pay for this additional work as they would in the case of a consultant.

The personnel department can also help determine whether district regulations, personnel commission rules, or collective bargaining provisions govern employees' choices to perform extra functions for the ASB.

Guidelines for Determining Employee vs. Consultant Status

In general, if a district has no written board policies, administrative regulations, or handbooks stating that all people working with ASB are paid as district employees, the IRS will look at the level of control the employer has in each case to help determine whether an individual should be classified as an employee or a consultant.

When making this determination, all information regarding the degree of control and independence must be considered. The general rule is that an individual is a consultant if the employer (the person for whom the services are performed) has the right to control or direct only the result of the work and not the means and methods of accomplishing the result. After considering all of the facts of the case, the greater the level of employer control, the more likely it is that the individual performing the work should be classified as an employee.

The following are guidelines for distinguishing between employee and consultant. If the answer to any of these questions is yes, then the ASB organization should classify the individual as an employee, and they should be paid using the district's payroll process.

1. Does the ASB organization give the person performing the work instructions for when, where and how to do the work? The following are all examples of decisions made about how work is to be performed. Consultants make these decisions independently, but employees do not:
    a. When and where to do the work.
    b. What tools or equipment to use.
    c. What assistants to hire to help with the work.
    d. Where to purchase supplies and services.
    e. What work must be performed by specified individuals.
    f. What order or sequence to follow.
2. Does the ASB organization provide training for the individual? Consultants ordinarily use their own methods and thus do not require training.
3. Is the person not in business to realize a profit or loss? A consultant can make a profit or loss; an employee would not.
4. Is the person's service a vital part of the ASB operations? If an individual provides services that are a key aspect of the regular business activity, it is more likely that the employer

has the right to direct and control their activities, indicating an employer-employee relationship.

5. Does the person perform services for the ASB regularly and continually? If someone is working with the expectation that the relationship will continue indefinitely rather than for a specific project or period, this is generally considered evidence that the intent is to create an employer-employee relationship.
6. Is the individual guaranteed a regular wage amount per hour, week, or other period of time? Employees are usually guaranteed a regular wage per a given period of time; consultants are usually paid a flat fee for a job.
7. Does the individual not make their services available to the market? Consultants usually are free to seek out business opportunities; they often advertise, maintain a visible business location, and are available to work in the market.
8. Is the person reimbursed for business and travel expenses? Contractors are more likely to have unreimbursed expenses than are employees.
9. Does the ASB provide the individual with equipment and tools? Contractors often have a significant investment in the tools they use to perform services for someone else.

There are many gray areas when determining whether someone should be classified as an employee or a consultant. The costs to the district or ASB of incorrectly classifying a someone as a consultant rather than an employee are significant and can include back employment taxes, retirement contributions, interest, and penalties. Thus, when in doubt, the default position should be to classify an individual as an employee.

The IRS website has several reference materials to help determine whether someone should be classified as an employee or a consultant. IRS Publication 15-A, titled "Employer's Supplemental Tax Guide," covers this topic in detail.

The ABC Test

On April 30, 2018, the California Supreme Court ruled in *Dynamex Operations West, Inc. v. The Superior Court of Los Angeles County*, establishing stricter rules for employers to ensure that individuals are not misclassified as independent contractors and thus deprived of benefits to which employees are entitled.

In particular, the Supreme Court established a standard that presumes all workers are employees unless the employer can show the following using the ABC test:

A. That the worker is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.
B. That the worker performs work that is outside the usual course of the hiring entity's business, regardless of where the work occurs.
C. That the worker is customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed for the hiring entity.

All three of these requirements need to be met for the presumption that a worker is an employee to be rebutted, and for a court to recognize that a worker has been properly classified as an independent contractor.

As of this writing, the ABC test applies only to Industrial Welfare Commission wage orders, and although the court decision cited above did not include a ruling about whether the test would also apply to other wage and hour laws, the ruling does make it significantly more challenging for entities to classify people as independent contractors rather than employees.

Consultants

If someone is not already an employee of the district, and if the ASB has determined that the person is legally considered a consultant/independent contractor under IRS and state regulations (see above), there is an alternative method of payment.

Federal Tax Reporting Requirements for Consultants

If the ASB organization determines that it will pay the person as a consultant/independent contractor, the ASB bookkeeper should ensure that the individual completes a W-9 taxpayer identification form before they begin work, because it is much more difficult to obtain the needed information after payment has been made. The best practice is to never pay any consultant for any work performed unless the ASB bookkeeper has obtained a W-9 from the consultant, because the IRS penalty for not obtaining the required information is large. Receiving the information before payment helps avoid such penalties.

Good Business Practices for ASB Consultant Federal Tax Reporting

The IRS has many requirements for reporting payments to independent contractors, but ASB organizations are usually obligated by law to report student body fund payments by issuing Form 1099-NEC to any independent contractor who is paid a total of $600 or more in a tax year for services, including parts and materials. Because the district also issues 1099s at the end of the calendar year, it is most efficient for the district's business office to issue all 1099s for the ASBs as well, since they can retrieve the information from all schools. The 1099s must include all payments throughout the entire district, not just at one school. The best way to efficiently coordinate this is through the district's business office. The ASB gives the district's business office information about the independent contractors, and the business office then issues the 1099s for all the ASB's independent contractors districtwide.

Summary of Payment Methods for Employee and Consultant

The following is a summary of how those performing work for ASB are paid after the ASB has determined whether they are employees or independent contractors. These costs should be approved in advance, just like all other ASB expenditures.

Employee Payment Procedures

1. The ASB preapproves the work to be performed; this includes signatures from authorized individuals.
2. The employee who will perform the ASB work completes all of the paperwork required by the district's personnel and payroll departments.

3. The personnel department helps the ASB organization determine the allowable hourly rate.
4. The employee fills out a time card for work performed for the ASB.
5. The principal/school administrator or the ASB advisor signs the time card, confirming that the hours reported on the card are correct.
6. The ASB bookkeeper turns the time card over to the payroll department, where it is processed with the next payroll.
7. The employee is paid.
8. The business office bills the ASB for the cost of the employee's salary and benefits.

Independent Contractor Payment Procedures

1. The ASB preapproves the work to be performed; this includes signatures from authorized individuals.
2. The ASB bookkeeper obtains the W-9 Taxpayer Identification form from the independent contractor before their work begins.
3. A contract between the independent contractor and the district is finalized.
4. The contractor submits an invoice to the ASB bookkeeper for payment.
5. The principal/school administrator or ASB advisor signs the invoice, indicating that the work was completed satisfactorily.
6. The ASB bookkeeper pays the invoice.
7. By mid-January, the ASB bookkeeper provides the district's business department with information about the amount paid to the independent contractor.
8. The district's business department issues a 1099 tax form to the contractor by January 31.

This page intentionally left blank.

Chapter 18 – Cash Disbursement Management and Procedures

One of the main purposes of the ASB is to allow students to raise and spend money to promote the general welfare, morale, and educational experience of the student body. Expenditures of ASB funds are called disbursements. Chapter 14, Allowable and Questionable Expenses, provides guidance regarding the types of items usually considered allowable expenses from ASB funds. This chapter discusses how to ensure adequate internal controls for the disbursement of ASB funds.

Student money must be spent in accordance with sound internal controls, standard accounting practices, and board policy.

As previously discussed, elementary and TK-8 school ASBs are usually structured as unorganized ASBs, and middle and high school ASBs as organized ASBs. If an elementary school ASB is structured as an organized ASB and the students have authority over how funds are used, then the checks and balances discussed in this chapter for organized ASBs are applicable.

Internal Controls

In general, the internal controls over cash disbursements should ensure the following:

- All disbursements are for items that were included in the budget.
- All disbursements are for items preapproved for expenditure from ASB funds, supported by documents indicating the approval (e.g., purchase order).
- The ASB bookkeeper pays only for goods that were authorized and received.
- The ASB bookkeeper maintains adequate records of all expenses, including original detailed receipts.

When meeting the above general requirements, specific internal controls for cash disbursements will differ slightly between unorganized and organized ASBs. Because of this, the discussion of internal controls in this chapter is separated into the following three sections:

- Internal controls that apply to all ASB operations.
- Internal controls for unorganized ASBs.
- Internal controls for organized ASBs.

Internal Controls that Apply to All ASBs

The following internal controls apply to all ASB cash disbursements:

1. Education Code 48933(b) states that all ASB expenditures must be preapproved. Preapproval typically is evidenced by the use of an ASB purchase order. For unorganized ASBs, this preapproval is given by the employee or official the governing board has appointed as trustee over the funds. This person is typically the principal/school administrator, but this depends on whom the governing board authorizes. For organized ASBs, the preapproval must be by three individuals: the student council/club

TO TABLE OF CONTENTS >>>

representative, the certificated ASB advisor, and the administrator/board designee. The ASB or club is not obligated to pay for the expenditure if preapproval was not obtained.

2. Students and employees should never pay for an expense out of cash collected from a fundraising event; all collected cash must remain intact for deposit. If a reimbursement or payment is required, a check can be issued for the expenditure(s). This ensures that the students and ASB bookkeeper can perform a complete reconciliation of the fundraising event and that a complete audit trail exists.

   For example, if the students hold a bake sale and need to purchase extra napkins during the bake sale, they should not take money out of the cash collected that day to pay for the napkins. Instead, this type of situation should be anticipated in advance and a purchase order preapproved so that an employee can acquire supplies, such as napkins, during the event. The employee may use their own money for the purchase, then submit the original purchase receipt with a request for reimbursement.

3. Approved signers for various forms and financial documents are determined locally. Approved signers are required for various purposes. Who may sign forms and financial documents should be defined in governing board policies or administrative regulations, with consideration given to the needs and practices of the ASB, school administrators, and the district's business office. Board policies or administrative regulations should indicate alternative signers for when the authorized signer is absent.

4. The ASB bookkeeper may pay for a purchase with ASB funds only after the items have been received and only if the purchase has been preapproved by authorized individual(s).

5. The ASB bookkeeper must maintain the checkbook and all check stock in a secure place, preferably a safe, or, if that is not possible, in a locked, fireproof file cabinet.

Fraud Alert

When funds collected during an event are allowed to be used to purchase materials during the event, fraud perpetrators will simply keep the cash and thus reduce the amount of funds collected. Too often, no additional materials are purchased, and unsuspecting volunteers or students are so busy running the event that nobody misses the stolen funds.

Fraud Alert

Using the trusting nature of many involved in ASB business, fraud perpetrators will submit personal receipts for reimbursement from student funds. Trusting bookkeepers, advisors and others often overlook an individual they have known for a long time and will issue reimbursement, trusting the person's promise to provide supporting authorization the following day. The ASB is **not** obligated and **must not pay** for expenditures that are not authorized in advance using a properly signed purchase order.

Fraud Alert

When check stock is not safeguarded, even unsophisticated thieves know that they can simply copy a blank check and create their own duplicate check stock. For help copying check stock, organized fraud groups approach janitors, cleaning crews and other workers who have access and late night shifts. The original check stock remains, and the fraud continues as the check information is transferred to check-printing software. Within a short time, checks totaling thousands of dollars are being presented at the ASB's bank. This type of fraud may go undetected until the next month's bank statement is received.

6. The ASB bookkeeper should never allow checks to be signed in advance. Instead, backup signers should be approved in case the regular signers are not available. For example, if

the principal/school administrator will be out of the district for a week or two, someone may ask for checks to be signed in advance. This request should not be granted. Instead, backup signers should be approved for the checking account. The backup for the principal/school administrator could be a district office official. And unless there is district policy specifying the number of backup bank account signers and who they may be, there may be as many as the district's business office will allow. To ensure proper segregation of duties, the bookkeeper should not be a backup signer for ASB checks.

7. The ASB bookkeeper should never make a check out to cash or issue a check that lacks a payee name or amount. If cash is needed, an ASB petty cash fund should be established and available to reimburse an individual for preapproved expenditures. The petty cash fund will need to be replenished by issuing a check to a designated person, who will cash the check and reimburse the petty cash fund. If petty cash is replenished often, the individuals to whom petty cash checks are written may be rotated. A good practice is to write in the check memo "Petty Cash Replenishment" or something similar.
8. The ASB bookkeeper must use checks in sequence.
9. Personal or third-party checks should not be cashed from the ASB account.
10. Two signatures should be required on all checks, and all signers should be adults (i.e., not students).
11. If a check is incorrect or is not issued, the bookkeeper should mark the check void. The bookkeeper should retain these checks in the checkbook to account for all checks in numerical order.
12. The ASB bookkeeper should maintain adequate records and an audit trail, including original detailed receipts of all expenses, per the district's records retention policies.

Internal Controls for Unorganized ASBs

Few elementary or TK-8 schools with unorganized ASBs have a formal student body organization, though one can be established if desired. Usually, the governing board designates the principal/school administrator as the primary authority to operate the student activities and to authorize all expenses from ASB funds. However, if allowed by board policy or administrative regulations, the principal/school administrator should designate an alternate individual to approve the ASB expenditures. Additional check signers are also recommended, though this can vary depending on the size of the school and the number of checks processed. Another reason for multiple authorized signers is to prevent an individual (e.g., the principal/school administrator) from approving a reimbursement to themselves and then also signing the check for it.

In addition to the internal controls applicable to all ASBs, the following are internal controls for schools with unorganized ASBs:

1. The principal/school administrator should establish a process to allow other school employees to get approval to use ASB funds. For example, the principal/school administrator may decide that each teacher in the school will be allowed to spend $50 each year out of ASB funds for allowable student body expenses. Before any purchase is made, teachers must submit to the principal/school administrator (assuming the principal/

school administrator is the board designee) a request to use the funds via an ASB purchase order or an expenditure approval form. This ensures that the funds are available and preapproved for use before teachers spend personal money in anticipation of a reimbursement from ASB funds. Preapproval for all ASB expenditures, including those for unorganized ASBs, is required by EC 48933(b).

2. Whoever serves as the ASB bookkeeper should issue ASB checks for payment from ASB funds only for items preapproved by the principal/school administrator or designee. Proof of purchase (original invoice and supporting documents such as a purchase order or a receiving report) must be readily available.
3. The ASB bookkeeper should prepare a check for payment only when an original invoice and supporting backup document(s)such as a purchase order or a receiving report is presented.
4. The ASB bookkeeper must ensure that two people sign each check.
5. The ASB bookkeeper should record three pieces of information on the invoice: the word "paid," the date the check was issued, and the check number of the payment. If electronic documents are retained (e.g., Adobe PDF files), this information should be added. Depending on district policy or district business office practices, adding this information to the PDF file name may be allowable.
6. The bookkeeper should maintain a file of all paid invoices. It is probably easiest to maintain these invoices in order of the check numbers or in alphabetical order by vendor.

Internal Controls for Organized ASBs

Organized ASB operations at secondary schools are usually more complex and therefore require more elaborate internal controls. At high schools, the ASB bookkeeper will be responsible for keeping records for several different clubs. For example, the ASB bookkeeper at a large high school could maintain records for more than 50 clubs, writing checks for each club and ensuring that the amount is recorded as a deduction from the appropriate club account. The ASB is not obligated to pay for an expenditure ordered by a teacher, other employee, student, or other person who has not received approval using a purchase order prior to the purchase.

In addition to the internal controls applicable to all ASBs, the following are internal controls for schools with organized ASBs:

1. The principal/school administrator needs to ensure that all club members, teachers, and advisors understand that they cannot obligate ASB funds until a preapproved purchase order is prepared and approved by the student club representative, certificated advisor, and principal/school administrator or other board designee before the purchase. If a teacher or other individual places an order or goes shopping for materials without a purchase order that has the allowable signatures, the teacher may be held personally responsible for paying for the goods.
2. The district's business office should implement standard ASB forms and procedures for all schools. This means that the same fundraiser approval form, revenue potential form, cash count form, ticket control form, budget form, purchase order form, budget carryover

form and other such documents are to be used by each school. Taking the best from all school forms and creating a single set of forms used by all schools establishes continuity and allows for greater ease in cross-training. The same is true for standardization of procedures: each school ASB should be processing checks, deposits, fundraisers, and other items using the same procedures and forms. The forms in this manual can be used as a starting point if desired. In districts with both organized and unorganized ASBs, If the district's business office chooses, there may be independent sets of standard procedures for each type of ASB.

3. Each school should have a purchase order form to be completed before ordering goods for the various clubs and for employees who use their own funds to purchase items and then request reimbursement. The purchase order form shows that the proposed purchase has been preapproved by all of the designated employees and students. A sample purchase order form is provided at the end of this chapter. Some districts use an expenditure approval form rather than a purchase order. This is acceptable if it has the correct preapproval signatures in compliance with EC 48933(b). A sample Expenditure Approval form is included at the end of this chapter.
4. When the purchase orders are printed, they should be numbered or assigned a sequential number that is recorded in a purchase order log to track each document and transaction. ASBs with ASB accounting software that produces and prenumbers purchase orders may make multiple copies of the same form or use other procedures approved by the district's business office. Whether using an accounting software system or manual paper system to prepare the purchase order, or an electronic or manual paper approval process to sign the purchase order, multiple copies of each purchase order should be prepared and distributed as follows:
    - The first copy is retained by the club requesting the goods.
    - The second copy is for the club or advisor to acknowledge the receipt of the goods. Whoever will physically receive the goods should keep this copy and, upon receipt, confirm its accuracy, note the date and time the goods were received, sign the copy, and forward it to the ASB bookkeeper.
    - The third copy is sent to the vendor (if applicable).
    - The fourth copy is retained by the ASB bookkeeper and attached to the receiving report when the ordered items are received.
5. At a minimum, the purchase order should include the following:
    - The name of the student club or organization requesting the materials. This is the group that the ASB bookkeeper will charge for the goods.
    - The name and address of the vendor, or of the employee who makes the purchase with their own money and will request reimbursement.
    - The quantity and cost, and a description of the goods to be purchased. The requester should also estimate the sales tax and shipping charges.
    - Three signatures that meet the requirements for approval in EC 48933(b). These signatures must include a student representative, a board designee (principal/

school administrator), and a certificated advisor. Because the purchase order has the three required approvals, the check only needs to have two signatures.

6. Before any club commits to purchase goods, it must prepare a purchase order and obtain all of the required approvals. This is the proof that EC 48933(b) was followed.
7. If the vendor will not take a purchase order and requires payment by check, the purchase order form should be used as part of the process to request a check and to obtain and document prior approval. A check request is different from a purchase order and will not suffice as prior approval; most check requests are completed after the purchase, not before.
8. The students submit the completed purchase order to the ASB bookkeeper after all approvals are obtained.
9. The students record the issuance and approval of the purchase order in the club's minutes. All purchase orders must be approved before a purchase is made, and the approval should be documented in the minutes. However, the meeting minutes do not have to be approved before the purchase is made (EC 48933(b) does not require the club's approval of the minutes before purchase but does require approval of the purchase order by the three individuals). Approval in the club minutes is a good internal control to further document the students' decisions to approve the purchase.

Fraud Alert

The following are fraud tips related to suppliers, vendors, contractors and others:

- Be aware of purchasing items from vendors who are farther away than other similar vendors. Often vendors provide kickbacks and special deals for those who bring business to them and the ASB ends up paying a higher price.
- Reconcile paperwork for graduation cap and gown and other contractors that provide a volume discount or other discount at the end of the year. Sometimes the credit that they indicate they will provide on the closing year's document will not match the credit they show on the new year's opening document.
- Beware of vendors that resubmit previously used and paid invoices.
- Beware of bookkeeping that overloads or inflates expense accounts and/or advances. Typically the excess cash is diverted for personal use.

10. The ASB bookkeeper verifies that the club has sufficient funds to pay for the purchase before the order is sent to the vendor or before the employee purchases items with their own money and subsequently requests reimbursement. If the club does not have sufficient funds, the bookkeeper should return the purchase order to the club with a request for a budget revision or a proposed fundraiser and revenue potential form that indicates how the item will be paid for.
11. Depending on the policy at the school, once the items are received, the ASB bookkeeper or the club advisor may open and formally receive the goods. The designated receiver will open the shipment and compare the shipped items to the packing slip. After all of the items have been compared to the packing slip, the receiver will sign the receiving copy of the purchase order.

    Whoever receives the goods should give the ASB bookkeeper the signed receiving report (copy of the purchase order) and the packing slip.
12. When the ASB bookkeeper is ready to pay bills, usually once a week, the bookkeeper matches the original purchase order to the invoice and the receiving copy of the purchase

order. When all three documents are matched, the ASB bookkeeper will prepare a check to pay the invoice. The students do not need to approve the invoice because they already preapproved the purchase order. Nevertheless, more internal controls may be added to the purchase process, including students approving the invoice. Student approval of the invoice may slow the payment process; however, if the district's business office considers it appropriate, it is allowable and should be added to the ASB bylaws.

13. Two signatures are required on all checks written from ASB funds. One signature is usually the principal/school administrator or designee, and the other is an employee from the school (e.g., the ASB advisor) or from the district's business office. Students should never sign checks.
14. When the checks are presented for signatures, the ASB bookkeeper should also provide all of the documents for review. This allows the signers to review the invoices and purchase orders before signing the check.
15. After the check has both signatures, the ASB bookkeeper mails the check.
16. The check is then recorded in the accounting records for the club.
17. The invoice is marked paid, and the check number and date of issue are written on the invoice.
18. The ASB bookkeeper stores the paid invoices with the receiving report.
19. The invoice may be for slightly more or less than the original purchase order. The district should have a policy regarding the amount by which a purchase order may be exceeded and still be paid without further approval. For example, such a policy could state that if the invoice exceeds the original purchase order by more than 10%, the ASB bookkeeper should obtain approval from the three individuals who approved the original purchase order. If the district does not have such a policy, then the ASB cannot either. Most discrepancies will be from estimated tax or shipping costs. Generally, there should not be discrepancies in quantity or unit costs.
20. The ASB bookkeeper should maintain a list or log of all purchase orders issued, the dates when the goods or services were received, and the dates the invoices were paid. This allows the bookkeeper to easily determine if any goods have been ordered but not received, or if goods have been delivered but not processed for payment. Some financial information systems create such a log automatically.

Blanket or Open Purchase Orders

The ASB purchase order is the primary way to document preapproval of an expenditure. Local board policies, administrative regulations, and procedures that dictate whether blanket or open purchase orders are allowable should be considered, as should the capabilities of the district or ASB financial or purchasing system. Blanket or open purchase orders typically cover a large range of items obtained over multiple purchases. Although an open or blanket purchase order may expedite ASB purchases, it may not comply with a system of good internal controls and could subvert the required preapproval process.

If board policy allows, open or blanket purchase orders may be allowable; however, some considerations are as follows:

To operate both successfully and in accordance with statute, when the ASB issues an open or blanket purchase order, it must provide enough details about the approved materials or services and about the associated ASB event. For example, it might be allowable for the ASB to approve an open purchase order for a specific vendor for a specific expenditure, such as homecoming decorations, limiting the total expenditure amount without identifying the specific items to be purchased.

Preapproval of all expenditures is both a good internal control and a statutory requirement. Each ASB purchase must be approved in advance, and any purchase order issued as a result of that purchasing decision should, as stated above, include the following:

1. The name of the student club or organization that is requesting the materials. This is the group whose account the ASB bookkeeper will charge for the goods. The purpose for the expenditure should be disclosed, including the approved event for which the materials or services will be used.
2. The name and address of the vendor.
3. The quantity and cost of the goods, as well as a description. The requester should also estimate the sales tax, shipping charges, and any insurance and other costs. In the case of a blanket or open purchase order, the very nature of the order means that this information may be sparse or lacking. However, an ASB blanket or open purchase order should at the very least contain a generic description of the items to be purchased and a lump sum amount.
4. Three signatures as required by EC 48933(b). This must include signatures from a student representative, a board designee (principal/school administrator), and a certificated advisor.

As described above, an open or blanket purchase order may not allow for the level of detail found in item 3 above and could make possible purchases that would not otherwise have been approved. Consequently, any ASB that is considering the use of open or blanket purchase orders should review existing board policies and administrative regulations and consult with the district's business office to ensure compliance with district procedures and regulations.

Purchases That Span Fiscal Years

Two circumstances under which purchases can span fiscal years are as follows:

1. A purchase was approved in the minutes of the previous school and fiscal year, such as in May or June, but the purchase order has not been prepared and approved.
2. The purchase order was prepared and approved in the previous year but not used by the end of that fiscal year.

What to do in these situations depends on each district's business office's purchasing policies and procedures.

In the first set of circumstances above, in which a proposed expense was approved in the minutes but no purchase order was approved, the purchase cannot continue because the

students are no longer available to complete the required purchase order by approving it with the three required signatures.

In the second set of circumstances above, if the purchase is not completed until the new fiscal year, it may mean that the unfinished purchase order needs to be encumbered as an obligation as of June 30. Or the purchase and accompanying purchase order may need to be canceled and reapproved in the new fiscal year by the three authorized individuals.

Typically, if a purchase cannot be completed by the end of the fiscal year, students will not benefit from the purchase in the year it was approved.

Internal Control Failures

Failure to follow established policies, procedures and legal requirements may increase the risk of fraudulent activity and exceptions identified during the annual audit. When a breakdown of internal controls occurs, such as failure to obtain preapproval for an ASB expenditure in accordance with Education Code provisions, the governing board or school district leadership must determine how best to resolve the violation. Careful consideration should be given to the individual circumstances of each occurrence. These considerations can vary widely; however, some general guidelines include the following:

- Has the violation occurred in the past?
- Has the individual been involved in previous violations of a similar nature? If so, what corrective action was taken?
- What caused the individual(s) to violate established policies or procedures (e.g., lack of training or knowledge, inexperience, inadequate communication from the school district about updated board policies and administrative regulations, intentional action)?
- Does the infraction violate board policy or administrative regulations, ASB governing documents (bylaws or constitution), or other written policies and procedures?
- What other considerations may be relevant to the violation?

Depending on the answers to the above questions and other considerations, the school and ASB may ultimately determine that an isolated exception may be granted. Such an exception should require the approval of the principal/school administrator, ASB advisor, students, chief business official, and other school leaders as needed. Ideally, the district's business office will establish a procedure for who determines how such violations will be handled.

The district and ASB should also act to prevent a recurrence of the violation(s). This could include implementing stronger internal controls, updating board policies and administrative regulations, increasing ASB training, ensuring more frequent oversight by the district's business office, and consulting with the individual(s) involved to determine any preventive measures needed. Documenting any actions taken is also important to record the violation and help with handling similar situations in the future. This will also help the district's auditors understand the nature of the infraction and any actions taken to prevent a recurrence.

Exceptions and findings noted in the annual audit require a formal corrective action plan that is approved by the governing board and monitored by the county superintendent or state superintendent of public instruction.

Using Credit and Debit Cards

The question of whether student groups and the ASB should use credit or debit cards depends on whether district board policy or procedure allows this, whether the district's business office authorizes their use, and whether a strong process is in place to ensure that the cards are not used without preapproval. Using debit or credit cards to bypass the required preapproval is not allowed in ASB, because a credit or debit card is simply another form of payment and the law about preapproval (EC 48933(b)) still applies. The use of credit and debit cards is discouraged.

If credit cards are permitted for an ASB, they should be issued and processed by the district's business office, not by individual ASBs. Most school districts should have policies specifying when credit cards can be used and if personal reward points are allowed or subject to any conditions. ASBs should not use debit cards.

Reward Points Earned on Personal Credit Card Use

It is common for advisors or others to make purchases on behalf of a club using a personal credit card. Many credit card companies offer reward points to the cardholder based on the monthly amount spent. Credit card points are incidental and typically result in insignificant amounts of earnings to the cardholder. Consequently, it is an industry-standard practice to allow a cardholder to retain the points earned. To demonstrate the most transparency, the district should ensure that its board policies or administrative regulations clearly either allow or prohibit the use of personal credit cards that earn points for purchases on behalf of student organizations.

Other Methods of Purchases

Many ASB purchases are made by advisors or others who use their own cash, check or credit card and are later reimbursed. In some instances, the person shopping may use other methods to make purchases on behalf of the ASB such as personal gift cards, reward points, gift certificates, or Electronic Benefit Transfer (EBT). Use of these other payment methods requires the same approvals as with any expenditure. However, these methods convert a noncash payment into cash through the ASB reimbursement process.

Paying for ASB purchases with EBT funds has additional state and federal considerations. EBT food stamps is a California state program through CalFresh that is also tied to the federal Supplemental Nutrition Assistance Program (SNAP). Each EBT recipient may have different allowed uses of their card. Some EBT cards may be used for cash benefits and ATM withdrawals.

Paying with these other methods is not ideal but may be allowable when it is not prohibited by board policy, administrative regulations, or ASB bylaws, and when their use is identified in a preapproved purchase order that clearly states that the purchase order payee will be reimbursed for use of their own gift cards, reward points, gift certificates, or EBT card.

The best practice is to add these types of allowances or prohibitions to board policy, administrative regulations, or ASB bylaws. If the district chooses to allow the use of EBT cards, it should also seek district legal counsel's recommendation.

Advance Payments

For cash disbursements for advance payments or advancing funds to students for activities, the ASB should follow district board policy and administrative regulations. The best practice is for the ASB bookkeeper to pay only for goods that have been authorized and received, and for advisors to plan ahead so that cash advances are not necessary. This is an industry standard and it provides for the best internal controls. However, it may not always be possible. EC 48933(b) requires prior authorization but does not prohibit advance payment.

Advance Vendor Payments

Rather than assuming that advance payments to vendors are permitted, review board policy and the ASB constitution for guidance on this matter. Expenditures of ASB funds are always subject to any procedures established by the student body organization and to approval in advance pursuant to EC 48933(b).

Cash Advances to Students

It is not typically allowable to give students cash payments from ASB, regardless of how the funds will be used. The district and ASB lack any assurance that the funds will be spent for the intended purpose, meaning payments may become a gift to a student.

Using meals as an example, although a fundraiser approval form may document the subsequent use of ASB funds as a cash advance to each participating student as allowable (if the use of the funds is preapproved), the best practice is for the ASB or club to issue to the advisor or meal provider/vendor a preapproved purchase order on behalf of all students in the club for the meal or item they may need. This ensures that the funds are spent on what they were raised for and that all students receive a similar benefit.

Thus, if board policies, administrative regulations, operating procedures established by the district's business office, or the ASB constitution or bylaws allow payment in advance, one can follow their direction, and if the district has a policy regarding prepayment, one must follow it. If there is no written guidance regarding prepayment and a situation needs resolution, inquire whether the vendor will accept a purchase order instead of a deposit or has a meal or prepaid plan students can use for their activity. It may help to remind the vendor that a purchase order is a contract between the vendor and the ASB for payment and that the district wishes to make sure the students receive the appropriate preapproved meal or other prepaid item. If that is not acceptable to them, contact the business office for guidance on how to proceed.

The business office may or may not allow the purchase to go forward. If the purchase does go forward, a legal contract may need to be prepared that provides terms for a refund of the prepayment in case of cancellation and ensures that a completed W-9 is provided to the district or ASB (if needed) before the prepayment/advance is made.

IRS Forms W-9 and 1099

See Chapter 17, Employees and Independent Contractors, which is applicable to consultants and many others who perform services for the ASB. Be prepared to ensure that consultants

who qualify have returned a signed and fully completed W-9 to the ASB before any work is performed or any payment made.

Sales and Use Tax

Overview

Sales and use taxes can present special difficulties for student body organizations, especially those that purchase many items from out of state or that run a student store. The likelihood of being audited has increased, and student body organizations need to be prepared for challenges. Effective preparation includes identifying and resolving issues and establishing adequate policies and procedures. Although this manual introduces and gives brief guidelines regarding sales and use tax, it is not intended to provide tax, legal, or accounting advice. A district's business office should review all sales tax issues thoroughly with their auditor and/or legal counsel.

Typically, a district's business office is responsible for aggregating all schools' sales and use tax transactions. Schools should not have their own sales tax identification number. The district's business office uses the district's sales tax identification number to file all districtwide quarterly sales and use tax reports to the California Department of Tax and Fee Administration (CDTFA). Student organization bookkeepers must develop internal procedures to ensure that each school reports sales and use tax transactions to the district's business office for inclusion in the districtwide quarterly submissions to the CDTFA.

Tax Regulations

Items sold (requirement to collect sales tax at time of sale). California State Code for Revenue and Taxation, Section 6361 and the CDTFA's Business Taxes, Tax Regulations 1597 and 1603 apply.

These laws and regulations identify which organizations are to be considered a consumer and not a retailer and so must pay sales or use tax but do not need to collect sales tax. They also specify certain types of items (e.g., food sales) and types of sales (e.g., intermittent) that the organization is not generally required to collect sales tax for because they are considered a consumer rather than a retailer.

The rules and regulations regarding sales and use tax continue to evolve. Before determining if sales or use tax is required, a thorough review of Tax Regulations 1597, 1603, 6361, and the CDTFA's Publication 18, Nonprofit Organizations, is recommended. Publication 18 provides guidance for topics FCMAT believes are helpful for ASBs, boosters, and other nonprofit, school-connected organizations.

Sales Tax

State Revenue and Taxation Code (RTC) 6006 identifies what constitutes a sale and what is subject to state sales tax. RTC 6006(f) defines a sale as, "A transfer for a consideration of the title or possession of tangible personal property which has been produced, fabricated, or printed to the special order of the customer, or of any publication."

Sales tax is the tax applied when an item is sold. Sales tax is a transaction tax, calculated as a percentage of the sales price. Although sales tax may legally be imposed on the seller or the purchaser, the seller is liable for the tax and responsible for remitting it to the state.

Sales tax is computed only on the end product being sold. It is not required on items purchased with the intent of contributing to a later final product; these are considered items for eventual resale. If vendors attempt to charge sales tax on items intended for resale, student organizations must obtain a seller's permit and show the vendors a resale certificate as proof of this permit to avoid paying the sales tax.

Items not intended to contribute to some future end product are considered consumed by their final purchaser, and sales tax is computed based on their full sales price.

Use Tax

Use tax is the tax applied to items purchased from outside the state for use in California (in which case no sales tax can be applied because of interstate commerce laws). The liability for the tax and the responsibility for remitting it to the state rest with the buyer.

- The use tax rate is always the same as the sales tax rate. Sales and use tax can never both apply; it is always one or the other.
- Items purchased for eventual resale can also be exempted from use tax using the seller's permit and resale certificate mentioned above.

Assembly Bill (AB) 155 (Chapter 313/2011), effective September 23, 2011, expanded the types of out-of-state retailers that are required to register with the CDTFA and to collect and remit sales tax on sales of tangible personal property to customers in California. As a result, more online retailers must register with CDTFA to collect tax.

If out-of-state retailers do not collect tax, or do not charge it because they assume that educational agencies do not have to pay it, school agencies are still required to report and pay the equivalent of sales tax, known as use tax. Because the CDTFA lacks a mechanism to track sales by out-of-state vendors' customers, school agencies should not submit the sales tax to an out-of-state vendor when it is not charged. Instead, they should include the purchase in the periodic sales tax report filed with CDTFA and pay the obligation directly. This ensures that the correct amount of sales tax is submitted to the CDTFA, with no fear of penalties for underpayment of sales tax.

The CDTFA's Publication 18 has guidance about the taxability of sales by nonprofit organizations such as ASBs. This publication and additional information about sales tax are available on the CDTFA website.

California sales or use tax applies when

- Goods or services are taxable according to CDTFA regulations.
- Delivery or acceptance took place in California, or goods were brought into California shortly after acceptance in another state.

California sales or use tax does not apply when

- Funds being used are nontaxable within the guidelines of a contract or award.

- Goods or services are tax-exempt.
- Items purchased are for resale.
- Title of equipment passes directly to the federal government.

Exceptions for Student Organizations

- When yearbooks and other student-produced publications are sold, the state allows items purchased to produce these publications to be considered consumed, and thus releases the student organization from tax collection when the final item is sold.
- For student-manufactured items that are not sold regularly, purchases intended to be used to produce or contribute to these products are considered consumed, and the final sale is released from tax collection.

Criteria for Exemption from Sales and Use Tax, Based on Regulations

- **Who**: Any youth group sponsored by or affiliated with a qualified educational institution.
- **What:** Sales of food products, nonalcoholic beverages, and other tangible personal property sold by nonprofit organizations on an irregular or intermittent basis.
- **When**: On an irregular or intermittent basis, provided the profits from such sales are used solely and exclusively in the furtherance of the purpose of the organization.
- **Irregular or Intermittent**: Associated directly with particular events such as fairs, galas, parades, games, and similar activities. This includes refreshment stands or booths used at scheduled events of organized leagues, but it does not include storefront or mobile retail outlets, which would ordinarily require local business licenses.
- **Sales of Food Products, Nonalcoholic Beverages**: Sales of meals or food products for human consumption to students of a school by public or private schools, school entities, and student organizations, are exempt from tax.
- **Other Tangible Personal Property**: A qualified youth organization is the consumer and not the retailer of tangible personal property that is created by members of the organization and that is sold on an irregular or intermittent basis.
- **Additional**: Any public or private school, school district, county office of education, or student organization is a consumer of and shall not be considered a retailer within the provisions of this part with respect to yearbooks and catalogs prepared for or by it and distributed to students.

  By inference, this would not include items sold at the student store or elsewhere that are not intended for human consumption (unless the tangible personal property was actually made by members of the organization), because the sales do not qualify as irregular or intermittent.

Items Purchased — When Must Sales or Use Tax be Paid?

- **Items purchased for consumption (e.g., supplies, equipment)**. For these items, schools and student organizations are not exempt from sales or use tax; therefore, state sales or use tax must be paid.

- **Items purchased for resale**. For items identified above that do not require the organization to collect sales tax when it sells them, the organization is considered a consumer and must pay the sales or use tax when it purchases the items. For items to which sales tax applies at the point of sale (tangible personal property, not made by members, not sold at intermittent or irregular events), the organization is considered a retailer and so would not pay sales or use tax when it purchases the items but should present a valid resale certificate.

Procedures

Based on the above determinations, the following procedures are recommended:

- **Sales or use tax at point of purchase**. Based on the above categories of purchases, for all items for which sales tax (or use tax in cases of out-of-state vendors) is applicable, the tax must be paid. If the tax is included on an invoice, it should be paid to the vendor and the district would allow the vendor to remit the tax to the state. If tax is not included on an invoice, it should be recorded and added to the regular remittance of sales and use tax to the state. Student organization bookkeepers must develop internal procedures to ensure that each school reports sales and use tax transactions to the district's business office for inclusion in the districtwide quarterly sales and use tax submission to the CDTFA.
- **Sales tax at point of sale**. When sales tax is collected at the point of sale (for example, for nonfood items sold in the student store), it should be recorded and added to the regular remittance of sales and use tax to the state through the district's business office
- **Remittance**. Remittance should be made regularly (quarterly is recommended). The district's business office will remit payments on behalf of the district and all schools, made payable directly to the California Department of Tax and Fee Administration, and the appropriate remittance forms will be used.
- **Tracking**. If the ASB accounting software does not accept the accrual of taxes payable entry, all schools with ASBs will need to manually track taxes owed but not remitted and manually add these to scheduled remittances to be sent to the district's business office.

More information

More information on sales and use tax rules and regulations is available from the CDTFA. Additional information on sales and use tax is available in Chapter 11, The Student Store, in the section titled Sales and Use Tax.

Purchase Order

Sample Purchase Order
School Name
School Address
City, State, ZIP

P.O. Number: _____Date:_____

To:

Vendor Name
Vendor Address

Item Number	Description	Quantity	Unit Price	Total Amount
Requested By: (Name of Person) (Name of Club)		Subtotal		
		+ estimated sales tax:		
		+ estimated shipping charges:		
		Total of this purchase order:		

Notice to the Vendor

Please mail the invoice to the address at the top of the purchase order, care of the ASB Bookkeeper.
Please indicate the purchase order number on the invoice. If all below signatures have not been obtained, this purchase order is not valid.

Accounts to be Charged (this section must be completed before submittal to the ASB bookkeeper)

Club or Class: _____

Club Account(s) to be Charged: _____
_____

Certification

Submitted and Approved by:

Student Club Representative: _____

Signature, Title and Date

We certify that this request has been approved by ASB or Student Council:

Club Advisor: _____

Signature, Title and Date

Principal/School Administrator: _____

Signature, Title and Date

Verified by ASB Bookkeeper: _____

Signature, Title and Date

Recorded in ASB Student Council Minutes on: _____

Date

Purchase Order Log

Best Practices School

ASB Purchase Order Log

P.O. #	Date Issued	Vendor Name	Description	Club	Amount	Date Reviewed	Date Paid	Comments

Expenditure Approval

Sample Expenditure Approval

School Name

School Address

City, State, ZIP

Date Requested:_____

Approval Number: _____

Club to be Charged: _____

Date of Event: _____

To:

Name of Employee to be Reimbursed
Employee Address

Item Number	Description	Quantity	Unit Price	Total Amount

Requested By: _____

(Name of Person) (Name of Club)

Subtotal	
+ estimated sales tax:	
+ estimated shipping charges:	
Total of this purchase:	

Important Reminder:
This Expenditure Approval form is not valid unless all signatures below have been obtained.

Accounts to be Charged (this section must be completed before submittal to the ASB Bookkeeper)

Club or Class: _____

Club Account(s) to be Charged: _____

Certification

Submitted and Approved by:

Student Club Representative: _____

Signature, Title and Date

We certify that this request has been approved by ASB or Student Council:

Club Advisor: _____

Signature, Title and Date

Principal/School Administrator: _____

Signature, Title and Date

Verified by ASB Bookkeeper: _____

Signature, Title and Date

Recorded in ASB Student Council Minutes on: _____

Date

Chapter 19 – Cash Controls and Fraud

FCMAT is often asked to review school district ASBs for suspected fraud. The reasons for and methods of fraud vary, but there is no doubt that fraud occurs in ASB organizations.

School district ASB programs have the potential for fraud because cash is generated, the people helping are trusting, and internal controls are often bypassed.

Regardless of an ASB's size, everyone must be aware of the three components required for fraud to occur: motive, opportunity, and access. These three components are often known as the fraud triangle, and all three must be present for fraud to occur. No program or person is immune to fraud. A person who is honest today can experience change or new circumstances that may make fraud an option for them tomorrow.

The purpose of internal controls is to protect individuals from situations in which all elements of the fraud triangle are present. Strong cash controls can limit the opportunity and access needed to commit fraud and prevent individuals from doing something they may otherwise never have considered. Implementing and following strong internal controls may also help protect innocent employees from being falsely accused of fraud.

If fraud does occur, strong cash controls may also help identify the suspect and help exclude from suspicion innocent individuals who may be wrongfully accused by the actual thief. Controls can also provide a document trail to quantify the loss and to limit ongoing losses.

While reading the following sections of this chapter, consider who has the motive, opportunity, and access required to commit fraud. And keep in mind that pressure can provide a motive, capability can create access, and the circumstances and mindset that allow a person to rationalize theft may arise when administering student funds.

The following sections discuss the importance of cash controls.

Fundraising and Deposits

There are five main control points at which fraud may occur during ASB fundraising events.

1. **During a fundraising event.** If nobody is monitoring how funds are collected, safeguarded and accounted for during an event, cash stolen cannot be traced and people are often left wondering why the event raised less money than they perceived it should have.

   Without proper cash safeguards, allegations or suspicions of fraud can and often are made against an unsuspecting advisor, students, or innocent volunteers.

   Recommended Preventive Measure: Always monitor and safeguard cash collections during events, including having at least one witness present at all times.

2. **After the fundraising event but before the money is taken to the ASB bookkeeper.** A lack of cash controls that results in an advisor or volunteer counting the cash alone is problematic and should not be allowed. Cash should always be counted in the presence of at least one other person so that there are witnesses. Students may act as a witness and help count funds but must always be supervised by an adult.

To Table of Contents >>>

For example, consider the possibility of a fundraising event at which people believe approximately $2,000 was raised but the advisor counts the cash alone, without a least one other witness, and finds that only $1,100 was raised. These funds are deposited. However, later someone asks how much money was raised and is surprised that it was only $1,100, then becomes suspicious. Questions and allegations follow, and the advisor's reputation is at stake with only their own word to defend how much was raised.

Cash controls are more for the employee or volunteer's protection than to catch a thief. Every year, many ASB advisors, volunteers, bookkeepers and others are accused of stealing cash. If an ASB does not enforce strong cash controls, these individuals' defense is limited to their word.

Recommended Preventive Measure: Money should never be counted alone. Always count money in the presence of at least one witness.

3. **After the cash is counted but before it is taken to the ASB bookkeeper.** After a fundraiser, the cash is often not fully secured but is instead placed in an envelope, a desk, a locked file cabinet, or the trunk of an individual's car. Or sometimes the cash is counted properly with a witness and the cash count form is properly completed and signed, but the form is not duplicated, and the cash and form are then delivered to the ASB office by only one student or adult, thus creating an opportunity to remove cash on the way to the ASB office and alter the form. Proper procedures, including placing the cash and cash count form in a tamper-evident bank bag, retaining duplicate cash count forms, and using escorts such as campus security to take the funds to a secure school safe are necessary to provide controls.

    a. Cash stored in desk drawers or file cabinets is not secure and can be easily lost or stolen, sometimes after the person who placed it there forgets about it. These types of practices unnecessarily make everyone a potential suspect, thus placing honest individuals, including school employees and students, at risk of suspicion, rumors and accusations, simply because the money was not properly deposited with the ASB bookkeeper or stored safely in a secure, fireproof safe.

    b. Without proper cash controls, the actual thief can also easily blame someone else for the theft.

    c. For example, honest ASB club advisors, bookkeepers and volunteers have and continue to put cash in their car with good intentions only to have something else go wrong. Some of these honest individuals have put cash in their car, not gone directly to the bank, run another errand, then had the funds stolen at a car wash or store parking lot. Imagine this happening with $10,000 from the sale of football game tickets. Some thieves have also put the cash in their car and left it there for weeks to see if anyone noticed the cash missing and/or to give themselves an increasing sense of ownership of the cash.

    d. After the money is counted in the presence of a witness(es) and the cash count form completed and signed, individuals sometimes do not have or do not make multiple copies of the cash count form for their own records, but give the deposit and cash count form to another lone individual for delivery to the ASB bookkeeper. Subsequently, the bookkeeper receives a deposit that they count showing less than

the individual who counted it remembers or wrote on the cash count form. The ASB bookkeeper, who also should have counted the funds with a witness, now notifies the advisor of the discrepancy. If the funds counted at the fundraiser were not sealed in a tamper-evident bank bag, the advisor or the persons who transported the funds to the bookkeeper may be accused of taking money from the deposit. This places the person carrying the deposit in a difficult situation, with no way to show that they delivered the same amount of funds as they received.

Unless the funds and a copy of the cash count form signed by at least one witness are placed in a sealed tamper-evident bank bag, identifying where the internal control weakness is and who may be at fault becomes much more difficult.

Recommended Preventive Measures: Always use a cash count form, ticket control form, startup cash form, and all other necessary forms. Ensure the required forms are signed by the individual responsible for the cash and by at least one witness. If not using multicopy forms, make multiple copies of the completed form(s), and always keep at least one copy in a safe place, such as a locking filing cabinet, separate from the copy sent with the deposit. Whenever possible, have at least two people transport a deposit to the school safe. If one person must transport the deposit, it should be one of the individuals who counted the money. Each school must establish after-hours cash security procedures so cash and checks can be stored safely in a tamper-evident bank bag in the school safe until the amounts can be counted or verified with the ASB bookkeeper and another witness. The ASB bookkeeper's witness may also be anyone, including a student or even one of the same witnesses who counted the funds at the fundraiser.

4. **After the deposit reaches the ASB bookkeeper**. Trusting a helpful ASB bookkeeper, some individuals send the bookkeeper their only copy of the cash count form and do not count the cash again with the ASB bookkeeper. In other cases, the ASB bookkeeper is absent, so individuals simply leave the deposit on the bookkeeper's desk.

   Eliminating fundamental controls allows a dishonest ASB bookkeeper or an opportunist unchecked control of the deposit. The ASB bookkeeper can swap cash and checks within multiple deposits and take cash, or take as much of the cash deposit that they want and change the amounts in the cash count form, or take all the money and say they never received it. Without documentation to show the chain of custody, there is little or no recourse.

   A common scheme for dishonest ASB bookkeepers is to take a deposit that is part cash and part checks (e.g., $400 in cash and $550 in checks) and wait for another cash deposit equal to or greater than the amount of the first deposit that was checks ($550), then swap the check deposit with the same amount of the later cash deposit. Dishonest bookkeepers will continue swapping checks for cash until they find a trusting club advisor who does not keep their cash count forms or check their club account reports, then start shorting that club's deposits.

   Neglecting to have a witness count the money with the ASB bookkeeper can also leave an honest ASB bookkeeper open to accusations of theft or fraud. An ASB bookkeeper may be trusting enough to accept a deposit even if the advisor or other individuals are too busy to count the money with them. If there is a difference in the deposit because of

an error caused by fatigue or haste on the part of the depositor, because the bookkeeper has no witness, it may look as though the ASB bookkeeper committed fraud even though they did not. For example, if the depositor, even though fatigued at the time, is sure they deposited $2,520, but the ASB bookkeeper counted $2,250, there is no way to prove or disprove this. The ASB bookkeeper is left with no alibi, no witnesses, and no help.

Recommended Preventive Measures: Locking bank bags are acceptable and better than less secure methods. However, the best method for storing and transporting of cash is in a prenumbered, tamper-evident bank bag. At each step of counting cash, such as at the fundraiser and then when the bookkeeper again counts the cash, a tamper-evident bank bag should be used to secure the cash. This means at least two tamper-evident bank bags will be used.

Always keep a copy of the completed and signed cash count form and other required forms. Always count the cash again in the presence of the ASB bookkeeper and document this second count. Students may help count at the fundraiser and/or with the ASB bookkeeper as long as they are always supervised by an adult. When the cash and checks are retrieved from the safe, the ASB bookkeeper should issue a receipt for the cash and checks, but only after the two individuals (the advisor and the bookkeeper or other witness(es)) have counted the dollar amount together and recorded that amount on the receipt. If the advisor is not able to count the funds with the bookkeeper, an alternate individual must do so; the bookkeeper should never count funds alone.

5. **When receiving startup cash for change**. Some events require a cash box containing startup cash to make change.

   For example, if the ASB bookkeeper has the person sign a form that acknowledges receipt of the startup cash for change and shows the amount (e.g., $400) but does not require them to count the money at that time in their presence, the person could end up with less money than stated on the form (e.g., $300), and as a result be blamed for the difference. Or the club may never know they were shorted $100, and their fundraising ends up subsidizing undiscovered theft.

   If the ASB bookkeeper places startup money in the cash box but fails to document it with a cash count form that indicates the amount of startup cash and is signed by both parties, and cash is subsequently stolen or miscounted for any reason, or the individual receiving the startup funds incorrectly identifies a smaller amount than was actually provided, the club will receive less revenue than expected.

   A startup cash log should be used, and everyone who receives startup cash should be required to sign it signifying that they have counted the startup cash together with the ASB bookkeeper and that they agree regarding the amount. Failure to keep such a log creates the potential for simple errors that can result in allegations of wrongdoing.

   Recommended Preventive Measures: Always have both the ASB bookkeeper and the person receiving the startup cash count the money, and document this count with signatures signifying agreement regarding the amount.

Checks, Reimbursements and Advances

People often think fraud cannot occur with checks, reimbursements and advances because they require multiple signatures, receipts or other verification. However, this is not the case.

Checks

Checks are written to pay for services and purchases. Fraudulent vendors and services with credible-looking invoices and business names can present invoices for payment. Checks can be altered by removing the legitimate payee's name and inserting another. These are common types of fraud.

Fraudulent Vendors

When cash controls and authorization procedures are weak or nonexistent, an unauthorized vendor can be added to the payee lists, fictitious invoices for products or services can be created, and money can be siphoned from clubs or the general ASB account.

The purchase order, authorization and disbursement processes discussed in this manual are designed to provide step-by-step procedures for properly documenting the cash disbursement process. These procedures help prevent fraud and financial errors.

Check Altering

In more sophisticated check-altering schemes, someone will obtain the proper authorizations and purchase orders for a check, then the club advisor, ASB bookkeeper, or any other person in control of the check will remove the payee's name and insert their own or that of a vendor they control.

Typically, banks include electronic copies of checks with the account statement rather than the original checks. These smaller copies of the original checks (front and back) are shown in the bank statement and are usually listed as the last few pages of the bank statement. Extra care must be used to confirm that the payee on the check is the same as that listed on the check register. Confirming who endorsed a check helps establish the chain of custody. If the ASB bank statement does not contain copies of the canceled checks, those responsible for ASB finances should immediately discuss with the bank how to get copies. Comparing the bank-provided canceled (i.e., cashed) check payees and amounts with the ASB bookkeeping records is a major internal control and preventive measure. If the ASB is told that the bank does not provide canceled checks or that they are not needed, investigate this immediately. If the bank does not provide canceled checks in some form, consult with the district's business office and ask to change to another bank.

When original checks are returned with bank statements, there is the opportunity for a perpetrator who has sole custody of the returned checks to alter the checks again to restore the original payee's name and thus avoid detection of the prior check-altering fraud. Most banks do not return original checks but print smaller versions of the front and back of checks in the bank statement instead. If original checks are being returned by the bank instead of copies as part of the bank statement, greater care should be taken in reviewing checks to determine if they are altered.

If it is not cost effective to create a separation of duties for the bank statement reconciliation process, the school administrator, ASB advisor, or district business office should examine the

returned checks to look for fading and other signs that the payee has been altered. The digital copies of checks printed in the bank statement should also be periodically compared to the cleared check register, and the endorsements on the reverse side of the checks should be verified.

Reimbursements

Every receipt and every line item of the reimbursement must be confirmed. Copies of receipts are not sufficient; original receipts should be presented for reimbursement whenever possible. If there is no policy requiring original receipts for reimbursements, one should be developed.

Missing Receipts

In rare instances, after an expenditure receives written preapproval, the receipt for a purchase may be lost or unobtainable. When this occurs, board policies or administrative regulations should determine when such a transaction qualifies for reimbursement. For example, a district may allow reimbursement with a written explanation or affidavit from the purchasing individual, if the explanation includes a description of the item(s), where and why the item(s) were purchased, how many items were purchased, the per-unit and total cost, and an explanation regarding why a receipt could not be obtained or was lost. A corresponding bank statement, credit card statement, or other transaction statement demonstrating the amount paid may also be required.

Potential for Fraud

With reimbursements, two types of fraud can occur: The person receiving the reimbursement can falsify the reimbursement; and the amount of the reimbursement can be altered and cash stolen.

The most common type of ASB reimbursement theft involves attempts to have the ASB pay for something that is unauthorized.

Because altering reimbursements is not common and requires some time and planning, this type of fraud is usually perpetrated by the ASB bookkeeper, an administrator, or someone with access to ASB petty cash, the ASB accounting software, and the completed reimbursement form. The perpetrator typically does the following:

- Pulls the completed reimbursement form from the payee file, adds expenses that do not have documentation, and increases the cash advance.
- Pockets the amount of the cash increase and alters the accounting records to agree with the new larger cash advance total.

Advances

As is the case with all cash transactions, cash advances attract more fraudulent activity than noncash advances such as those via check. Cash advances should occur in ASB only if advances are authorized by district policy or administrative regulations. District policy and ASB policy should be the same.

The opportunity for theft exists when advances are not documented with signatures, initials are not required next to a line item on the reimbursement form, and an advance log does not require signatures.

To safeguard against cash advance fraud and protect innocent parties, write the cash advance amount on at least two separate documents, and have the recipient sign both documents and initial the cash advance amount. This makes it more difficult for a potential perpetrator to alter the cash advance amount and protects the ASB bookkeeper from allegations that they issued a different cash advance amount.

Fictitious Advances

Another common cash advance fraud is a fictitious cash advance. Although completely false, a fictitious cash advance may have documentation and is usually booked to an unsuspecting club advisor who does not check their club's monthly financial report. For example, a dishonest ASB bookkeeper could take $60 from cash and record it as an advance or a petty cash expense for a certain club. If the club advisor does not check the club's financial report monthly, they are unlikely to remember or recognize that the $60 advance was not used for club purposes. This is particularly true for relatively small amounts such as in the example, especially when there are numerous transactions.

ASB Financial Reports

ASB financial reports and club reports may not be perceived as cash control measures, but they are. The financial report prepared for a club lists in detail all of the club's transactions and is thus an historical account of the club's financial activities.

Club advisors should receive a detailed monthly transaction report for the club that shows at least the deposits, checks, journal entries, transfers, and memos or notes of the club's financial transactions. Club advisors should keep duplicate cash count forms, club minutes, copies of purchase orders, and other paperwork. This enables them to do the following:

- Compare the deposit amounts on the cash count forms with the financial report for the club to verify that the club's deposits are accounted for correctly. If there is a discrepancy, an advisor who has kept duplicate paperwork can identify discrepancies, question them, and be part of the solution.

  A difference or discrepancy does not necessarily indicate fraud. A deposit may have simply been miscoded to another club's account, which can be corrected.

  Failure to review financial reports monthly makes it difficult to detect errors or fraud. It is far more difficult to review in detail hundreds of transactions or more at the end of a year than to review a much smaller number each month.

  Club advisors who do not keep copies of deposit records, cash count forms, and other paperwork will have few options and no documents against which to compare the club's financial report and detect errors. Failure to keep these types of supporting financial documents also gives a dishonest ASB bookkeeper the opportunity to commit fraud.
- Review the transfers and/or journal entries in the club's financial report. All transfers and journal entries should have been approved before being entered in the club account. Note and question any transfers or journal entries that are not readily recognizable.

One of the most common but less sophisticated frauds is to write off deposit amounts as transfers or journal entry errors during the bank reconciliation process.

Another common fraud is to shift forged or altered checks or shorted deposits between club accounts. Club advisors who do not reconcile their clubs' financial reports and do not question the ASB bookkeeper about discrepancies create the opportunity for this type of fraud.

If only some advisors review and question transactions, a dishonest ASB bookkeeper or other individual who has access to the ASB software can often continue to commit fraud without detection simply by moving the questioned transactions to the account of another club with an advisor who does not ask questions. If all club advisors retain backup documentation and scrutinize their clubs' financial reports, the opportunity for fraud decreases and the chance of detecting it increases.

Reviewing and questioning financial reports and activities also protects every honest ASB bookkeeper. In some cases, a person other than the ASB bookkeeper may have gained access to the ASB accounting software, cash deposits, and checks. For example, the ASB bookkeeper may be on vacation or may have inadvertently allowed someone to see the accounting software password or safe combination. In these types of situations, timely reporting of financial discrepancies to the ASB bookkeeper enables them to determine when the discrepancy occurred. Because ASB bookkeepers typically record thousands of transactions per year, the sooner an irregularity is discovered the better the chances of someone remembering what occurred and being able to resolve the error.

- Review and compare the checks, reimbursements and advances in the financial report for the club with the records of financial and other activity, and note and question any disbursement transactions that are not readily recognizable.

  Not all discrepancies are the result of fraud; some may simply be the result of incorrect coding that attributes an expense to the wrong club, leaving one club with fewer funds than it should have.

  Reviewing records in a timely manner is vital. Waiting several months or more can allow an error or fraudulent transactions to remain undetected among many other similar transactions.

Club Advisors' Copies of Financial Documents

Club advisors should keep all copies of every club-related record in their possession. Records retention is discussed in Chapter 5.

Diligent retention of cash count forms, ticket control forms, fundraiser approval forms, copies of receipts, revenue potentials, budgets, purchase orders, minutes and other documents provides vital evidence in the event of fraud, improper spending, allegations of improper club administration, and even catastrophe.

Because perpetrators of fraud often destroy any records they have access to, the records a club advisor or ASB bookkeeper retains may be the only source from which it is possible to reconstruct events and determine the amount and probable location of any missing funds.

Thus, they serve as protection for the honest advisor and the ASB bookkeeper and help ensure public trust when allegations arise.

For example, a parent who wrongfully accuses a club advisor may not know the details of how an ASB club is run, but the advisor's detailed copies of records that reconcile with those of the ASB bookkeeper may demonstrate accuracy and reliability and thus restore confidence. Inadequate records, on the other hand, will invite skepticism and may require further investigation in such situations.

Club advisors should retain records in accordance with the district's record retention policies. Most fraud investigations review the last one to four years of records, but some have investigated as many as 10 years of records.

The cash controls discussed in this chapter and throughout this manual are designed to help protect innocent parties from allegations of fraud, and to help identify who has committed fraud. Those who commit fraud depend on poor internal controls and the ability to gain the confidence of those they work with to accomplish the theft.

For everyone's protection, do the following:

- Never leave money unattended.
- Always count all money at every stage of custody with at least one witness.
- When possible, have at least two people transport deposits.
- Always sign and initial and have a witness sign and initial documents in all required places, indicating the status and amount of money that the two signers counted. If a form does not have a space to initial, then sign somewhere on the form near the amount being witnessed.
- Always retain duplicate cash count forms for the club's records.
- Always protect the ASB bookkeeper by counting cash with them and obtaining signatures attesting that the cash counts match.
- Safeguard user identities, passwords, combinations and other access controls to computers and safes.
- Verify bank reconciliations, canceled/cleared checks, and check endorsements.
- Obtain proper authorizations for all transactions, including journal entries, transfers, reimbursements and advances.
- Always compare the advisor's copies of club transactions with the financial report for the club.
- Ensure that all club advisors retain club-related records in accordance with district policy.
- Ensure that the ASB bookkeeper has the authority and ability to say no when needed.

This page intentionally left blank.

Chapter 20 – Charter Schools and ASBs

The legislative intent of the Charter Schools Act of 1992 is to "provide opportunities for teachers, parents, pupils, and community members to establish and maintain schools that operate independently from the existing school district structure." The intent is for charter schools to offer all students expanded choices and learning opportunities that encourage different and innovative teaching methods. Charter schools are tuition-free, nonsectarian public schools open to any student who wishes to attend, subject to capacity and to geographic restrictions as outlined in Education Code. They are schools of choice, which means that parents select the school they want their student to attend and, just as in a traditional transitional kindergarten through grade 12 (TK-12) public school, the education is free.

The state statutes governing TK-12 organizations and ASB funds (EC 48930 through 48938) appear to clearly address "laws governing school districts." Therefore, charter schools are likely exempt under the provisions of EC 47600 through 47663, which contain general provisions for charter schools.

Although no section of the Education Code states definitively how ASB rules relate to charter schools, EC 47605(b)(5) states that charter schools are required to have in their charters a section addressing the "governance structure of the school." In addition, because charter authorizers must provide adequate oversight of both academics and finances, ASB falls within this oversight responsibility, which is essential to ensuring the fiscal health of a charter school. Ineffective oversight by an authorizer can make the authorizer liable for a charter school's debts unless the authorizer "has complied with all the oversight responsibilities required by law, including but not limited to those required by 47604.32 and subdivisions (m) of Section 47605" (EC 47604).

Those Overseeing ASB Funds are Trustees

In addition, charter school administrators who oversee student body funds have a trusteeship responsibility to safeguard those funds for the benefit of the students. Complying with ASB statutes and regulations would meet that responsibility. Thus, it appears to be entirely the prerogative of chartering authorities (a district or county office of education) to ask that charter petitioners address the issue of a student organization and the handling of ASB funds within the governance section or elsewhere in the charter, or in a memorandum of understanding separate from the charter (which has equal legal standing). One straightforward way for chartering authorities and charter schools to address the issue and help ensure that ASB funds and expenditures are properly handled is to indicate that the charter school will comply with EC 48930 through 48938 and any other statutes guiding ASB operations. Doing this ensures that all of the various rules, recommendations and regulations discussed in this manual apply to the charter school.

Charter schools may have school-connected organizations such as booster clubs, foundations, and other auxiliary organizations that help the charter school and its ASB. When outside organizations such as booster clubs, foundations, auxiliary organizations, and other parent-teacher organizations are involved with a charter school, the policies and procedures described in Chapter 21 should apply.

Charter schools and private schools were originally exempt from competitive food sale regulations under California law, even if they participated in school meal programs. However, because of federal laws created by the Healthy, Hunger-Free Kids Act, all schools participating in school meal programs, including charter schools, must follow these new regulations.

Although a charter school is not required to have a state- and/or federally-funded nutrition program, if a charter school elects to request state and/or federal funding for its nutrition program, all of the statutes and regulations pertaining to food laws apply to the charter school. If the charter school does not comply, that funding can be discontinued.

Chapter 21 – School-Connected Organizations

School-connected organizations, such as booster clubs, foundations, and other parent-teacher organizations, are composed of parents, community members and employees who join together to support specific school activities for the students' benefit. They serve an important function by connecting parents and other community members with the students' curricular and extracurricular activities, and most districts welcome and encourage parental interest and participation. This manual uses the term "school-connected organizations" to refer to booster clubs, foundations, and other parent-teacher associations.

School-connected organizations are popular in high schools and are usually run by the parents of students in the organization being supported and by supporters and fans of athletic programs and visual and performing arts programs. Fundraisers are often held to raise money for student trips or for supplies or equipment the students may need. Although not all school-connected organizations are nonprofits under section 501(c)(3) of the Internal Revenue Code, the benefits of this status include exemption from federal income tax and eligibility to receive tax-deductible charitable contributions.

However, being exempt from income tax does not exempt ASB and school-connected organizations from sales or use tax. Additional information about sales and use tax is available in the section titled "Tax-Exempt Status and Donations" in Chapter 3 - Laws and Regulations, in the section titled "Sales and Use Tax" in Chapter 11 – The Student Store, and in the section titled "Sales and Use Tax" in Chapter 18 – Cash Disbursement Management and Procedures. More information about sales and use tax is also provided later in this chapter.

Nonprofit 501(c)(3) organizations, including booster clubs formed as such, may not discriminate in making grants to youth on the basis of their family's membership in or funding to the organization, or the family's fundraising for or time devoted to the organization's activities.

The most common types of 501(c)(3) organizations are charitable, educational, and religious. Educational organizations include the following:

- Schools, such as a primary or secondary school, or a professional or trade school.
- Organizations that conduct public discussion groups, forums, panels, lectures, or similar programs.
- Organizations that present a course of instruction by correspondence or through the use of television, radio, or online.
- Museums, zoos, planetariums, symphony orchestras, or similar organizations.
- Nonprofit daycare centers.
- Youth sports organizations.

Purpose of School-Connected Organizations

School-connected organizations are organized with many purposes in mind. One of the largest and most well-known school-connected organizations is the National Parent Teacher Association (PTA). The California State PTA publishes governance, fundraising and financial guidance for members on its website. Other school-connected organizations, such as booster

TO TABLE OF CONTENTS >>>

clubs and foundations, are typically organized to help with special interests, for school activities such as football, to help buy school supplies, or to support other athletic teams or programs, the arts, field trips, debate teams, or musical groups. School-connected organizations are separate from a school district, and their primary role should be to enrich students' participation in curricular and extracurricular activities.

Legally Separate from the District

In general, school-connected organizations provide financial support and/or direct assistance in some form to help achieve goals shared with school programs. School-connected organizations have many purposes, which may include but are not limited to the following:

- Assisting others:
  - Helping a principal/school administrator, certificated advisor, sports coach, and other district employees with student activities.
  - Helping students through scholarships.
  - Purchasing supplies for the school.
  - Helping with funds for field trip travel.
- Specific activities connected to students, parents and adults:
  - Sports programs.
  - Field trips.
  - Performing arts.
  - Debate teams.
  - Language programs.

Student Participation

The relationship between student organizations and school-connected organizations is often confusing. Student organizations such as ASB clubs are legally considered a part of the district. For this reason, they are included in the district's annual audit and have the benefit of the district's tax-exempt status under the Internal Revenue Code. All activities and fundraising events where students primarily participate should be conducted through the ASB. This includes all student performances where gate receipts are received and all student-conducted fundraisers. When the school district's governing board has a designee, typically the principal/school administrator, they typically determine if students are allowed to participate in school-connected organization fundraising. Some districts require that when students participate in fundraising for a school-connected organization all proceeds go directly to the school/ASB. School district board policies and administrative regulations should define all boundaries between school-connected organizations and the ASB.

School-Connected Organizations Supplement School Programs

School-connected organizations should supplement school programs and should conduct activities and fundraising events where parents and other adult community members are the primary participants. Funds raised by these organizations are to be used to support programs; however, no student should be required to raise funds to participate in school programs and

events. School-connected organizations may raise funds and donate those funds to the district or school or ASB, or purchase items with their funds for donation or assistance to the district or school or ASB, but they are separate from the district with which they are associated, are not legally considered a part of the district, and are not included in the district's annual audit.

Fundraising Activities Approved by the Governing Board or Board Designee

Education Code (EC) 48932 allows the governing board to authorize student body organizations to conduct fundraising activities. This section of the law also makes it clear that the governing board or its designee is responsible for approving all fundraising activities, not just ASB fundraisers. This includes fundraisers conducted at a school by school-connected organizations. To ensure transparency, school-connected organizations should request approval for all fundraisers, not just those at the school, because school-connected organizations are raising funds for the district's students and programs. But at a minimum, the governing board or designee should be responsible for approving all fundraising activities at schools, and board policies and administrative regulations should be established to further define fundraising parameters for school-connected organizations and the ASB.

To facilitate the timing and approval of fundraisers and ensure that conflicts do not exist between school-connected organizations and ASB fundraisers, all proposed fundraisers should be submitted in writing using a fundraiser approval form. All proposed fundraisers must be submitted to the district governing board for approval unless the board has designated the superintendent or, as in most cases, the school principal/school administrator, to approve fundraisers.

Fundraising activities should be conducted for a specific goal, in alignment with the organization's established charitable purpose and with district board policies and administrative regulations, and not simply to raise money for the organization. All fundraising activities conducted on school premises must adhere to the guidelines established by the district governing board, each school's individual guidelines, and those noted in Chapter 8.

Only organizations that have scheduled fundraising activities and have obtained prior written approval from the principal/school administrator are authorized to conduct such activities on district or school premises.

Activities are Authorized by the District

Although school-connected organizations are not governed by the Education Code, they do not have unrestricted access to schools and students. The school district governing board and administration have, and must maintain, exclusive control and management of the district they serve. EC 51520 and 51521 require that any school-connected organization and/or activity be authorized by law and permitted by board policy or administrative regulations.

Some organizations, such as the PTA, are established as nonprofit corporations with a separate tax-exempt status. However, many school-connected organizations have not applied for or received nonprofit status and do not have their own tax identification number, so it should not be assumed that they are all official groups in the eyes of the Internal Revenue Service (IRS) or State of California. Each district should determine through board policy or administrative regulations whether a school-connected organization must be an IRS-approved nonprofit

organization, IRS and state approved, only state approved, or how entities that are not federal- or state-approved organizations should be allowed to operate and support the district.

Grandfathered/First Rights/Fundraiser Priority Status

School-connected organizations may have existing traditions that they believe give them rights to conduct various fundraisers that support the district. The budgeting process and school preapproval of fundraisers are designed to ensure limited competition between clubs and school-connected organizations. Fundraising opportunities should be based on a first-come, first-served basis unless the district's board policy or administrative regulations state otherwise. However, some school-connected organizations may have longstanding traditions of conducting certain fundraising activities in the district. If such grandfathered or priority fundraiser status is allowed, the specific fundraisers should be identified and approved as such. The best practice for approving the ranking of fundraiser priority status, as well as what to do when a school-connected organization is inactive or how priority status may be removed or withdrawn, is to add these specific circumstances to one or more of the following:

- District board policy and/or administrative regulations.
- Board-approved ASB or school-connected organization manuals or handbooks.
- List of allowable and prohibited ASB and school-connected organization transactions and activities.

Resources Should Not be Commingled

School-connected organization funds and district funds, including ASB funds, must never be commingled. School-connected organizations and the district should remain separate, including in the following ways:

1. The school-connected organization should not have its mail or correspondence sent to the district or school.
2. The school-connected organization's name, address or correspondence should never imply any form of responsibility on the part of the ASB or district.
3. The district's tax-exempt status and identification number are *not* for use by any school-connected organizations, nonschool organizations or groups.
4. School-connected organizations are responsible for their own tax status, accounting, internal controls, financial and governmental reporting, retention of records, and all other operations, separate from the district and ASB.
5. If a school-connected organization is interested in using the name or part of the name of the district or school as part of its name, it should request permission from the district and, if granted, the permission should be in writing.

Separate Bank Account(s)

Because student organizations operate under the district's tax-exempt status, the funds deposited in bank accounts are not subject to state or federal taxes. For this reason, the funds raised by school-connected organizations should not be deposited into or commingled with the student organization's or the district's funds or bank accounts; rather, they should be deposited into the school-connected organization's bank account. School-connected organizations may

donate funds to a student organization; however, after they do so the funds become public monies, only the student organization can control how the funds will be used, and all district policies and procedures will apply. A student organization's account cannot be used as a pass-through account for any school-connected organizations. Any funds deposited into the ASB accounts become the ASB's, and the students will use and approve the use of those funds.

There is no requirement that school-connected organizations have a corresponding ASB club. A school-connected organization may donate directly to the general ASB, to any ASB club, to the school, or to a program at the school. The important thing is that the donation made by the school-connected organization is accepted and spent for the purpose for which the funds were raised and according to the district's guidelines.

Because school-connected organizations are responsible for their own tax status and accounting, they may not use the district's tax-exempt status or open bank accounts using the district's tax identification number. To avoid the appearance of district sponsorship, school employees should not act as officers of school-connected organizations or nonstudent- or nondistrict-sponsored clubs.

Organizations or clubs formed by teachers and/or other employees of a district are also not a part of the ASB or the district and may not use the district's tax identification number or deposit funds into the school's ASB's account or district bank accounts.

All school-connected organizations structured to support or help a district school or program must be authorized by the school district's governing board, and their activities must be approved by the principal/school administrator or district board designee.

Regulations Governing School-Connected Organizations

Because school-connected organizations are separate from the district, they are not under the control of, nor are they the responsibility of, the principal/school administrator, superintendent, or governing board. Their funds are not controlled by the district or students, nor should they be involved in administering or supervising the activities of student organizations or student activities. Nevertheless, the school district does have oversight responsibilities for school-connected organizations in that they exist solely to support a district school or program.

Education Code 48932 allows a governing board to authorize student body organizations to conduct fundraising activities, and EC 51521 states that no fundraising activity can be conducted without the approval of the governing board or board designee. EC 51521 states:

> 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.

Governing boards can approve guidelines for school-connected organizations to follow, and these organizations' fundraising activities cannot take place without approval from the governing board. EC 51520 (discussed further in the Solicitations on School Premises section below) prohibits outside organizations from soliciting pupils on school property during school hours, as well as one hour before and one hour after school, with exemptions for certain nonprofit, nonpartisan charitable organizations. EC 51521 requires all organizations that conduct fundraising to benefit clubs, schools, students or the district at the TK-12 level to have prior approval from the school district's governing board or the board-assigned designee.

The board-assigned designee is typically the principal/school administrator, and board-assigned designees are often granted the authority to also name a designee, which may be the assistant principal, activities director, or other individual.

To meet these statutory requirements, a school district should adopt board policies and administrative regulations that inform school-connected organizations about where to submit district-required information (e.g., district business office, principal/designee/administrator) and that require all school-connected organizations to do the following:

- Complete and file an application to form a school-connected organization that includes at least the following information:
  - The name of the organization.
  - The date of application.
  - Bylaws, rules, and procedures under which the organization will operate.
  - The names, addresses and phone numbers of all officers.
  - A brief description of the organization's purpose.
  - A list of specific annual objectives.
  - Agreement that the group's financial records shall be available for review by the district at any time.
  - The name of the bank at which the group's account will be located and the names of those authorized to withdraw funds.
  - The signature of a principal/school administrator who supports the applicant's request for authorization.
  - Desired use for any money remaining at the end of the year if the organization is not continued or is not authorized to continue in the future.
  - An agreement to provide evidence of liability insurance as required by law.
- Submit for approval annually a copy of the application and an updated plan of activities.
- Authorizations shall be granted for one year. Requests for subsequent authorizations (i.e., renewals) should be presented to the superintendent or designee annually.
- Ensure that renewal applications include the following:
  - An annual financial statement for the year just ended; the statement is to include all expenditures and all income for all events and fundraisers.

- A budget for the upcoming year.
- A budget plan for the related activities.
- A fundraiser approval form and revenue potential form or other document for each fundraiser that describe the fundraiser's purpose, how the funds will be used, and an estimate of the revenue and expenditure types (this manual has examples of these forms that may be modified for school-connected organization use).
- A copy of the organization's federal and state nonprofit tax returns (federal forms 990, 990-EZ, 990-N, and state forms 199 or 199N) and, when applicable, a copy of form RRF-1, "Nonprofit State Registry of Charitable Trusts."
- A copy of the organization's IRS form 1023 and state form 3500 or 3500A and, when applicable, a copy of form CT-TR-1, "Nonprofit State Annual Treasurers Report."
- A copy of the organization's determination letter or certificate of nonprofit status.
- If conducting raffles, a copy of state form CT-NRP-1 "Application for Registration Nonprofit Raffle Program" and when the year is completed, state form CT-NRP-2, "Nonprofit Raffle Report."
- A copy of the organization's up-to-date adopted constitution and bylaws must be submitted with the initial application and all subsequent authorization requests.

  A constitution should include at least the following six elements:

  - Name and purpose of the organization.
  - Membership.
  - Executive board or officers, with positions and duties of each position defined, as well as position and term limits.
  - Method of amendments to the constitution, such as by whom, what percent of members, and/or by ballot.
  - Method of adoption or ratification of constitution and any subsequent amendments.
  - Dissolution or termination clause that provides for the distribution of any excess funds to another nonprofit organization, the ASB, or the district.

  The bylaws should include at least the following seven elements:

  - Duties and powers of the executive board and officers.
  - Composition and membership of committees.
  - Successions.
  - Elections and qualification for office.
  - Finances, including a statement of internal controls, authorization of financial activities, and who can preapprove transactions.
  - Meeting schedule for regular and special sessions, including time, manner, frequency, definition of a quorum, and who shall conduct meetings. The

procedures and meetings shall be governed by Roberts' Rules of Order or a similar code. Minutes of the meetings shall be kept and read for approval at succeeding meetings. Actions taken by the executive committee shall be reported to the membership at large.

- Annual internal or external audit/review of transactions, and reporting to the board of the audit's or review's findings and recommendations.

Other recommended rules and regulations for the district to perform proper oversight include the following:

- The district has the express right to review and/or audit school-connected organizations' financial statements to ensure their financial integrity.
- Authorization of a school-connected organization is valid for up to one year; however, if the superintendent considers it necessary, they may revoke a school-connected organization's authorization to conduct activities in the district.
- School-connected organizations are not legal components of the district. Each school-connected organization must have its own tax identification number; school-connected organizations are not allowed to use the district's tax identification number in any way.
- School-connected organizations are responsible for their own tax status, accounting, and financial records, and must make their own arrangements for an audit if one is needed. The school-connected organization is not audited as part of the district's annual financial audit.
- School-connected organization funds should never be commingled with ASB funds or any other district funds.
- The school-connected organization will need to create its own logo and name; the school and district names and logos are separate and should not be used without authorization from the superintendent or designee. School-connected organizations have their own identity.
- The school-connected organization is not authorized to act as an agent of the school or district.
- The school-connected organization must carry its own liability insurance in an amount equal to or exceeding a minimum determined by the district. The district should be named as an additional insured. When the school-connected organization uses school facilities, the district may, at its discretion, require a higher level of coverage based on the type of use requested, such as athletic activities and large events.
- Education Code 51520 applies in the case of school-connected organizations at TK-12 districts that request students' help with activities.
- School-connected organizations' ability to use school facilities at TK-12 districts is regulated by EC 38130-38139, known as the Civic Center Act. A district use of facility form should be submitted one month before the intended activity, with a certificate of insurance that includes liability and property damage coverage and names the district as additionally insured.

- Each school-connected organization must prepare and adopt a constitution and bylaws.
- School-connected organization officers should be elected according to the structure and process defined in the bylaws.
- Fundraising at any school is directly under the control of school authorities, such as the principal/school administrator, and must be approved by the principal/school administrator before any activity. Approval should be granted based on completion of an application or form, sometimes referred to as a request for approval of fundraising activity by a nondistrict organization form. All approved fundraisers must be authorized and conducted according to local board policy, administrative regulations, and other rules (this manual has examples of ASB forms that may be modified for school-connected organization use).
- School-connected organizations must comply with state law and with district policies and administrative regulations regarding the sale of food on school premises, and are encouraged to review and become knowledgeable about laws, including county safe food handling requirements, state and federal nutritional standards, and the district's wellness policy.
- Requests or proposals for districtwide projects or fundraising, such as collection drives, must be submitted in writing and authorized in advance by the district's governing board at a regular board meeting, or by the board designee, or as designated in board policy or administrative regulations.
- Membership fees may be used to raise funds for specific projects for the schools, but parents or students cannot be required to pay fees to participate in school activities.
- Any rules and regulations developed for the organization must conform to the law, the governing board's policies and regulations, and the school's rules and procedures.
- All school-connected organization members must be made aware that no individual should personally benefit from the activities the organization conducts. This concept should be made a part of the bylaws.
- Any profits from fundraising activities that are not spent for a school-connected organization's nonprofit exempt purpose cannot be returned directly to its members or their families.
- In case the school-connected organization dissolves or terminates, the school-connected organization's constitution should provide for the distribution of any excess funds to another nonprofit organization, the ASB, or the district.

All other school-connected organization activities are outside the control of the district and its governing board.

If a school-connected organization decides to operate a bingo or raffle activity, California Penal Codes 326.5 and 320.5 regulate these events, and the licensing agency of each county enforces these regulations. Information on how to conduct a legal raffle can be obtained from the California attorney general's website.

Tax Identification Number

As previously stated, school-connected organizations are not legal components of the school district. Each school-connected organization must have its own tax identification number and bank account and is directly responsible for compliance with IRS and state reporting and disclosure requirements. Any organization that provides receipts to donors stating that their gift is a charitable, tax-deductible donation must be approved by the IRS as a 501(c)(3) tax-exempt organization. It is the organization's responsibility to know and comply with all state and federal laws.

There are several ways to approach being tax-exempt, having a tax identification number, or choosing whether or not to accept donations. The recommended approach is for all school-connected organizations to apply for nonprofit, tax-exempt status through the IRS and the State of California. Preparing constitutions, bylaws, articles of incorporation, budgets, and projections is already part of the process of obtaining district approval. Taking the next step and completing the federal and state forms is not much more difficult.

IRS Form SS-4, Application for Employer Identification Number, may be submitted over the telephone after it is filled out. Instructions are available on the IRS website.

Recognition as an Exempt Organization

As stated in the instructions for IRS Form 1023, regardless of whether it intends to file for nonprofit status, a school-connected organization that will receive $5,000 or more in annual revenues or gross receipts is required to file IRS Form 1023 or 1023-EZ, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code. This form and its instructions, as well as additional information, are available on the IRS website.

IRS Determination Letter — Tax-Exempt Status

If the school-connected organization wishes to specify contributions as tax-deductible, the most direct way to do so is by using Form 1023, which upon approval will result in the IRS issuing a determination letter that recognizes the school-connected organization's 501(c)(3) nonprofit, tax-exempt status. School-connected organizations cannot legally give donors receipts for charitable, tax-deductible donations unless they have obtained this official determination letter from the IRS.

Nonprofit Tax Return

School-connected organizations must file Federal Form 990, "Return of Organization Exempt from Income Tax," and State Form 199, "Exempt Organization Annual Information Return," unless they do not meet the filing requirements. IRS Form 990 instructions state that Form 990 must be filed by an organization even if that organization has not completed Form 1023 if it has either (1) gross receipts greater than or equal to $200,000, or (2) total assets greater than or equal to $500,000 at the end of the tax year. Other threshold limits for filing alternative forms 990-N or 990-EZ are also described in the Form 990 instructions.

Information on nonprofit status can be found in "Non-Profit Status Publication 557, Tax-Exempt Status for Your Organization," on the IRS website.

California Nonprofit Tax Status

California nonprofit, tax-exempt status is similar to federal status and requires that an organization complete Form 3500, "Exemption Application." California Forms and Instructions' Form 3500 Booklet, "Exemption Application Booklet," includes instructions and a copy of Form 3500 and is available online on the California Franchise Tax Board website.

California Nonprofit Tax Return — Forms 199 & RRF-1

According to the California Franchise Tax Board Form 199 instructions, Form 199 must be filed by an organization if the organization has been granted tax-exempt status by the Franchise Tax Board, the organization is a nonexempt charitable trust as described in Internal Revenue Code 4947(a)(1), and its gross receipts and pledges as a general guideline are greater than $50,000.

California Form RRF-1, "Annual Registration Renewal Fee Report to Attorney General of California," must be filed by every charitable nonprofit corporation, unincorporated association, or trustee holding assets for charitable purposes, regardless of whether the corporation files Form 990, unless the organization is exempt from filing. Organizations exempt from filing Form RRF-1 include governmental agencies and any charitable corporation organized and operated primarily as a religious organization, educational institution, or hospital.

Forms are available on the IRS, California Franchise Tax Board and California Attorney General's Office websites at irs.gov, ftb.ca.gov, and oag.ca.gov.

Sales and Use Tax

Sales and Use Tax regulations often change. The best resource to help school-connected organizations determine activities that may be subject to sales and use tax is the California Department of Tax and Fee Administration (CDTFA). The CDTFA issues Publication 18, a guide titled, *Nonprofit Organizations*. The preface of the guide states, "This publication is a general guide to the Sales and Use Tax Law and Regulations as they apply to sales and purchases by nonprofit organizations, including schools, religious organizations and churches, charitable organizations, and other nonprofit groups." The types of organizations discussed in the guide include schools, parent-teacher associations, children's organizations, and youth organizations. Another CDTFA resource is Publication 61, *Sales and Use Taxes*.

Financial Guidelines

School-connected organizations are responsible for ensuring that proper internal controls exist for all of their financial activities. In accordance with its bylaws, each school-connected organization should elect a treasurer who is assigned responsibility for recording, documenting and organizing all financial activities.

Like ASBs that exercise the best practices contained in this manual, school-connected organizations should adhere to sound business practices and maintain an adequate system of internal controls. These include, but are not limited to, the following:

Financial statements and treasury (see Chapter 7)

- The treasurer or designated officer should prepare monthly financial statements that are presented to the organization along with a copy of the most current bank statement and reconciliation. Financial statements may include cash receipts, cash

disbursements, checking account beginning and ending balances, balance sheets, income statements, and other relevant items.

- A budget should be developed at the beginning of the year to project expected revenues and expenses and should be revised as needed.
- When possible, an auditor who is independent of the treasurer should be appointed and should report directly to the school-connected organization's board. The auditor should review all of the financial records, journals, check registers, receipts, invoices, bank statements, and other financial information at least annually. The auditor may be someone other than an independent certified public accountant (CPA). If a CPA is not available, the annual review may be performed by at least two individuals who are independent of the school-connected organization's day-to-day financial activities. If two independent individuals are not available, the treasurer may conduct the review with one other independent individual. All review reports should be signed by those conducting the review and the organization's president.

Cash receipts and bank reconciliation (See Chapters 7 and 13)

- Prenumbered receipt books and supporting documentation.
- Preparation of duplicate deposit, cash count, and fundraising forms.
- Bank deposits should be made intact and in a timely manner.
- Someone other than the individual(s) responsible for depositing funds and writing checks should perform bank reconciliations monthly.

Cash disbursements (See Chapter 18)

- A purchase order or a similar form to document the preauthorization to spend funds is part of a good internal control system. Identifying an individual designated by the school-connected organization's board, such as the treasurer, to preapprove spending is a good way to monitor and control expenditures. Whether a school-connected organization chooses to use a formal expenditure preapproval process or some other method, it should be documented in the organization's bylaws or operations manual.
- Checks should require a minimum of two signatures.
- Whether to prepare duplicate forms for items such as purchase orders, invoices and checks depends on the size of the organization and whether other departments or programs are involved that may need to retain their own copies.
- All expenditures should be approved by the school-connected organization's board, and the approval should be noted in the board meeting minutes.

Document Retention

Because school-connected organizations experience frequent turnover of officers and members, it is important to clearly document the organization's activities and to establish a procedure for retaining those documents. Documents that should be retained by the organization include, but are not limited to, the following:

1. Cash receipts.

2. Cash disbursements and general ledger.
3. Bank records.
4. Income tax returns.
5. Minutes of meetings as defined by the organization's bylaws.

The organization should obtain a safe deposit box or similar storage facility to secure important documents. Documents that are considered more permanent, such as articles of incorporation, bylaws, IRS determination letter, and IRS Form 1023 application for exempt status, should be retained for as long as the organization exists.

Student Supervision

Typically, school-connected organizations are approved and authorized to operate in the district by an annual application process typically administered by the district's business office or principal/designee, while ASB clubs are approved by the ASB's student council, with co-approval and oversight by the principal/administrator. If an event is being held by an approved school-connected organization, and its fundraisers or other activities are also preapproved, then the district or school administrators should be aware of the activity.

Education Code 48933(b) requires that a certificated employee who is the advisor be present at all ASB and club activities. The same requirement for a certificated employee to be in attendance does not exist for a school-connected organization's activity; however, there are likely local requirements that certain employees, whether certificated or otherwise, attend any activity when students are present. Therefore, local district board policies and administrative regulations regarding school-connected organizations will often determine what student supervision is required during a school-connected organization's activities.

The school district may have board policies that require nonemployee volunteers to be fingerprinted regardless of their role with students. If not, volunteers may not need to be fingerprinted if they are not left alone with students. However, if a volunteer is the only adult responsible for the students, fingerprinting is required by law. In addition, EC 49024 states that districts can require noncertificated employees and volunteers who will be alone with students during district-sponsored or district-approved activities to obtain an Activities Supervisor Clearance Certificate or be dual fingerprinted by both the Department of Justice and the Federal Bureau of Investigation. Additional Education Code sections that address fingerprinting are EC 45125 and EC 45125.01. Because legal requirements continue to evolve regarding who may interact with students and fingerprinting requirements, the best practice is to review district board policies. Where questions remain, FCMAT recommends consulting with district legal counsel.

Solicitations on School Premises

Education Code 51520, Prohibited Solicitations on School Premises, states the following:

> 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. Nothing in this section shall be construed as prohibiting the solicitation of pupils of the public school on school premises by pupils of that school for any otherwise lawful purpose.

Education Code 51521 discusses solicitations on behalf of a school. Ultimately, the school district's superintendent and governing board have authority over whether any such activity occurs on school district property. Thus, obtaining written permission for any activities is of primary importance. The following are general criteria for obtaining permission:

- The purposes of the fundraising activity must be nonpartisan, nonpolitical, nonsectarian, and nondenominational.
- The way the fundraising activity will be conducted is limited. For example, demands made on employee time and district materials must be minimal, and the activity must not encroach on instructional time.
- Identification of the sponsors, officers, and individuals participating in the fundraising activity is required.
- Disclosure of the identity and location of any school-connected organization with which the soliciting organization is affiliated or of which it is a subsidiary is required.

School District Employees

Paying School District Employees

If a school-connected organization wishes to pay for additional and/or extracurricular services using school district employees, the person to provide the services should be approved through the school district's personnel department. The school-connected organization will deposit funds into a district account for the proposed expenses. The funds must be sufficient to pay for the employee's salary and benefits for the time they worked. School district employees are not employees of the school-connected organization, and the school-connected organization should be aware of the following:

- While serving as district employees, they have no authority to work for the school-connected organization during their district work schedule. A district employee acting in their official capacity and during work hours may interact with school-connected organization officials when this is a required part of their duties as a district employee.
- If a district employee would like to be employed by the school-connected organization, the employee must obtain prior approval from the district's personnel department. The best practice is for any school-connected organization to not venture into the complexities of operating its own payroll processing and employing its own personnel.
- Some districts that permit a district employee to also be employed by a school-connected organization may require that the employee be paid through the district, with the district being reimbursed in turn by the school-connected organization. The

district may also require that any individual chosen to work for a school-connected organization be hired and cleared for work through the district's personnel office.

- A district employee acting in their personal capacity and on their personal time is free to establish a school-connected organization or to participate in it. The employee must ensure that participation in the school-connected organization does not present a conflict of interest with their duties as a school employee. The employee should also make it clear that their participation is in their personal capacity and not in their capacity as a district employee. The best practice is for school district employees not to be officers of a school-connected organization that operates on the same campus where the employee works.

School Employees Serving as Officers

The best practice to avoid the appearance of a conflict of interest is for school district employees not to hold any school-connected organization board, officer, or cash handing positions. Examples of such positions are as follows:

- President.
- Treasurer.
- Bookkeeper
- Voting member who may be able to direct donations to specific school programs that may benefit their work as a school employee.
- Fundraising chairperson.
- Check signer.
- Person designated to collect any fees, donations, checks, or cash.

Donations of Supplies, Equipment and Transportation

School-connected organizations by nature are designed to help the school and/or ASB, and such help may come in the form of donations of supplies, equipment and transportation. For additional information about receiving donations, see section in Chapter 12 titled, Tax-Exempt Status and Disclosure Requirements.

Donations for Supplies or Equipment Purchases

When a school-connected organization wishes to give the ASB or one of its clubs money for supplies or equipment, if the district's business office allows this, the funds may be donated directly to the ASB for the ASB to make the purchase. The ASB must follow all procedures for preapproval of an ASB purchase, district purchasing guidelines, and any applicable laws. Alternatively, the school-connected organization may send the donated funds to the district on behalf of the ASB and the district may purchase the items in accordance with district purchasing guidelines and any applicable laws.

If the school-connected organization wishes to donate supplies or equipment to the ASB or one of its clubs, the preferred method is for the school-connected organization to donate money to the ASB or district instead, following the same procedure outlined above for donated funds.

The purchase should be carried out through the district's purchasing system by a district-designated individual who is authorized to spend the funds, with the principal's/school administrator's approval. The purchase should be charged to a school account code, and the purchase requisition should contain the following information in bold:

- Paid by.
- School-connected organization name.
- Person responsible for school-connected organization.
- Billing address.

The purchase should be charged to the school account code on the requisition at the time of payment, and the district's business office should bill the school-connected organization for the cost of the supplies or equipment purchased.

If the school-connected organization wishes to purchase the equipment directly and donate it to a school, the process is different. The school-connected organization should notify the school administrator and the purchasing department before the equipment is ordered. Then, at a regular board meeting, the district's governing board must accept the equipment as a donation to the district.

Donations for Transportation and Field Trips

A school-connected organization may donate funds to the ASB or the district for transporting students to events. A field trip request form must be completed in conjunction with the ASB and school(s) and then be sent to the district's transportation department. The request form should contain the following information in bold:

- Paid by.
- School-connected organization name.
- Person responsible for school-connected organization.
- Billing address.

The transportation cost should be charged to the school account code on the requisition at the time of payment, and the district's business office should bill the school-connected organization for the cost of the transportation.

Student Recognition

School-connected organizations may conduct competitions and other activities for students to participate in and be recognized. EC 44015 authorizes school districts to make awards to students for excellence, provided the governing board of the school district adopts rules and regulations regarding awards. Such awards cannot exceed $200 unless a larger award is expressly approved by the school district governing board.

School-connected organizations may raise funds and present student awards directly to students, or donate funds to the district, school, or ASB. They may also purchase items with their funds for a donation or to help the district, school, or ASB. Although school-connected organizations are not generally governed by the Education Code, they do not have unrestricted

access to schools and students. School-connected organizations should coordinate with the school or group they support to ensure compliance with any relevant school board policies and administrative regulations regarding student recognition using awards. Some districts may have specific guidelines for awards to or recognition of students. To recognize students, the school-connected organizations should align their activities with the school district's guidelines, board policies, and administrative regulations. Specifically, any awards must avoid any form of discrimination or favoritism. Awards should be based on objective criteria, open to all eligible students, and outlined in the district's board policies and administrative regulations as well as the school-connected organization's bylaws.

School-connected organizations should be aware of any potential tax implications when providing student awards. For example, scholarships or cash awards may have tax reporting requirements for the recipients. The school-connected organization should consider consulting with a legal and tax professional to ensure compliance.

School-connected organizations should discuss issues of student recognition with the school representative or administrator and/or district business office, because past practices and district board policies and administrative regulations may help determine how best to proceed. Student awards and recognition should establish the criteria for receiving an award, who is eligible, what the awards may consist of, the maximum allowable award, and the type of award.

Direct Student Recognition

Some organizations raise funds and directly recognize students with awards, scholarships, or by other methods. This means the school-connected organization may present an award to a student according to the organization's bylaws or other organization-approved process. Typically, the school-connected organization will fundraise by seeking donations or conducting other activities to pay for the award or recognition. The school-connected organization's fundraiser should describe the purpose, criteria, and other requirements to qualify for an award or recognition. The award or recognition may be presented by the school-connected organization at its own special event or by some other method, or as part of an awards ceremony at a school.

Student Recognition — Donations to the School or ASB

School-connected organizations may raise funds to donate to the school, ASB or district to recognize students with awards and scholarships sponsored by the school-connected organization but for which the school, ASB or district selects the students and gives them the recognition or award. This means the school-connected organization donates the funds raised for the award to the school, district or ASB. Upon receipt, the funds are under the control of the school, district or ASB, and the award is subject to applicable district board policies and administrative regulations. The school's, district's or ASB's conditions for receiving the award should describe the purpose, criteria, and other requirements to be recognized or to receive the award. The award would then be presented by and from the school, district or ASB at a school or other award ceremony. The school, district or ASB should acknowledge that the donation for the award was provided by the school-connected organization.

Paying Stipends, Salaries and Consultants

Paying Compensation

A school-connected organization may not pay any school district employee additional compensation (such as a stipend or salary) without prior approval from the district's business and/or personnel office. If the school-connected organization wants to supplement the school with additional personnel, please refer to the section titled School District Employees earlier in this chapter.

Paying Consultants

Consultants are sometimes hired in the ordinary course of business to help with various projects when needed. As described in Chapter 17, Employees and Independent Contractors, consultants are not employees; they should have their own insurance and meet all federal and state qualifications to be considered a consultant. School-connected organizations should be aware of the regulations that must be followed. Chapter 17 discusses this topic at length.

Loaning Funds to ASB, Clubs, or Programs

School-connected organizations are typically not allowed to make loans to the ASB because the student groups should be self-sustaining. Moreover, the ASB or other school groups are primarily the responsibility of the district, not of any school-connected organization. ASBs and districts are public entities and are subject to legal limitations on entering into debt.

The best practice is to prohibit school-connected organizations from loaning funds to the school, the ASB, clubs, or school programs because this creates a contractual arrangement that makes those entities a debtor to the school-connected organization. It is more advisable for the school-connected organization to fundraise on behalf of club or program and support them with donations. Loans may also obligate future students to repay them.

Sample School District Letter to Applicants

(District Letterhead)

MEMO

To: All School-Connected Organizations Supporting Sample School District Schools

From: Sam Smith, Superintendent of Schools
John Money, Fiscal Services

Subject: School-Connected Organization Requirements

Thank you for applying to operate a school-connected organization supporting Sample School District schools and for making a difference in the lives and education of our students.

We are providing you this memo to help you with your application. All school-connected organizations are considered separate organizations from the Sample School District. Before operating on any school site, the district requires the following items from each school-connected organization:

Required Document	Comment
School-connected organization name.	Define which school and sport or activity the group is supporting.
Organization's officers and contact information.	List officers' titles, phone numbers, and email addresses.
Employer/Tax Identification Number (TIN) of the school-connected organization. Note: The district's TIN is not available for use; the school-connected organization must have its own TIN.	This is required to open a bank account and for many other functions. If you used an individual's social security number, please indicate this. See Form SS-4 at irs.gov.
Proof of tax-exempt status under Internal Revenue Code Section 501(c)(3) (if applicable). To apply for exempt status, you may review Form 1023 and the instructions for filing at irs.gov.	You will need this if your organization normally has gross receipts of $5,000 or more in a year OR if you wish to receive a determination letter that recognizes 501(c)(3) status and specifies that contributions to the organization are tax-deductible.
Meeting dates – calendar.	For board meetings, committee meetings, etc.
A copy of the organization's current charter or articles of incorporation and bylaws. Signed district agreements and other information.	Provide the most up-to-date information. Hold harmless agreement, evidence of liability insurance, and financial records shall be available for review by the district at any time. The name of the organization's bank(s) and list of signers on the account, if not stated in the bylaws. A description of what happens to the assets of the organization upon termination. A copy of the organization's IRS Form 1023 and IRS determination letter or certificate of nonprofit status.

Note: These required documents are subject to change at any time without notice.

For help, you may refer to the guidelines for school-connected organizations as outlined in the FCMAT *ASB Manual* published by FCMAT and available at fcmat.org. The FCMAT manual includes guidelines for forming and organizing school-connected organizations, financial guidelines, solicitation regulations, information on school interaction, and many other procedures and functions.

If you have any questions regarding this memorandum, please contact your principal or school administrator.

Sincerely

Sam Smith
Superintendent of Schools

Sample School-Connected Organization Application

(School District Name)

School-Connected Organization Application

Application Date: _____

School-Connected Organization Name: _____

Name of School: _____

Check one: ❑ Initial Application ❑ Renewal:

The parents of Sample School District hereby request approval for the formation of the

_____ School-Connected Organization.
Name of Organization

Objectives / Purposes of the School-Connected Organization are: _____

_____

School-Connected Organization Official Mailing Address:

Official Name: _____

PO Box/Street: _____

City/State/ZIP Code: _____

Telephone Number: _____

School-Connected Organization Officers:

Position Held	Name	Email Address

Is the organization 501(c)(3) tax-exempt? ❑ Yes ❑ No

Organization Tax ID # _____ Banking Institution: _____

Does the school-connected organization conduct annual financial audits or reviews? ❑ Yes ❑ No

Attach a copy of your proposed budget for the upcoming school year.

Upcoming School Year Planned Meetings (or attach schedule):

Date	Time	Location

Upcoming School Year Planned Fundraisers (or attach schedule):

Activity	Date	Location

We, the members of this school-connected organization, have read and understand the rules for forming and conducting this organization, including the district's board policy and administrative regulations, and agree to abide by them. We will submit a contact list and two copies of the proposed constitution and bylaws to the principal or school administrator or designee, who will review the application for approval, as well as any other information required by the district.

_____

Signature of Organization President Date

District or School Approvals:

Principal/School Administrator: _____

Signature Date

District Board Recognition and Approval:

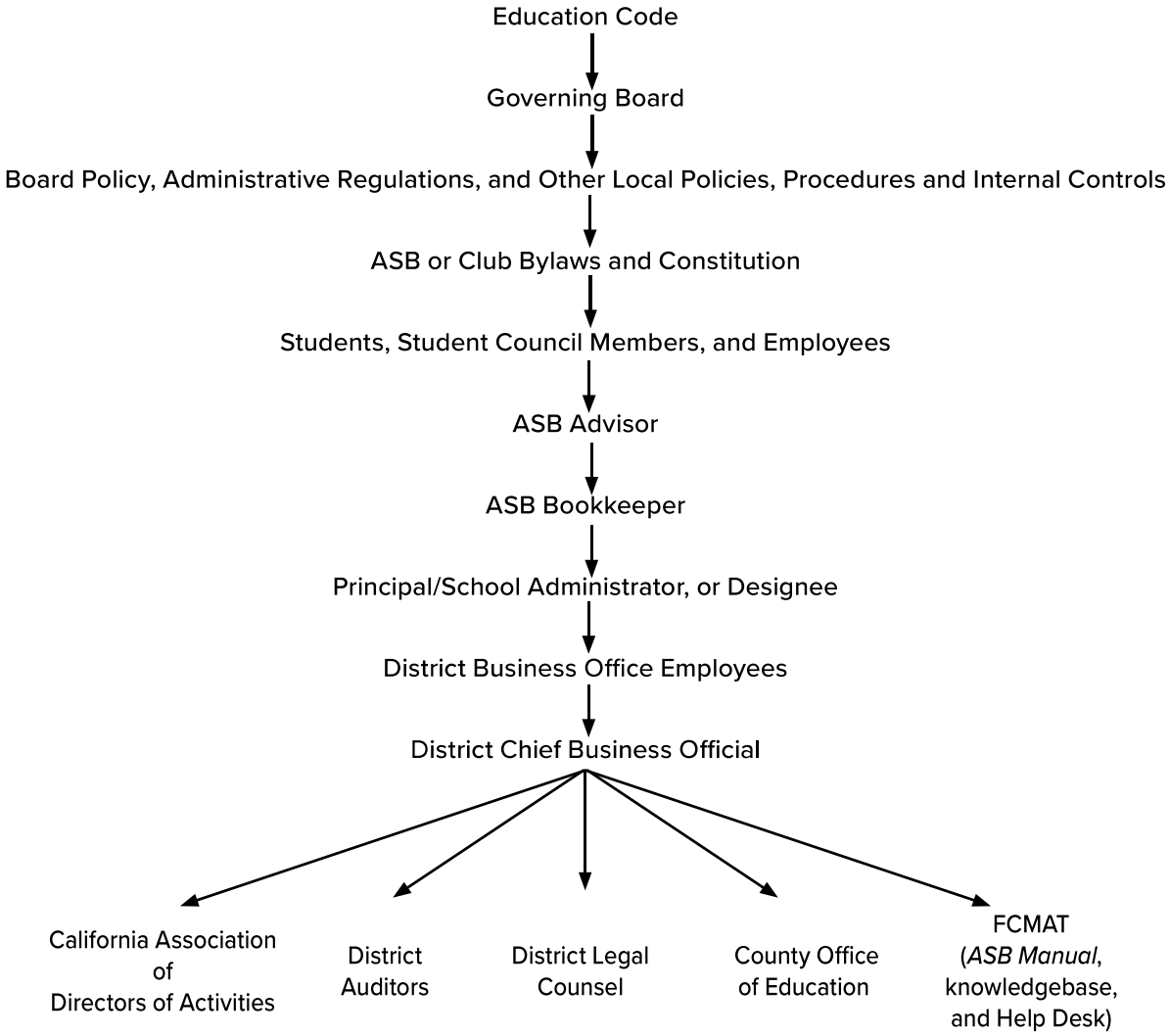
District Administrator: _____

Signature Date

Title: _____

Chapter 22 – Where to Go for Help

As indicated throughout this manual, many people are involved in administering and supervising the activities of student organizations, and many people and organizations are available to solve problems, provide guidance, and answer questions that arise. The following flow chart offers a recommended sequence for getting answers to ASB-related questions:



At times, a student organization may need to contact other people or groups outside the district. Following is a list of additional resources to help ensure the success of a school's student organization.

To Table of Contents >>>

Organizations and Online Resources

Associations, News and Data

Association of California School Administrators (ACSA)
1029 J Street, Suite 500, Sacramento, CA 95814
916-444-3216 or 800-608-2272 • acsa.org

California Association of Directors of Activities (CADA)
3121 Park Avenue, Suite C, Soquel, CA 95073
831-464-4891 • cada1.org

California Association of Student Councils (CASC)
1212 Preservation Park Way, Oakland, CA 94612
510-834-2272 • casc.net

California Association of School Business Officials (CASBO)
1001 K Street, 5th Floor, Sacramento, CA 95814
916-447-3783 • casbo.org

California School Boards Association (CSBA)
3251 Beacon Blvd., West Sacramento, CA 95691
800-266-3382 • csba.org

EdSource
436 14th Street, Suite 1005, Oakland, CA 94612
510-433-0421 • edsource.org

Ed-Data Education Data Partnership
ed-data.org

State Agencies

California Department of Education (CDE)
1430 N Street, Sacramento, CA 95814
916-319-0800 • cde.ca.gov

Fiscal Crisis & Management Assistance Team (FCMAT)
1300 17th Street, Bakersfield, CA 93301-4533
661-636-4611 • fcmat.org

California Department of Tax and Fee Administration (CDTFA)

P.O. Box 942879, MIC: 88, Sacramento, CA 94279-0088

800-400-7115 • cdtfa.ca.gov

California Department of Finance

915 L Street, Sacramento, CA 95814

916-445-3274 • dof.ca.gov

Legislative Analyst's Office (LAO)

925 L Street, Suite 1000, Sacramento, CA 95814

916-445-4656 • lao.ca.gov

Office of Administrative Law (OAL)

300 Capitol Mall, Suite 1250, Sacramento, CA 95814-4339

916-323-6225 • oal.ca.gov

National Associations

Association of School Business Officials International (ASBO)

11401 North Shore Drive, Reston, VA 20190-4232

866-682-2729 • asbointl.org

National Association of Secondary School Principals (NASSP)

1904 Association Drive, Reston, VA 20191-1537

703-860-0200 or 800-253-7746 • nassp.org

National Association of Student Councils (NASC)

1904 Association Drive, Reston, VA 20191-1537

703-860-0200 or 800-253-7746 • natstuco.org

This page intentionally left blank.

Chapter 23 – Sample ASB Constitutions and Bylaws

Best Practices School Sample ASB Constitution

(Name of School)

(Name of Student Council or Club)

ASB Constitution

Article I – Name of the Organization

The name of the organization shall be the Associated Student Body (ASB) of the Best Practices School.

Article 2 - Objectives and Purpose.

This organization shall have as its objective and purpose the conduct of activities on behalf of the students of the Best Practices School as approved by the principal/school administrator and the governing board of the Best Practices School. These shall include:

- Provide a democratic forum where students can address school issues that affect their lives.
- Maintain continual communication from students to staff members and administrators as well as among the students within the school.
- Offer a year-long program of social functions and community involvement projects for students.
- Provide leadership training for students in the duties and responsibilities of good citizenship, using the school environment as the primary training ground.

Article 3 – Organization and Membership

All registered students enrolled in the Best Practices School shall be members of the Associated Student Body. Members shall be entitled to one vote in all student body elections.

Any registered student is eligible for election to the student council according to election procedures.

The election of representatives shall take place the ____ week of the _____ term or semester of school. Any member shall be removed if they miss three (3) meetings without presenting reasonable justification.

Article 4 – Executive Board

The executive board shall consist of the following ASB officers:

- President
- Vice President
- Treasurer
- Secretary

To Table of Contents >>>

- Historian
- Activities Chair (or Commissioner of Activities)
- Publicity Chair (or Commissioner of Publicity)
- Athletics Chair (or Commissioner of Athletics)
- Academics Chair (or Commissioner of Academics)

The executive board shall have all executive powers. The executive board members shall serve as acting and voting members of the Best Practices School Student Council. The appointed officers and the adviser are nonvoting members.

Duties of the executive board members are outlined in the bylaws to the constitution.

The positions on the executive board shall be filled by a general election of the ASB, held annually.

No member of the executive board may hold more than one ASB office or class office.

Executive board members shall hold office for one school year.

Article 5 – Student Council

The legislative powers of the ASB shall be vested in the student council as delegated by the school administration.

All actions of the student council are subject to review and possible veto by the ASB advisor and principal/school administrator.

The student council shall consist of 20 voting members: the ASB executive board and the president, vice president, secretary, and treasurer of each of the three classes (sophomore, junior, and senior).

(Note: The student council voting member number may vary, per desire of ASB.)

The elected, voting members of the student council shall be chosen by election as described in the bylaws.

The term of office for members of the student council shall be one school year.

The principal/school administrator shall appoint a certificated employee of the district to serve as advisor to manage the club/student council and oversee its projects.

Article 6 – Amendments

Amendments to this constitution may originate:

- In student council
- By petition by 10 percent of the student body
- By ballot
- To represent the student council at all school and school district meetings where this representation is appropriate.

Amendments must be submitted in writing during a regular business meeting and must be posted for reading for 30 days.

Any amendments that do not pass with a two-thirds vote may not be reconsidered during the same school year.

Article 7 – Ratification

The student council shall ratify this constitution and any subsequent amendments through a two-thirds vote of the council.

Best Practices School, Sample Associated Student Body Bylaws of the Constitution

(Name of School)

Associated Student Body Bylaws of the Constitution

Article I – Student Council

It shall be the duty and power of the student council to:

- Be the supreme legislative body of the Associated Student Body.
- Propose and pass legislation that is considered important to the student body.
- Establish the annual student body dues, also known as the price of an ASB Card, that will allow students to attend ASB activities at a reduced cost.
- Establish a disciplinary board as the need arises.
- Spend ASB monies.
- Propose and pass amendments to the constitution and bylaws.

Each member of the student council shall be able to cast one vote in each voting situation.

Article II – Executive Board

The ASB president shall have the following duties:

- Preside over all meetings.
- Call special meetings.
- Plan and prepare an agenda for all meetings.
- Appoint all committee members and chairpersons.
- Serve as ex-officio member of all committees.
- Represent the student council at all school and school district meetings, community group meetings, and civic organization meetings where this representation is appropriate.
- Preside at all student body assemblies or authorize someone to do so in their place.
- Vote in student council only in cases where their vote would affect the result.
- Coordinate the interview, selection, and performance of committee chairpersons and task forces.
- Act as a facilitator of group discussion by summarizing, clarifying, etc.
- Work closely with the student council advisor on all planning.
- Participate in student council-sponsored activities.

The ASB vice president shall have the following duties:

- Work closely with the president
- Serve as the ASB president if the president becomes unable to fulfill their duties either temporarily or permanently.
- Serve as chairperson of the elections committee and supervise all student body elections.

- Coordinate the work of committees.
- Work with the president and treasurer to prepare the budget and calendar.
- Help the president prepare the meeting agenda.
- Lead the flag salute at all meetings, student body activities and assemblies, or authorize another member to do so in their place.

The ASB treasurer shall have the following duties:

- Maintain a complete and accurate record of all ASB receipts and disbursements.
- Prepare monthly reports for the student council on the ASB bank balances and receipts and disbursements to date.
- Serve as chairperson of the finance committee, with the assistance of the student body bookkeeper and a district business employee.
- Act as cochair of the fundraising standing committee.
- Work with the ASB to prepare revenue potential forms to ensure successful fundraisers and adequate internal controls.
- Keep accurate profit and loss statements of all ASB functions, clearly detailing all money collected and spent, and help classes and clubs keep accurate records.
- Work closely with the president and vice president to prepare an annual budget.
- Authorize purchase orders/expenditure approvals prior to spending.

The ASB secretary shall have the following duties:

- Prepare and distribute the agenda for meetings.
- Notify members of upcoming meetings.
- Take attendance at meetings and keep permanent attendance records.
- Maintain accurate minutes of all meetings, including date and place, presiding officer, and business conducted.
- Prepare the minutes in the prescribed format by the next meeting for distribution to all members.
- Maintain all files of the organization, including original agendas and minutes, clippings, and relevant documents, and establish a policy about lending files.
- Maintain contact names, addresses, phone numbers and email addresses of people with whom the organization regularly works.
- Keep copies of activity calendars and special event documentation.
- Produce a membership directory of the group.
- Report, answer and file all necessary correspondence.

The historian shall have the following duties:

- Record annual activities using video, photos, written reports, clippings, and/or other means.
- Prepare an historical document such as a scrapbook, website, slide show or video, DVD,CD, or cloud-based archive.

The activities chair (or commissioner of activities) shall have the following duties:

- Coordinate and maintain the master calendar of all student body activities.
- Serve as chairperson of the activities committee.
- Serve as cochair of the fundraising standing committee.

The publicity chair (or commissioner of publicity) shall have the following duties:

- Publicize all school activities through the school newspaper, the school marquee, and school bulletin boards.
- Issue news releases to the press, radio and television stations, or website.

The athletics chair (or commissioner of athletics) shall have the following duties:

- To initiate and organize the intramural sports.

The academics chair (or commissioner of athletics) shall have the following duty:

- To serve as the representative to the district governing board.

Article III – Standing Committees

The ASB president and the ASB advisor shall appoint committee members and chairpersons to the following committees each year:

- The finance committee
- The elections committee
- The activities committee

The Finance Committee:

- The ASB treasurer shall chair the finance committee.
- The treasurers from each class, the ASB advisor, the ASB bookkeeper, and one staff member shall serve on this committee.
- The purpose of the committee is to prepare and submit the final budget and approve all requests to spend ASB funds.

The Elections Committee:

- The ASB vice president shall chair the elections committee.
- The ASB advisor and the vice presidents from each class shall serve on this committee.
- The purpose of the committee is to plan, organize, and supervise all student body elections.

The Activities Committee:

- The activities chair shall also serve as the chair of this committee.
- The purpose of the committee is to plan, organize, and supervise all student council activities and to facilitate requests from student clubs for the use of school facilities.

Article IV – Succession

If the ASB president cannot fulfill his/her duties because of illness, physical disability, dereliction or failure to perform, or absence, the ASB vice president shall assume and carry out the duties of the president until the President becomes able to resume the duties of that office.

If the president is permanently unable to fulfill their duties, the ASB vice president becomes

the ASB president.

After the vice president, succession to the presidency shall be appointed by a vote of the entire membership of the executive board.

Only ASB officers elected by the general student body shall succeed to the ASB presidency.

Upon the permanent disability of any ASB officer other than the president, the corresponding senior class officer shall assume the duties of that office.

Upon the permanent disability of any ASB commissioner, the ASB president shall appoint the opposition runner to that position, if available, until the end of the current semester, when an election may be held.

Article V – Elections and Qualifications for Office

The student council shall hold the annual election of student council officers on the campus of the Best Practices High School. The voting shall take place during homeroom, by secret ballot.

The student council shall hold the elections for class officers at the same time as the elections for the ASB officers.

The candidates for ASB officer and class officer must have a minimum overall grade point average of 2.5 and have satisfactory citizenship and attendance. Candidates must also have the endorsement of their counselor and one other staff member.

Candidates for ASB president and vice president must have served at least one year on the student council.

Each applicant for candidacy must submit an application to the screening committee. The application must include information on the student's academic record, school activities, and reasons for desiring to serve as a school officer.

The ASB advisor, four student council members, and two staff members chosen by the ASB president shall serve on the selection committee. The purpose of the selection committee is to ensure that all candidates for office meet the qualifications.

The Campaign:

- Students may use an unlimited number of bumper stickers and buttons during the campaign.
- Candidates may place eight posters on the campus. The posters may not exceed two feet by two feet.
- The elections committee must approve the content of all posters, bumper stickers, buttons, and other campaign materials in advance.

Counting the Ballots:

- The ASB president and members of the elections committee shall count the ballots on the day the election is held. No candidate for office may participate in counting the ballots.
- The ballots shall be counted twice and the results compared. A third count is required if the results of the first and second counts are not within one percent of each other.

Article VI – Student Clubs

Each student club must prepare and approve a constitution and must be approved by the

student council before it can begin fundraising activities or make expenditures of club funds.

Inactive Club:

- A club is considered inactive when it has no active membership or meetings for 18 consecutive months. The student council shall make this determination.
- Once the student council determines a club is inactive, any remaining funds (positive or negative), upon student council approval, shall be transferred into the general ASB account or as directed by the club bylaws. If the bylaws direct the club balance to be transferred to another club, the recipient club must formally accept the funds and record and approve the acceptance in the club's minutes.

Carryover Balance:

- To another year is 20% of total club revenues earned (or expended) in that school year. Any amount in excess of 20% shall be budgeted for use in the subsequent school year. (Note: choose between 20% of revenues or expenditures)

Negative Club Balance:

- All club funds earned and spent shall be sufficiently monitored such that at the end of the school year there is no negative club balance. A club balance may be zero or positive, but not negative.

Article VII – Amendments

Whenever necessary, the student council shall propose amendments to the constitution. To make such an amendment valid, two-thirds of the total student body must approve the proposed amendment in a general election.

Article VIII – Adoption

These bylaws may be adopted by a two-thirds vote of the student council, whereupon they shall go into effect immediately.

Article IX – Finances

The student council must approve all requests for expenditures of all student funds prior to any commitments.

Student clubs must have a positive balance in their club account before the student council may approve an expenditure.

All ASB checks require two signatures. The ASB advisor or the principal/school administrator may sign ASB checks. In addition, at least one district office administrator will be an approved signer.

Article X – Meeting Schedule

The student council shall meet at least once every two weeks during the school year as called by the ASB president or the ASB advisor, unless the club decides by a two-thirds vote to forego this schedule for a particular time period.

Special meetings can be called by the president, the executive committee, the advisor, the principal/school administrator, or by written request of at least ten (10) members. The purpose of the meeting shall be stated when called. Adequate notice is required for a special meeting to occur.

A quorum consists of two-thirds of the student council members (e.g., 14 members in the standard case of 20 on the council).

The ASB president shall conduct the student council meetings under Robert's Rules of Order.

All legally elected representatives and officers may vote.

Any member of the student body may attend and participate in discussions, but must have written permission from their teacher if they are missing a class.

Best Practices School, Sample ASB Club Constitution and Bylaws Combined as One Document

(Name of School)

(Name of Student Council or Club)

ASB Constitution and Bylaws

Article I – Name of the Organization

The name of the organization shall be the Associated Student Body (ASB) of the Best Practices School.

Article 2 – Objectives and Purpose:

This organization shall have as its objective and purpose the conduct of activities on behalf of the students of the Best Practices School as approved by the principal/school administrator and the governing board of the Best Practices School. These shall include:

- Provide a democratic forum where students can address school issues that affect their lives.
- Maintain continual communication from students to staff members and administrators as well as among the students within the school
- Offer a year-long program of social functions and community involvement projects for students
- Provide leadership training for students in the duties and responsibilities of good citizenship, using the school environment as the primary training ground.

Article 3 – Organization and Membership

All registered students enrolled in the Best Practices School shall be members of the Associated Student Body. Members shall be entitled to one vote in all student body elections.

Any registered student is eligible for election to the student council according to election procedures.

The election of representatives shall take place the ____ week of the _____ term or semester of school. Any member shall be removed if they miss three (3) meetings without presenting reasonable justification.

Article 4 – Meeting Schedule

The student council shall meet at least once every two weeks during the school year as called by the ASB president or the ASB advisor, unless the club decides by a two-thirds vote to forego this schedule for a particular time period.

Special meetings can be called by the president, the executive committee, the adviser, the principal/school administrator, or by written request of at least ten (10) members. The purpose of the meeting shall be stated when called. Adequate notice is required for a special meeting to occur.

A quorum consists of two-thirds of the student council members (e.g., 14 members in the standard case of 20 on the council).

The ASB president shall conduct the student council meetings under Robert's Rules of Order or a similar code.

All legally elected representatives and officers may vote.

Any member of the student body may attend and participate in discussions, but must have written permission from their teacher if they are missing a class.

Article 5 – Club Officers

The club officers shall consist of the following:

- President
- Vice President
- Treasurer
- Secretary
- Publicity Chair

Article 6 – Duties

The club president will have the following duties:

- Preside over all meetings.
- Call special meetings.
- Plan and prepare an agenda for all meetings.
- Act as a facilitator of group discussion by summarizing, clarifying, etc.
- Work closely with the student club advisor on all planning.
- Participate in student club activities.

The club vice president will have the following duties:

- Work closely with the president.
- Serve as the ASB president if the president becomes unable to fulfill their duties.
- Work with the president and treasurer to prepare the budget and calendar.
- Help the president prepare the meeting agenda.
- Lead the flag salute at all meetings, or authorize another member to do so in their place.

The club treasurer will have the following duties:

- Maintain a complete and accurate record of all ASB receipts and disbursements.
- Prepare monthly reports for the student council on the ASB bank balances, receipts and disbursements to date.
- Work with the ASB to prepare revenue potential forms to ensure successful fundraisers and adequate internal controls.
- Keep accurate profit and loss statements of all ASB functions, clearly detailing all money collected and spent, and help classes and clubs keep accurate records.
- Work closely with the president and vice president to prepare an annual budget.
- Authorize purchase orders/expenditure approvals prior to spending.

The club secretary will have the following duties:

- Prepare and distribute meeting agendas.
- Notify members of upcoming meetings.
- Take attendance at meetings and keep permanent attendance records.
- Maintain accurate minutes of all meetings, including date and place, presiding officer, and business conducted.
- Prepares the minutes in the prescribed format by the next meeting for distribution to all members.
- Maintain all files of the organization, including original agendas and minutes, clippings, and relevant documents, and establish a policy about lending files.
- Maintain contact names, addresses, phone numbers and email addresses of people with whom the organization regularly works.
- Keep copies of activity calendars and special events documents.
- Produce a membership directory of the group.
- Report, answer, and file all necessary correspondence.

The publicity chair will have the following duties:

- Publicize all school activities in the school newspaper, the school marquee, and school bulletin boards.
- Issue news releases to the press, radio, television stations, and on the website.

Article 7 – Elections

The club will hold the election of officers once a year. The voting will take place by secret ballot.

Article 8 – Amendment

A two-thirds majority vote of the members in attendance is required to amend this club constitution.

Chapter 24 – Sample Budgets

Following are links to downloadable sample ASB budget forms in Microsoft Word format.

Sample Budget for Large High School

Sample Fundraising Summary — Budget-to-Actual Performance

Sample ASB Balance Sheet – Large High School

Sample Summary Financial Report

To Table of Contents >>>

This page intentionally left blank.

Chapter 25 – Legal References

Important legal references are as follows:

California Education Codes Specific to TK-12 Education

Education Codes Specific to Community Colleges

Public Contract Code

California Penal Code

California Constitution, Article XVI, Public Finance

Revenue and Taxation Code

California Administrative Code, Title 5, Education

California Department of Tax and Fee Administration (for sales and use tax information)

Code of Federal Regulations, Title 7

To Table of Contents >>>

This page intentionally left blank.

Chapter 26 – Sample Board Policies and Administrative Regulations

This section includes sample board policies and administrative regulations from the California School Boards Association.

The California School Boards Association (CSBA) maintains a comprehensive sample board policy manual with sample policies that can be adopted by districts via the GAMUT platform. The most current CSBA sample language is available through GAMUT Policy and Policy Plus. Find more information at csba.org/gamut.

A FCMAT-created example AR 3452 for student activity funds is also included. The policies and regulations shown are for information only and to serve as a template and reference. Each district should have its own set of board policies and regulations that has been approved by its governing board. Each district's business office should be able to provide detailed information about and the location of board policies and administrative regulations. Please consult with the district's business office regarding board policies and administrative regulations when considering changes. Until and unless the district's governing board approves changes to board policies and administrative regulations, those already in place must be followed.

To Table of Contents >>>

Policy 1230: School-Connected Organizations

Status: ADOPTED

Original Adopted Date: 12/01/1990 | **Last Revised Date:** 05/01/2016 | **Last Reviewed Date:** 05/01/2016

CSBA NOTE: The following optional policy should be revised to reflect district practice.

For purposes of this Board policy, the term "school-connected organization" includes booster clubs, parent-teacher associations aligned with the California State PTA, or other parent-teacher organizations. These organizations generally raise funds for classroom activities or activities at specific schools. For policy regarding educational foundations, see BP 1260 - Educational Foundation. For policy regarding associated student body organizations, see BP 3452 - Student Activity Funds.

In some districts, there may be legal or equity concerns that result from the benefit provided to a particular school while other schools in the district do not receive the benefit from the additional resources. For example, pursuant to state and federal law (Education Code 200-262.4; 5 CCR 4900-4965; 20 USC 1681-1688), the Governing Board is responsible for ensuring that the district's athletic program provides equivalent opportunities for both males and females. Booster club activities must be included in the district's analysis of the equivalent opportunities provided by each school. See BP/AR 6145.2 - Athletic Competition. Because school-connected organizations are generally separate legal entities, if a concern arises regarding the equitable distribution of funds, the Superintendent or designee should consult with the leadership of such organizations and district legal counsel. For language regarding acceptance of gifts and grants, see BP 3290 - Gifts, Grants, and Bequests.

The Governing Board recognizes that parents/guardians and community members may wish to organize parent organizations and/or booster clubs for the purpose of supporting the district's educational and extracurricular programs. The Board appreciates the contributions made by such organizations toward the Board's vision for student learning and for providing all district students with high-quality educational opportunities.

CSBA NOTE: The following optional paragraph may be revised to reflect district practice. See the accompanying administrative regulation for details regarding the types of information that the district might require to be included in a school-connected organization's request to operate within the district or school.

Persons proposing to establish a school-connected organization shall submit a request to the Board for authorization to operate within the district or at a district school.

CSBA NOTE: Generally, booster and parent clubs are separate legal entities from the district and thus are not under the control or the responsibility of district personnel.

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

The district should consult legal counsel if it has any questions about its appropriate relationship with school-connected organizations.

Certain tax-exempt organizations may be required to register with the state Attorney General's Registry of Charitable Trusts. As part of this registration, the organization may also be required to file copies of the organization's articles of incorporation and other documents governing its operations.

A school-connected organization, including a booster club, parent-teacher association or organization, or other organization that does not include an associated student body or other student organization, shall be established and maintained as a separate entity from the school or district. Each school-connected organization shall be subject to its own bylaws and operational procedures or to the rules or bylaws of its affiliated state or national organization, as applicable.

CSBA NOTE: School-connected organizations are required to comply with applicable laws. For example, food sales by outside organizations must not compete with the district's school nutrition program and must comply with state and/or federal nutritional standards (Education Code 49431-49431.7; 5 CCR 15500-15501, 15575-15578; 7 CFR 210.11, 220.12). See BP/AR 3554 - Other Food Sales.

In addition, activities by school-connected organizations shall be conducted in accordance with law, Board policies, administrative regulations, and any rules of the sponsoring school.

CSBA NOTE: The following optional paragraph may be revised to reflect district practice. The Fiscal Crisis and Management Assistance Team (FCMAT), in its 2015 ASB Accounting Manual, Fraud Prevention Guide and Desk Reference, suggests rules governing the relationship between the district and booster clubs and other school-connected organizations. For examples of such rules, see the accompanying administrative regulation.

The Superintendent or designee shall establish appropriate rules for the relationship between school-connected organizations and the district.

CSBA NOTE: Education Code 51521 requires that any fundraising activity designed to raise money to benefit a school or its students receive approval from the Board or the Board's designee. The following paragraph delegates this authority to the Superintendent or designee and may be revised to reflect district practice.

A school-connected organization shall obtain the written approval of the Superintendent or designee prior to soliciting funds upon the representation that the funds will be used wholly or in part for the benefit of a district school or the students at that school. (Education Code 51521)

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

A school-connected organization may consult with the principal to determine school needs and priorities.

CSBA NOTE: Pursuant to Education Code 49011, the district is permitted to solicit voluntary donations, participate in fundraising activities, or provide prizes or other recognition for participants in fundraising activities. However, the district must not offer or award to a student any course credit or privileges related to educational activities in exchange for voluntary donations or participation in fundraising activities by or on behalf of the student and shall not remove, or threaten to remove, from a student any course credit or privileges related to educational activities, or otherwise discriminate against the student, due to a lack of voluntary donations or participation in fundraising activities by or on behalf of the student. See BP 3260 - Fees and Charges.

Any participation in fundraising activities by students and their parents/guardians and/or any donation of funds or property shall be voluntary. (Education Code 49011)

Policy Reference Disclaimer:

These references are not intended to be part of the policy itself, nor do they indicate the basis or authority for the board to enact this policy. Instead, they are provided as additional resources for those interested in the subject matter of the policy.

State	Description
11 CCR 300-312.1	Fundraising for charitable purposes
5 CCR 15500	Food sales in elementary schools
5 CCR 15501	Food sales in high schools and junior high schools
5 CCR 15575-15578	Requirements for foods and beverages outside the federal meals program
5 CCR 4900-4965	Nondiscrimination in elementary and secondary educational programs receiving state or federal financial assistance
Bus. Code 17510-17510.95	Charitable solicitations
Bus. Code 25608	Alcohol on school property; use in connection with instruction
Ed. Code 200-270	Prohibition of discrimination
Ed. Code 35160	Authority of governing boards
Ed. Code 38130-38138	Civic Center Act; use of school property for public purposes
Ed. Code 48931	Authorization for sale of food by student organization

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

Ed. Code 48932	Authorization for fund-raising activities by student organization
Ed. Code 49011	Student fees
Ed. Code 49431-49431.7	Nutritional standards
Ed. Code 51520	Prohibited solicitation on school premises
Ed. Code 51521	Fundraising projects
Gov. Code 12580-12599.10	Fundraisers for Charitable Purposes Act
Pen. Code 319-329	Lottery; raffle

Federal	**Description**
20 USC 1681-1688	Title IX of the Education Amendments of 1972; discrimination based on sex
7 CFR 210.11	Competitive food services
7 CFR 220.12	Competitive food services

Management Resources	**Description**
Court Decision	Serrano v. Priest (1976) 18 Cal. 3d 728
Fiscal Crisis & Management Assistance Team Pub.	2015 ASB Accounting Manual, Fraud Prevention Guide and Desk Reference
Website	CSBA District and County Office of Education Legal Services
Website	California Office of the Attorney General, Registry of Charities and Fundraisers
Website	California State Parent Teacher Association
Website	CSBA
Website	Fiscal Crisis and Management Assistance Team

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

Cross References

Code	Description
0200	Goals For The School District
0410	Nondiscrimination In District Programs And Activities
1100	Communication With The Public
1114	District-Sponsored Social Media
1114	District-Sponsored Social Media
1260	Educational Foundation
1321	Solicitation Of Funds From And By Students
1321	Solicitation Of Funds From And By Students
1330	Use Of School Facilities
1330	Use Of School Facilities
3260	Fees And Charges
3260	Fees And Charges
3312	Contracts
3452	Student Activity Funds
3541.1	Transportation For School-Related Trips
3541.1-E(1)	Transportation For School-Related Trips
3541.1-E(2)	Transportation For School-Related Trips
3554	Other Food Sales
3554	Other Food Sales
4127	Temporary Athletic Team Coaches
4127	Temporary Athletic Team Coaches
4227	Temporary Athletic Team Coaches

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

4227	Temporary Athletic Team Coaches
4327	Temporary Athletic Team Coaches
4327	Temporary Athletic Team Coaches
5030	Student Wellness
5142.2	Safe Routes To School Program
5142.2	Safe Routes To School Program
6020	Parent Involvement
6020	Parent Involvement
6142.6	Visual And Performing Arts Education
6145	Extracurricular And Cocurricular Activities
6145	Extracurricular And Cocurricular Activities
6145.2	Athletic Competition
6145.2	Athletic Competition
6153	School-Sponsored Trips
6153	School-Sponsored Trips
7214	General Obligation Bonds
7214	General Obligation Bonds

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

CSBA Sample District Policy Manual
CSBA Sample Manual Site

Regulation 1230: School-Connected Organizations

Status: ADOPTED

Original Adopted Date: 12/01/1990 | **Last Revised Date:** 05/01/2016 | **Last Reviewed Date:** 05/01/2016

CSBA NOTE: The following optional administrative regulation should be modified to reflect district practice.

Although school-connected organizations are generally separate legal entities and in some cases may be subject to the financial policies and bylaws of a state or national organization, districts have the authority to approve the ability of a school-connected organization to operate within the district or a district school. The Fiscal Crisis and Management Assistance Team (FCMAT), in its 2015 ASB Accounting Manual, Fraud Prevention Guide and Desk Reference, recommends that persons be required to complete an application, containing at least the information reflected in items #1-10 below, in order to form a school-connected organization. A sample application form is available in the FCMAT manual.

A school-connected organization's request for authorization to operate within the district or at a district school shall contain, as appropriate:

1. The name and purpose of the organization
2. The date of application
3. Bylaws, rules, and procedures under which the organization will operate, including procedures for maintaining the organization's finances, membership qualifications, if any, and an agreement that the group will not engage in unlawful discrimination
4. The names, addresses, and phone numbers of all officers
5. A list of specific objectives
6. An agreement to grant the district the right to audit the group's financial records, either by district personnel or a certified public accountant, whenever any concern is raised regarding the use of the funds
7. The name of the bank where the organization's account will be located and the names of those authorized to withdraw funds
8. The signature of the principal of the supporting school
9. Planned use for any money remaining at the end of the year if the organization is not continued or authorized to continue in the future

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

CSBA NOTE: Education Code 38134 requires school-connected organizations to insure against any liability resulting from the organization's negligence during an organization-sponsored event on school facilities. See BP/AR 1330 - Use of School Facilities.

10. An agreement to provide evidence of liability and/or directors and officers insurance when and in the manner required by law

CSBA NOTE: The following optional paragraph requires an organization to request renewal of the authorization from the Superintendent or designee on an annual basis. Districts that allow for an automatic renewal or that require approval from the Governing Board should modify the following paragraph accordingly.

Requests for subsequent authorization shall be annually submitted to the Superintendent or designee, along with a financial statement showing all income and expenditures from fundraisers. If the Superintendent or designee proposes to deny the request for reauthorization, he/she shall present his/her recommendation to the Governing Board for approval.

When deemed necessary by the Board or the Superintendent or designee, the authorization for a school-connected organization to conduct activities in the district may be revoked at any time.

CSBA NOTE: Items #1-5 below reflect recommendations in FCMAT's 2015 ASB Accounting Manual, Fraud Prevention Guide and Desk Reference and may be revised to reflect district practice.

Each school-connected organization shall abide by the following rules:

1. The organization shall not act as an agent of the district or school.
2. The organization shall not use the district's tax-exempt status and identification number. It shall be responsible for its own tax status, accounting, internal controls, financial reporting, retention of records, and other operations.
3. The organization shall use a separate name and logo. Any use of a name or logo affiliated with the district, a district school, or a school team shall require the prior consent of the Superintendent or designee.
4. Funds of the school-connected organization shall not be co-mingled with district funds, including associated student body funds.
5. The organization shall not hire or directly pay any district employee. If a school-connected organization wishes to pay for additional and/or extracurricular services, the person to provide the services shall be hired through the district's personnel department, provided the Board approves the position. At their discretion, employees may volunteer to perform activities for school-connected organizations during nonworking hours.

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

Policy Reference Disclaimer:

These references are not intended to be part of the policy itself, nor do they indicate the basis or authority for the board to enact this policy. Instead, they are provided as additional resources for those interested in the subject matter of the policy.

State	Description
11 CCR 300-312.1	Fundraising for charitable purposes
5 CCR 15500	Food sales in elementary schools
5 CCR 15501	Food sales in high schools and junior high schools
5 CCR 15575-15578	Requirements for foods and beverages outside the federal meals program
5 CCR 4900-4965	Nondiscrimination in elementary and secondary educational programs receiving state or federal financial assistance
Bus. Code 17510-17510.95	Charitable solicitations
Bus. Code 25608	Alcohol on school property; use in connection with instruction
Ed. Code 200-270	Prohibition of discrimination
Ed. Code 35160	Authority of governing boards
Ed. Code 38130-38138	Civic Center Act; use of school property for public purposes
Ed. Code 48931	Authorization for sale of food by student organization
Ed. Code 48932	Authorization for fund-raising activities by student organization
Ed. Code 49011	Student fees
Ed. Code 49431-49431.7	Nutritional standards
Ed. Code 51520	Prohibited solicitation on school premises
Ed. Code 51521	Fundraising projects
Gov. Code 12580-12599.10	Fundraisers for Charitable Purposes Act
Pen. Code 319-329	Lottery; raffle

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

Federal	Description
20 USC 1681-1688	Title IX of the Education Amendments of 1972; discrimination based on sex
7 CFR 210.11	Competitive food services
7 CFR 220.12	Competitive food services

Management Resources	Description
Court Decision	Serrano v. Priest (1976) 18 Cal. 3d 728
Fiscal Crisis & Management Assistance Team Pub.	2015 ASB Accounting Manual, Fraud Prevention Guide and Desk Reference
Website	CSBA District and County Office of Education Legal Services
Website	California Office of the Attorney General, Registry of Charities and Fundraisers
Website	California State Parent Teacher Association
Website	CSBA
Website	Fiscal Crisis and Management Assistance Team

Cross References

Code	Description
0200	Goals For The School District
0410	Nondiscrimination In District Programs And Activities
1100	Communication With The Public
1114	District-Sponsored Social Media
1114	District-Sponsored Social Media
1260	Educational Foundation

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

1321	Solicitation Of Funds From And By Students
1321	Solicitation Of Funds From And By Students
1330	Use Of School Facilities
1330	Use Of School Facilities
3260	Fees And Charges
3260	Fees And Charges
3312	Contracts
3452	Student Activity Funds
3541.1	Transportation For School-Related Trips
3541.1-E(1)	Transportation For School-Related Trips
3541.1-E(2)	Transportation For School-Related Trips
3554	Other Food Sales
3554	Other Food Sales
4127	Temporary Athletic Team Coaches
4127	Temporary Athletic Team Coaches
4227	Temporary Athletic Team Coaches
4227	Temporary Athletic Team Coaches
4327	Temporary Athletic Team Coaches
4327	Temporary Athletic Team Coaches
5030	Student Wellness
5142.2	Safe Routes To School Program
5142.2	Safe Routes To School Program
6020	Parent Involvement
6020	Parent Involvement

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

6142.6	Visual And Performing Arts Education
6145	Extracurricular And Cocurricular Activities
6145	Extracurricular And Cocurricular Activities
6145.2	Athletic Competition
6145.2	Athletic Competition
6153	School-Sponsored Trips
6153	School-Sponsored Trips
7214	General Obligation Bonds
7214	General Obligation Bonds

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

Policy 1321: Solicitation Of Funds From And By Students

Status: ADOPTED

Original Adopted Date: 09/01/1987 | **Last Revised Date:** 07/01/2003 | **Last Reviewed Date:** 07/01/2003

CSBA NOTE: The following optional policy applies to solicitations of students on behalf of the school or charitable organizations. For policy regarding solicitation of funds from and by staff members in personal profit-making ventures, see BP 4135/4235/4335 - Soliciting and Selling. For policy regarding distribution of promotional materials to students and parents/guardians, see BP 1325 - Advertising and Promotion.

The Governing Board recognizes that student participation in fund-raising activities for the schools and nonprofit, nonpartisan charitable organizations can help develop a sense of social responsibility in students, enhance the relationship between the school and community, and contribute to the improvement of the school program.

Whether solicitations are made on behalf of the school or on behalf of a charitable organization, students shall not be barred from an event or activity because they did not participate in fund-raising. Potential donors, including parents/guardians and members of the community, should not be unduly pressured to contribute to the school system or charitable organizations. Staff is expected to emphasize the fact that donations are always voluntary.

The Superintendent or designee shall ensure that parents/guardians are informed of the purpose of fund-raisers.

Solicitations on Behalf of the School

CSBA NOTE: Pursuant to Education Code 51521, prior written approval is required for sales or solicitations whenever any portion of the funds raised is to be applied to the costs of the fund-raiser or to the costs of merchandise sold, such as the sale of candy or wrapping paper. Such approval is not required if the total proceeds of a solicitation are to be delivered to the school without deductions for expenses.

With the prior written approval of the Superintendent or designee, official school-related organizations may organize fund-raising events involving students.

CSBA NOTE: The following paragraph is optional.

After the fund-raiser has been held, parents/guardians shall be informed how much money was raised and how it was spent.

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

Solicitations on Behalf of Charities

CSBA NOTE: Nonprofit organizations and charities conducting fund-raising activities are subject to various state laws regarding those activities. For example, Business and Professions Code 17510.2 and 17510.3 specify that solicitations made by nonprofit community or educational organizations must comply with the state disclosure laws. Business and Professions Code 17510.3 requires volunteers over 18 years old to present potential donors or buyers with information, including the purpose of the solicitation and the address from which further information about revenues and administrative expenses may be obtained. In addition, Penal Code 320.5 provides that, prior to conducting a raffle, a nonprofit organization, unless specifically exempted, must first register with the Attorney General's Registry of Charitable Organizations and file financial disclosure reports on each raffle event.

When approved in advance by the Superintendent or designee, nonprofit, nonpartisan organizations that are properly chartered or licensed by state or federal law may solicit students on school grounds during school hours and within one hour before school has opened and one hour after school has closed. (Education Code 51520)

Policy Reference Disclaimer:

These references are not intended to be part of the policy itself, nor do they indicate the basis or authority for the board to enact this policy. Instead, they are provided as additional resources for those interested in the subject matter of the policy.

State	Description
8 CCR 11701-11707	Prohibited and dangerous occupations for minors
Bus. Code 17510-17510.95	Charitable solicitations
Ed. Code 51520	Prohibited solicitations on school premises
Ed. Code 51521	Unlawful solicitations of contribution or purchase of personal property for benefit of public school or student body; exception
Pen. Code 319-329	Raffles
Rev. & Tax Code 6361	Sales tax exemption for certain sales

Management Resources	Description
CSBA Publication	Healthy Food Policy Resource Guide, 2003
Website	CSBA District and County Office of Education Legal Services

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

Website	Office of the Attorney General

Cross References

Code	Description
0420	School Plans/Site Councils
0420	School Plans/Site Councils
1230	School-Connected Organizations
1230	School-Connected Organizations
1260	Educational Foundation
1325	Advertising And Promotion
3260	Fees And Charges
3260	Fees And Charges
3290	Gifts, Grants And Bequests
3312	Contracts
3452	Student Activity Funds
3554	Other Food Sales
3554	Other Food Sales
4135	Soliciting And Selling
4136	Nonschool Employment
4235	Soliciting And Selling
4236	Nonschool Employment
4335	Soliciting And Selling
4336	Nonschool Employment
5022	Student And Family Privacy Rights
5022	Student And Family Privacy Rights

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

6116	Classroom Interruptions
6142.4	Service Learning/Community Service Classes
6145.2	Athletic Competition
6145.2	Athletic Competition
6145.5	Student Organizations And Equal Access
6145.5	Student Organizations And Equal Access
6153	School-Sponsored Trips
6153	School-Sponsored Trips

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

CSBA Sample District Policy Manual
CSBA Sample Manual Site

Regulation 1321: Solicitation Of Funds From And By Students

Status: ADOPTED

Original Adopted Date: 09/01/1987 | **Last Revised Date:** 07/01/2003 | **Last Reviewed Date:** 07/01/2003

CSBA NOTE: The following regulation is optional and should be revised to reflect district practice.

The Superintendent or designee shall approve all fund-raising activities at least 15 days before the activity. If the event involves a contract with a commercial vendor, the Superintendent or designee shall review the contract.

In order to minimize interruptions to the educational program, staff shall limit fund-raising activities to appropriate time periods designated by the principal.

No student shall be required to raise a specified amount of money in order to participate in an activity sponsored by a school-related organization.

Students engaged in fund-raising activities on behalf of the school or for school-related projects are expected to be courteous and respectful towards all individuals and businesses.

Door-to-Door Sales

CSBA NOTE: The following section is optional and should be deleted by districts that do not allow students to engage in door-to-door sales. Items #1-4 below detail the requirements for students participating in such sales as specified in 8 CCR 11706.

Students under 16 years old may engage in door-to-door sales of newspaper or magazine subscriptions, candy, cookies, flowers or other merchandise only under the following conditions:

1. The students shall work in pairs, as a team, on the same or opposite side of the street. (8 CCR 11706)
2. The students shall be supervised by an adult, with one adult for every crew of 10 or fewer students. (8 CCR 11706)
3. The students must be within the sight or sound of their adult supervisor at least once every 15 minutes. (8 CCR 11706)
4. The students shall be returned to their respective homes or meeting places after each day's work. (8 CCR 11706)

CSBA NOTE: Optional items #5-7 below should be revised to reflect district practice.

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

5. The students shall not engage in door-to-door sales after dark.
6. The students shall not work outside of their immediate neighborhood.
7. Students in grades _____ shall not be involved in any door-to-door sales or solicitations.

Policy Reference Disclaimer:

These references are not intended to be part of the policy itself, nor do they indicate the basis or authority for the board to enact this policy. Instead, they are provided as additional resources for those interested in the subject matter of the policy.

State	Description
8 CCR 11701-11707	Prohibited and dangerous occupations for minors
Bus. Code 17510-17510.95	Charitable solicitations
Ed. Code 51520	Prohibited solicitations on school premises
Ed. Code 51521	Unlawful solicitations of contribution or purchase of personal property for benefit of public school or student body; exception
Pen. Code 319-329	Raffles
Rev. & Tax Code 6361	Sales tax exemption for certain sales

Management Resources	Description
CSBA Publication	Healthy Food Policy Resource Guide, 2003
Website	CSBA District and County Office of Education Legal Services
Website	Office of the Attorney General

Cross References

Code	Description
0420	School Plans/Site Councils
0420	School Plans/Site Councils
1230	School-Connected Organizations

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

1230	School-Connected Organizations
1260	Educational Foundation
1325	Advertising And Promotion
3260	Fees And Charges
3260	Fees And Charges
3290	Gifts, Grants And Bequests
3312	Contracts
3452	Student Activity Funds
3554	Other Food Sales
3554	Other Food Sales
4135	Soliciting And Selling
4136	Nonschool Employment
4235	Soliciting And Selling
4236	Nonschool Employment
4335	Soliciting And Selling
4336	Nonschool Employment
5022	Student And Family Privacy Rights
5022	Student And Family Privacy Rights
6116	Classroom Interruptions
6142.4	Service Learning/Community Service Classes
6145.2	Athletic Competition
6145.2	Athletic Competition
6145.5	Student Organizations And Equal Access
6145.5	Student Organizations And Equal Access

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

6153	School-Sponsored Trips
6153	School-Sponsored Trips

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

CSBA Sample District Policy Manual
CSBA Sample Manual Site

Policy 3452: Student Activity Funds

Status: ADOPTED

Original Adopted Date: 09/01/1988 | **Last Revised Date:** 03/01/2021 | **Last Reviewed Date:** 03/01/2021

CSBA NOTE: Pursuant to Education Code 48930, the Governing Board may approve the formation of associated student body organizations (ASBs), which are composed entirely of students and are subject to the Board's control and regulation. Generally, there are two types of ASBs. ASBs in high schools and middle schools are referred to as "organized ASBs" since the students, organizing their activities around student clubs and/or a student council, have primary responsibility for the ASB, with the assistance, oversight, and co-approval of a district-employed advisor. In elementary schools, ASBs are considered to be "unorganized" because there is no student council and the principal or designee usually oversees the fundraising and spending decisions, with more limited involvement from the students.

ASBs, which are subject to the Board's control and regulation pursuant to Education Code 48930, are legally considered part of the district. In contrast, booster clubs, education foundations, parent-teacher associations, and other parent-run organizations operate independently of the district. See BP /AR 1230 - School-Connected Organizations. Districts with questions regarding the distinction between an ASB and a school-connected organization should consult legal counsel.

The following optional policy may be modified to reflect district practice.

The Governing Board recognizes that student organizations can provide students with an opportunity to conduct worthwhile cocurricular activities while helping students learn about effective financial practices and develop leadership and management skills. To that end, the Board may approve the formation of associated student body organizations which are composed entirely of students, operate under the oversight of the principal or other district-employed advisor, and are subject to the control and regulation of the Board. Student organizations may raise and spend funds to support activities that promote the general welfare, morale, and educational experiences of the student body.

Fundraising

CSBA NOTE: Education Code 48932 requires the Board to approve a student organization's fundraising events and to determine whether fundraising activities that are held on school property during school hours will interfere with the normal conduct of the schools. The following paragraph provides for the Board to delegate the review and approval of ASB fundraising events to the Superintendent or designee and should be modified to reflect district practice.

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

For a list of activities that may be prohibited on school grounds because of safety concerns, see AR 5142 - Safety. For information regarding online fundraising, see BP 3290 - Gifts, Grants and Bequests.

At the beginning of each school year, each principal or designee shall submit to the Superintendent or designee a list of the fundraising events that each student organization proposes to hold that year. The Superintendent or designee shall review the proposed events and determine whether the events contribute to the educational experience and do not conflict with or detract from the school's educational program. When reviewing proposed events, the Superintendent or designee shall consider the effects of the activities on student health and safety, evaluate the risk of liability to the district, and ensure that the proposed activities are in compliance with law, Board policy, and administrative regulation.

CSBA NOTE: Education Code 49431, 49431.2, and 49431.5 prescribe the types of foods and beverages that may be sold on school grounds and restrict when fundraising events that involve the sale of noncompliant foods and beverages on school grounds may occur. See BP/AR 3554 - Other Food Sales.

Fundraising events that involve the sale of food and/or beverages shall comply with applicable state and/or federal nutrition standards and BP/AR 3554 - Other Food Sales. If the fundraising event involves the sale of noncompliant food and/or beverages, it shall not take place from midnight until at least one-half hour after the end of the school day, or not be conducted on school premises.

Management and Reporting of Funds

CSBA NOTE: Education Code 48937 requires the district to provide for the supervision of all funds raised by any student body organization or student organization using the name of the school. The acceptable investment and use of such funds are detailed in Education Code 48933, 48934, and 48936. The Fiscal Crisis and Management Assistance Team (FCMAT) has developed the Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference, available on its web site, to outline the district's fiscal and managerial responsibilities relative to these funds.

Student body funds shall be managed in accordance with law, regulations, Board policies, and sound business procedures designed to encourage the largest possible educational return to students without sacrificing the security of funds.

The Superintendent or designee shall develop internal control procedures to safeguard the organization's assets, promote the success of fundraising ventures, provide reliable financial information, protect employees and volunteers from accusations of impropriety, and reduce the risk and promote the detection of fraud and abuse. These procedures shall detail the oversight of activities and funds including, but not limited to, the appropriate role and provision of training for staff and students, parameters for events

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

on campus, appropriate and prohibited uses of funds, and accounting and record-keeping processes, including procedures for handling questionable expenditures.

The principal or designee shall be responsible for the proper conduct of all student organization financial activities. The budget adopted by the student body organization should serve as the financial plan for the school year and shall be submitted to the Superintendent or designee at the beginning of each school year. The Superintendent or designee shall monitor the budget and periodically review the organization's use of funds to ensure compliance with the district's internal control procedures.

Funds derived from the student body shall be expended according to procedures established by the student organization. All expenditures must be approved by a Board-designated employee or official, the certificated employee who is the designated student organization advisor, and a student organization representative. (Education Code 48933)

CSBA NOTE: The following paragraph is optional. 5 CCR 4922 and 34 CFR 106.41 require districts to ensure that the district's athletic program provides equivalent opportunities for both sexes. The factors that districts must consider when determining whether equivalent opportunities are being provided include, but are not limited to, the provision of necessary funds, equipment, supplies, and travel allowances. See AR 6145.2 - Athletic Competition.

When student body funds are expended for equipment, supplies, or activities that support the district's athletic program, the Superintendent or designee shall ensure that the expenditures are aligned with the district's commitment to provide equitable opportunities for males and females.

CSBA NOTE: Pursuant to Governmental Accounting Standards Board (GASB) Statement 84, if the district has administrative or direct financial involvement with the ASB's assets, as defined, the student activity fund may be considered a governmental fund subject to accounting and financial reporting within the district's funds. FCMAT's Fiscal Alert: GASB 84 and its Impact on Associated Student Body Accounts clarifies that, under state law, the district's considerable administrative involvement in both organized and unorganized ASBs means that ASBs will typically be considered governmental activities, rather than fiduciary responsibilities of the district. As such, ASB accounts should be reported in either a special reserve fund or the general fund. For further information see GASB 84, GASB's Implementation Guide No. 2019-2, Fiduciary Activities, and FCMAT's Fiscal Alert: GASB 84 and its Impact on Associated Student Body Accounts. Districts are encouraged to consult legal counsel in the determination of whether its ASB(s) are fiduciary or nonfiduciary in order to properly report the accounts.

Because of the district's administrative and/or direct financial involvement in the assets of the student organization, the student activity fund shall be reported within the

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

district's fund in accordance with Governmental Accounting Standards Board Statement 84.

CSBA NOTE: Because an ASB is an entity of the district, ASB funds are reviewed as part of the annual audit of the district conducted pursuant to Education Code 41020, as specified below.

The Board shall provide an annual audit of student organization accounts by a certified public accountant or licensed public accountant. The cost of the audit shall be paid from district funds. (Education Code 41020)

Policy Reference Disclaimer:

These references are not intended to be part of the policy itself, nor do they indicate the basis or authority for the board to enact this policy. Instead, they are provided as additional resources for those interested in the subject matter of the policy.

State	Description
5 CCR 15500	Food sales in elementary schools
5 CCR 15501	Food sales in high schools and junior high schools
5 CCR 4920-4922	Nondiscrimination in intramural, interscholastic, and club activities
Ed. Code 35182.5	Contracts for advertising
Ed. Code 35564	Funds; obligations of the student body
Ed. Code 41020	Requirement for annual audit
Ed. Code 48930-48938	Student organizations
Ed. Code 49431	Sale of food; elementary school
Ed. Code 49431.2	Sale of food; middle and high schools
Ed. Code 49431.5	Sale of beverages; elementary, middle, and high schools
Ed. Code 51520	Prohibited solicitations on school premises
Ed. Code 51521	Fundraising projects

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

Federal	Description
34 CFR 106.41	Nondiscrimination in athletic programs

Management Resources	Description
Court Decision	Prince v. Jacoby (2002) 303 F.3d 1074
Fiscal Crisis & Management Assistance Team Pub.	Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference, 2015
Fiscal Crisis Management & Assistance Team Pub.	Fiscal Alert: GASB 84 and Its Impact on Associated Student Body Accounts, May 2020
Governmental Accounting Standards Board Pub.	Statement No. 84, January 2017
Governmental Accounting Standards Board Pub.	Implementation Guide No. 2019-2, Fiduciary Activities, June 2019
Website	CSBA District and County Office of Education Legal Services
Website	Governmental Accounting Standards Board
Website	California Department of Education
Website	Fiscal Crisis and Management Assistance Team

Cross References

Code	Description
1230	School-Connected Organizations
1230	School-Connected Organizations
1321	Solicitation Of Funds From And By Students
1321	Solicitation Of Funds From And By Students
3260	Fees And Charges
3260	Fees And Charges
3290	Gifts, Grants And Bequests
3400	Management Of District Assets/Accounts

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

3400	Management Of District Assets/Accounts
3460	Financial Reports And Accountability
3460	Financial Reports And Accountability
3530	Risk Management/Insurance
3530	Risk Management/Insurance
3554	Other Food Sales
3554	Other Food Sales
3580	District Records
3580	District Records
5000	Concepts And Roles
5030	Student Wellness
5142	Safety
5142	Safety
5143	Insurance
5143	Insurance
6145	Extracurricular And Cocurricular Activities
6145	Extracurricular And Cocurricular Activities
6145.2	Athletic Competition
6145.2	Athletic Competition
6145.5	Student Organizations And Equal Access
6145.5	Student Organizations And Equal Access

Policy Reference UPDATE Service Copyright 2024 by California School Boards Association, West Sacramento, California 95691 All rights reserved.

FCMAT Recommended AR 3452 – Student Activity Funds

FCMAT Example AR 3452[1] — Student Activity Funds

Introduction

The following student body accounting information is designed to help school administrators, credentialed advisors, and clerical personnel ensure compliance with legal requirements, school district policies, and good business practices. The basic responsibility for the successful financial operation of a student body organization rests with the principal/school administrator. Associated student body activities provide an excellent opportunity for students to learn the fundamentals of good business practices and sound fiscal procedures. Those responsible for student body organizations need to fully understand the proper handling of associated student body funds.

The funds of student organizations must be accounted for with the same care as all other funds of the school district in accordance with generally accepted accounting principles. All expenditures should be made in accordance with an established system that includes sound internal control procedures and sound accounting practices, and should conform to the policies and administrative regulations of the governing board.

Operation of Student Body Organizations

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 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 (Education Code 48930).

Approval of School District Governing Board

The governing board of any school district or any county office of education may authorize any student or adult entity or organization to sell food on school premises, subject to policies and regulations of the State Board of Education and provisions of California statute. The State Board of Education develops regulations for the sale of food by any pupil or adult entity or organization, or any combination thereof. These laws and regulations are designed to ensure optimum participation in a school district's or a county office of education's nonprofit food service programs and take into account all programs approved by the governing board of any school district or any county office of education. The laws and regulations are effective on the first of the month after they are adopted by the State Board of Education (Education Code 48931).

Personnel Responsible for Student Body Activities

Governing Board

1 This recommended AR 3452 uses portions of various districts' student activity funds administrative regulations from their websites and adds information FCMAT considers important to a robust student activity funds administrative regulation.

The governing board adopts the rules, regulations, and general operating policies necessary to ensure the proper supervision and control of the student body organization's activities. The governing board is especially concerned with sound internal controls, proper administration, financial control, and oversight of ASB activities and transactions. Administration and oversight responsibility should be delegated to those who recognize and employ good business methods and understand the importance of maintaining proper accounting records and procedures.

Assistant Superintendent of Business or Chief Business Official

The assistant superintendent of business or chief business official (CBO) is the general supervisor over all the activities of a student body organization and is a consultant in financial matters of all student body organizations. This individual reviews the general financial structure of the organization and the financial control procedures prescribed. All unresolved ASB questions regarding allowable or prohibited transactions, fundraisers, expenditures, activities, and other items should be resolved by the CBO or designee(s) in the district's business office.

Accounting Technician

The accounting technician reviews the student body accounts, including budgets, financial statements, and minutes, and periodically audits the student body accounts to ensure conformance to prescribed procedures.

Principal/School Administrator

The principal/school administrator is directly responsible, with veto power, for student body financial activities and their conformance to established district board policies, administrative regulations, student body bylaws, and other district-approved procedures. The principal/school administrator shall assume responsibility for following district board policies, administrative regulations, ASB constitution and bylaws, and district-approved ASB manuals, handbooks, lists of allowable and prohibited activities and transactions, and procedures implemented by the district's business office to provide adequate internal controls and sound business practices.

ASB Advisor

The principal/school administrator shall appoint a certificated employee at the school to supervise the activities of the associated student body organization and work directly with the student council and student activities director. The ASB advisor shall assume responsibility for following district board policies, administrative regulations, ASB constitution and bylaws, and district-approved ASB manuals, handbooks, lists of allowable and prohibited activities and transactions, and procedures implemented by the district's business office to provide adequate internal controls and sound business practices.

Club Advisors

Each club advisor for a student body club and trust account shall be a certificated employee of the school and shall assume responsibility for following district board policies, administrative regulations, club constitution and bylaws, and district-approved ASB manuals, handbooks, lists of allowable and prohibited activities and transactions, and procedures implemented by the district's business office to provide adequate internal controls and sound business practices.

Student Body Bookkeeper

The bookkeeper is responsible to the principal/school administrator at the school, or to the assistant superintendent of business or CBO, for maintaining proper financial records in accordance with established procedures. The bookkeeper shall assume responsibility for following district board policies, administrative regulations, ASB constitution and bylaws, and district-approved ASB manuals, handbooks, lists of allowable and prohibited activities and transactions, and procedures implemented by the district's business office to provide adequate internal controls and sound business practices.

The school district is responsible for the sound operation of an internal control system for student organization funds. The district's annual audit is inclusive of the ASB because the district has responsibility over the internal control system for the entire district. The ASB bookkeeper is integral to the operation and internal control system; therefore, the bookkeeper is part of the staffing allocation assigned to specific school sites. The district shall support the bookkeeper and ASB operations with computers, printers, accounting software, office supplies, safe(s), cash boxes, tamper-evident bank bags and other secure storage, related banking supplies, and the transport of deposits to the board-approved designated bank.

Associated Student Body Organization

The associated student body organization in each school is made up of the principal/school administrator or designee (the student body advisor), and appointed or elected student body officers. The student council, each student club, advisor, and the principal/school administrator or designee are responsible for adopting a budget, approving expenditures, and authorizing fundraising activities. All fundraising activities must be approved by the principal/school administrator. The district's business department should develop, monitor, and improve student organization operations and internal controls as needed to promote the best possible safeguarding of student assets.

Student Council

The student council, as composed and designated by the student body constitution, is responsible for adopting a budget for the student council and ensuring all ASB clubs adopt their own individual budgets. The student council is also responsible for approving expenditures and authorizing fundraising activities for the general ASB and all ASB clubs.

General Regulations for Student Body Activities

So that student body activities may provide the highest form of practical training for students, all student body finances and operations shall be conducted using the highest standards of business ethics and sound internal controls.

General and accounting procedures for the operation of the student body will be followed as detailed in the Fiscal Crisis and Management Assistance Team (FCMAT) *ASB Manual* and district board policy and administrative regulations. If the district develops its own ASB manual, handbook, and list of allowable and prohibited ASB activities and transactions (district ASB manual), if there is a difference between the district ASB manual and the FCMAT *ASB Manual*, the district ASB manual shall prevail.

In addition, the following procedures will be followed:

Finance

The funds raised by the student body are to be spent for and by the students to promote the general welfare, morale, and educational experience of the student body. Student body funds must be used to promote and finance a program of activities beyond those normally provided by the school district and its governing board. In general, student body funds shall be expended to benefit the most students currently enrolled in the school where the ASB or club is located.

Timely Deposits and ASB Safe

All funds collected by the student body will be receipted and deposited in the bank in a prompt and timely manner, preferably within two days of receipt, but at least weekly. Any monies that are not immediately deposited shall be secured in a fireproof safe.

Commingled Funds

Individual teachers, advisors, or clubs are not authorized to maintain separate bank accounts for student activities. District funds or funds from school-connected organizations other than student body are not to be commingled with student body accounts. Only properly organized and approved clubs, class groups, and scholarship accounts may operate under the student body organization chart of accounts.

District Intra-ASB Account

If the business office determines that a district account is needed in the student body organization chart of accounts to facilitate pass-through transactions between the ASB and the district (e.g., transportation cost reimbursements, payroll reimbursements, broken equipment fees, library fines, or test fees), a "Due to/from District" or other similar clearing or pass-through type of account should be considered as follows:

- ASB Transactions

  Transactions that are ASB-approved, such as reimbursing the district for ASB activities requiring transportation, or payroll reimbursements, are expenditures of the ASB. These costs may be reimbursed to the district through the ASB expenditure preapproval process using a district intra-ASB account or other method approved by the district's business office.

- Non-ASB Transactions that Facilitate ASB Fundraising

  Non-ASB transactions should not be processed through the ASB chart of accounts unless they contribute to ASB fundraising. For those that do not facilitate ASB fundraising, the district accounting software site budget account or other non-ASB accounting system should be used (e.g., separate ASB accounting software chart of accounts not used for ASB transactions).

  However, the ASB accounting system chart of accounts may be used if it is facilitating fundraising for student activities. To facilitate fundraising, the ASB may charge a 10% fee on non-ASB transactions. This fee is assessed when the district's business office

determines that the convenience of using the ASB accounting software is necessary to process non-ASB transactions on behalf of the district,such as library fines and test fees. The 10% fee is calculated on the dollar amount of transactions processed. When the transactions are processed, the ASB totals the amount processed, deducts 10% of the total , and approves the remittance of the remaining 90% to the district's business office. When approved, those monies should be sent in a timely manner and with appropriate supporting documentation to the district's business office.

Student Council Meetings

Student council meetings shall be held regularly, according to the student body constitution and bylaws, to provide for student approval of all activities, expenditures, and fundraisers.

Positive Account Balance

Each club and trust account must have a positive balance in its account at all times.

Inactive Clubs/Accounts

The balance of any inactive club or trust account must be transferred to the general reserve of the student body fund unless before it became inactive the students of the inactive club approved a transfer of their balance to another club or class group, or the bylaws of the inactive club contain provisions for what to do with funds upon inactivity. An inactive account is one that has had no activity generated by student body action for 18 months.

Funds in Excess of Carryover Amount

If student body accounts accumulate excess funds beyond the allowable carryover amount, a spending plan should be developed to use those funds in the next school year. The purpose of student body funds is to provide programs for the students, who fundraised the monies. Unless funds are being accumulated for an approved multiyear project, no student body funds should be accumulated in excess of a year. Students should spend the funds in the same year in which those funds were raised to ensure the students who raised the funds benefit.

Check Criteria

All checks must be prenumbered, require two signatures, and be written only after the proper procedures have been followed. All checks, receipt books, tickets, and other such items are to be properly secured at all times

Sources of Income

All money-making activities for school student bodies are to be reflected in the minutes of the student council meetings. All events must be approved by the principal/school administrator or designee and must include approval by the student representative and advisor. No teacher, staff member, advisor, coach, student, or group of students may take it upon themselves to initiate a fundraising activity without seeking the aforementioned approvals. The receipt of any donations of money or materials must be approved by the student council or ASB club or class group and noted in the minutes.

Chapter 27 – Sample Internal Control Reference Checklist

A "No" response to any of the following questions may indicate an internal control weakness. A district should perform a self-evaluation using this checklist, investigate all potential weaknesses, and ensure that controls are put into place so any weakness will no longer result in internal control issues.

This checklist is divided by area; another checklist in Chapter 5 of this manual is divided by job position for those with responsibility for ASB organizations.

General Procedures	YES	NO	N/A	Comments
1. Does the district have a comprehensive board policy and administrative regulations that provide rules and regulations for ASB governance and operations?	❑	❑	❑	_____
2. Does the district have a comprehensive ASB manual with detailed procedures?	❑	❑	❑	_____
3. Has the FCMAT *ASB Manual* been adopted as part of the district's ASB policies and procedures?	❑	❑	❑	_____
4. If the district has a comprehensive manual, is it reviewed and updated as needed, at least annually? Does the update address the areas of concern identified in the previous year's audit?	❑	❑	❑	_____
5. Does the business office provide annual ASB training for all school and district employees who work with ASB activities, and does the business office retain a signed and dated training attendance log as proof that employees received training?	❑	❑	❑	_____
6. Do members of the business office periodically (at least annually) visit each school to provide support and to review the ASB procedures used at the school?	❑	❑	❑	_____
7. Do school employees and students know whom to call in the district's business office if they have questions or concerns about ASB and are unable to get answers at the school?	❑	❑	❑	_____
8. Has the business office taken immediate action to correct annual audit findings related to ASB activities? Are the schools involved in developing action plans to ensure that the findings do not recur?	❑	❑	❑	_____

TO TABLE OF CONTENTS >>>

	YES	NO	N/A	Comments
9. Are the forms, processes and systems for ASB operations standardized districtwide?	❑	❑	❑	_____
10. Is the ASB recordkeeping computerized? If so, is the accounting software adequate to meet the needs of the district and clubs?	❑	❑	❑	_____
11. Are the financial reports and other items produced by the system user-friendly and informative?	❑	❑	❑	_____
12. Is the computer on which the ASB accounting software resides user ID- and password-protected?	❑	❑	❑	_____
13. Is the ASB accounting software access user ID- and password-protected?	❑	❑	❑	_____
14. Are ASB computer and accounting software passwords safeguarded, not given out, and changed periodically?	❑	❑	❑	_____
15. Are only ASB funds maintained in ASB bank accounts? (ASB bank accounts should not include PTA or booster club money, or staff or teacher charitable funds.)	❑	❑	❑	_____
16. Is a formal application required from any students who want to establish a new club at the school? (secondary)	❑	❑	❑	_____
17. Is each club advisor a certificated employee of the school district?	❑	❑	❑	_____
18. Are all ASB bank accounts reconciled within two weeks of receipt of the statement?	❑	❑	❑	_____
19. If bank account reconciliations are not performed within two weeks of receipt of the bank statement, is a promise of reconciliation completion date obtained and followed up on to ensure the bank reconciliation is completed?	❑	❑	❑	_____
20. Are all outstanding deposits and checks identified, and are they clearing the bank within a reasonable time? (Deposits should be outstanding for no more than two or three days.)	❑	❑	❑	_____
21. If any journal entries or transfer entries are made, are those entries authorized?	❑	❑	❑	_____
22. Is there a clear distinction between the student body's income and expenditures and those of the district?	❑	❑	❑	_____

	YES	NO	N/A	Comments
23. Do procedures ensure that club trust funds will not be used to finance general student body activities?	❑	❑	❑	_____
24. Is prompt action taken to recover deficits in club trust accounts?	❑	❑	❑	_____
25. Has the governing board established a policy for disposing of inactive student body organizations' club trust balances?	❑	❑	❑	_____
26. Is equipment adequately safeguarded, inventoried, and recorded?	❑	❑	❑	_____
27. Is the board's designee an authorized signatory on all student body accounts?	❑	❑	❑	_____
28. Is a general ledger maintained?	❑	❑	❑	_____
29. Are all clubs required to prepare and maintain minutes of all meetings, with all necessary items noted? (secondary)	❑	❑	❑	_____
30. Are the minutes of each individual club reviewed by the general student council?	❑	❑	❑	_____
31. Do the minutes contain approval for fundraising activities?	❑	❑	❑	_____
32. Are disbursements of student body funds approved item by item, and is this recorded in the minutes?	❑	❑	❑	_____
33. Are the activities of the student body reflected in the minutes?	❑	❑	❑	_____
34. Does every recognized club and the student council have a constitution on file that establishes the policies and rules for the student governance of the council or club?	❑	❑	❑	_____
35. Does the general student council have bylaws in place?	❑	❑	❑	_____
36. Are accounting controls for the clubs the same as those for the general ASB?	❑	❑	❑	_____
37. Are student store inventories reviewed periodically?	❑	❑	❑	_____
38. Are financial reports prepared regularly (at least monthly)? Are they reviewed and included in the ASB minutes?	❑	❑	❑	_____
39. Do employees and students know to report any questionable or suspicious activities to the district's business office for investigation?	❑	❑	❑	_____

	YES	NO	N/A	Comments
40. Does the district have access to an independent third-party fraud reporting whistleblower website and telephone hotline? Are employees aware of the fraud reporting options?	❑	❑	❑	_____
41. Is there a fireproof and secured safe at each school adequate to hold all cash receipts until deposit as well as cash boxes, check stock and other necessary items? Is access to the safe limited, with a log identifying who has access?	❑	❑	❑	_____
42. Are all proposed fundraising events approved by the governing board or its designee at the beginning of each school year? Is this list updated throughout the year?	❑	❑	❑	_____

Cash Receipts/Fundraisers

1. Are fundraising activities in accordance with those prescribed by the district and approved by the governing board/designee to help ensure success?	❑	❑	❑	_____
2. Are fundraising activities approved by the principal/ school administrator and by the student council?	❑	❑	❑	_____
3. Are revenue potentials prepared for each approved fundraiser and completed once the fundraiser is over?	❑	❑	❑	_____
4. Do supervisory personnel exercise adequate control over student fundraisers to ensure that the participants are following all district policies and exercising strong internal controls?	❑	❑	❑	_____
5. Are employees aware of the appropriate internal controls for cash receipts for each type of fundraising event (e.g., tally sheets, prenumbered tickets, and receipt books)?	❑	❑	❑	_____
6. Is an adequate stock of supplies for cash receipt control procedures — such as prenumbered tickets and prenumbered receipt books — kept in a safe, locked place?	❑	❑	❑	_____
7. Is control maintained over tickets, numbered forms, and receipt books when not in use?	❑	❑	❑	_____
8. Are details about the number of items receipted and the unit price recorded on the receipt or other documentation used for cash receipts?	❑	❑	❑	_____

	YES	NO	N/A	Comments
9. Are all cash receipts from student fundraising activities turned in to the ASB bookkeeper immediately, or as soon as possible after the fundraising event? Is the correct documentation turned in with the collected cash, such as reports on tickets issued and other items?	❑	❑	❑	_____
10. Do two people count the funds raised at the end of a fundraising event, with both individuals signing and dating the fundraising cash collection form?	❑	❑	❑	_____
11. When individuals turn in cash to the ASB bookkeeper, does the bookkeeper count the cash in the presence of at least one other person? Is an acknowledgment of the receipt of the money and the accuracy of the amount signed and dated?	❑	❑	❑	_____
12. Are duplicates of cash count forms kept, as well as of all other forms that are part of the financial process?	❑	❑	❑	_____
13. If a startup cash change box is issued, does the person(s) receiving the change count the startup cash in front of the ASB bookkeeper and do they sign indicating that the startup change is accurate?	❑	❑	❑	_____
14. Are undeposited cash receipts kept in a safe?				
15. Does the ASB bookkeeper record cash receipts promptly when received?	❑	❑	❑	_____
16. Are bank deposits made within a few days of receipt, or at least weekly?	❑	❑	❑	_____
17. Is a summary or detail of amounts making up the deposits retained for a sufficient audit trail?	❑	❑	❑	_____
18. Are shortages/overages handled as prescribed by district policy?	❑	❑	❑	_____
19. Are controls in place for the sale of student body cards, including the number of cards issued and the beginning and ending numbers of the cards sold?	❑	❑	❑	_____
20. Are commissions from vending machine sales received promptly when due?	❑	❑	❑	_____
21. Are the profit and loss statements for the student store reviewed periodically? Are prices adjusted when necessary based on an analysis of sales?	❑	❑	❑	_____

	YES	NO	N/A	Comments
22. Are personal checks prohibited from being cashed from ASB funds?	❑	❑	❑	_____
23. If food is sold in the student store, has it been approved by the director of food services? (Secondary only. Primary grades cannot sell food daily.)	❑	❑	❑	_____
24. Are only ASB receipts deposited into the ASB account?	❑	❑	❑	_____

Cash Disbursements/Expenditures

1. Does the business office report the sales and use tax for the student store and other purchases on its sales tax report?	❑	❑	❑	_____
2. Does the business office issue 1099s for all independent contractors paid with ASB funds?	❑	❑	❑	_____
3. Are cash balances reconciled with bank balances monthly, and are detailed items listed on bank statements recorded in the ASB's books?	❑	❑	❑	_____
4. Are prenumbered checks used for cash disbursements?	❑	❑	❑	_____
5. Are voided checks retained?	❑	❑	❑	_____
6. Are controls established to ensure that expenditures do not exceed budgeted funds?	❑	❑	❑	_____
7. Are all expenses approved in advance?	❑	❑	❑	_____
8. Are purchase orders used to show the proper preapproval of all expenditures (before a purchase)?	❑	❑	❑	_____
9. Do purchase orders have the required one approval signature (unorganized) or three approval signatures? (secondary)	❑	❑	❑	_____
10. Are approved purchase orders, whether voided or not, retained in a file?	❑	❑	❑	_____
11. Are contractual obligations properly authorized by board-designated signers? Are they kept within established limits?	❑	❑	❑	_____
12. Are students approving expenditures rather than adults (teachers, advisors or coaches) making the decisions? (secondary)	❑	❑	❑	_____
13. Do checks require two signatures? Are there backup signers on the account?	❑	❑	❑	_____
14. Are all disbursements supported by an original invoice and adequate receiving documents?	❑	❑	❑	_____

	YES	NO	N/A	Comments
15. Are all checks written to a specific payee (vendor or employee), with no checks written to cash?	❑	❑	❑	_____
16. Is a record maintained of all equipment purchased with ASB funds?	❑	❑	❑	_____
17. Are only allowable expenses paid from ASB funds?	❑	❑	❑	_____
18. Are ASB funds spent to enhance the general welfare, morale, and educational experience of the entire student body rather than just one or two students, individuals or a specific group?	❑	❑	❑	_____
19. Are disbursements from petty cash properly supported by vouchers or receipts?	❑	❑	❑	_____
20. Are the checkbook and the check stock stored in a locked file cabinet or safe?	❑	❑	❑	_____
21. Is there a process in place to determine whether a worker is an employee or an independent contractor?	❑	❑	❑	_____
22. Are all employees who perform work for the ASB paid through the district's payroll and then invoiced to ASB?	❑	❑	❑	_____
23. Is an IRS Form W-9, Request for Taxpayer Identification Number and Certification, obtained from all independent contractors before any disbursements are issued to them?	❑	❑	❑	_____
24. Do only board-approved employees sign contracts up to the allowed amount?	❑	❑	❑	_____
Financial Reporting				
1. Are all bank accounts reconciled monthly? Are they shared and reviewed by the ASB advisor, principal/ school administrator and the district's business office?	❑	❑	❑	_____
2. Are bank reconciliations initialed/signed and dated as evidence of being reviewed after they are prepared?	❑	❑	❑	_____
3. Are profit and loss statements for the student store prepared and reviewed periodically by the student council, principal/school administrator, and district office?	❑	❑	❑	_____

	YES	NO	N/A	Comments
4. Are monthly reports on the financial transactions of various trust and club accounts prepared and submitted to the advisors, principal/school administrator, general student council, and district business office?	❑	❑	❑	_____
5. Are periodic financial statements prepared and submitted to the district's business office? Are these reports included in the student council minutes?	❑	❑	❑	_____
6. Does the business office receive and review periodic financial statements from the ASB organizations and sign and date that they have reviewed the documents?	❑	❑	❑	_____
7. Does the student council and each club prepare, adopt, and monitor an annual budget?	❑	❑	❑	_____
8. Does the general student council approve each club's budget?	❑	❑	❑	_____
9. Is every club and the student council required to prepare a budget for the fiscal year?	❑	❑	❑	_____
10. Is there a policy in place that dictates how much carryover is allowed for individual clubs?	❑	❑	❑	_____
11. Is spending monitored during the year to ensure that the club will not end the year with a large carryover balance or a negative balance?	❑	❑	❑	_____
12. Is a balance sheet and statement of revenues and expenditures prepared at least at the end of the year?	❑	❑	❑	_____
13. Are all of the student organization's funds and annual financial reports audited annually by the district's independent auditor?	❑	❑	❑	_____

Chapter 28 – FCMAT Online Knowledgebase and Help Desk

FCMAT has answered thousands of ASB-related questions through the years at its online help desk and continues to do so. Answers to many of the most frequently asked questions are in a searchable knowledgebase archive that we encourage users to consult before submitting a question to the help desk.

FCMAT's knowledgebase is intended to be a guide. Each person using the knowledgebase should check with their district's business employees and auditors to be certain that the answers provided complement local district policies and practices.

FCMAT's help desk is designed to give you guidance and help with school business and operations in California. In our responses, we strive to share our collective expertise and give you the best answers possible, but the responses are not intended as legal advice. If after you get an answer from our help desk or kowledgebase you find that a matter involves interpreting laws, regulations or court precedent, or otherwise requires legal advice, we recommend consulting your district's legal counsel before acting.

To Table of Contents >>>