



# THE SCHOOL DISTRICT OF ESCAMBIA COUNTY

## OUTSIDE SUPPORT ORGANIZATIONS

### Guidelines Manual

APPROVED  
ESCAMBIA COUNTY SCHOOL BOARD

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VERIFIED BY RECORDING SECRETARY

# Table of Contents

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<b>Outside Support Organizations</b> .....	<b>3</b>
Financial Record Keeping.....	3
General Guidelines .....	3
<b>OSO Responsibilities</b> .....	<b>4</b>
Required Documentation .....	4
Financial Matters .....	4
Fundraising.....	6
Use of District Facilities.....	7
Access to Records .....	8
<b>District Responsibilities</b> .....	<b>9</b>
District Employees .....	9
OSO Authorization Revocation .....	10
<b>Exemptions</b> .....	<b>10</b>
<b>Appendix A – OSO Annual Authorization Form</b> .....	<b>12</b>
<b>Appendix B – Technical Assistance</b> .....	<b>13</b>
Organizational Procedures .....	14
Incorporation .....	14
Employer Identification Number .....	14
By-laws .....	14
Tax Exempt Status.....	15
Recommended Accounting Procedures .....	16
Ledgers/Journals .....	16
Annual Budget.....	18
Organizational Audit .....	20
Preparation for Audit.....	20
Audit Procedures .....	21
Audit Report.....	23

# Outside Support Organizations

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Parent associations and booster clubs are organizations established to support school programs or student groups. The School District appreciates the time, effort and financial support that parent associations and booster clubs provide to our students.

According to the Financial and Program Cost Accounting and Reporting for Florida Schools ("[Redbook](#)"), *"All organizations of the school, or organizations operating in the name of the school, that obtain money from the public shall be accountable to the board for receipt and expenditure of those funds in the manner prescribed by the board. If approved by the district school board, a school-based, direct-support organization as defined under section 1001.453, Florida Statutes (F.S.), may have all financial transactions accounted for in school internal funds."*

## Financial Record Keeping and Legal Organization

There are two financial record keeping environments allowed in the District:

- Maintained by School – Organizations whose financial transactions are processed through and records are maintained by the school (all money deposited in the school internal fund accounts).
  - These organizations follow the policies and procedures established by State Board of Education Rules and the School Board.
- Maintained Outside the School – Organizations that process their own transactions and maintain their own financial records (have an outside bank account). Such organizations are known as Outside Support Organizations or OSOs.
  - These organizations **must** be incorporated. Once incorporated, the state considers these organizations the same as any other incorporated entity.
  - These organizations **must** register with the IRS as a tax-exempt organization.

For general information on state incorporation and applying for federal recognition as a tax-exempt organization, see the Organizational Procedures section of the Technical Assistance Notes in Appendix B.

While considered an OSO, a PTA/PTSA is not a booster club. It is a school allied organization that is additionally governed by the PTA/PTSA national by-laws and constitution.

## General Guidelines for Outside Support Organizations

- All school OSOs must adhere to [School Board Policy 3.17](#).
- The principal will give written permission prior to the beginning of each school year to use the school's name, logo, mascot, or trademark as part of the OSO's name or in its fundraising activities. (Appendix A)
- If an OSO fails to comply with the terms of school board policy and/or this manual, the principal may revoke the authorization of the OSO to use the school's name, logo, mascot, or trademark.

# **OSO RESPONSIBILITIES**

## **Required Documentation**

The OSO shall submit the following required documentation to the principal of the host school:

### Permanent Documents

- Articles of Incorporation
- By-laws of the organization
- Evidence of federally recognized 501(c)(3) tax-exempt status

### Annual Documents (Beginning of each school year)

- Annual Authorization Form (Appendix A)
- Copy of proposed budget
- Prior year audit
- Evidence of registry with the Florida Department of State Division of Corporations (Submitted to the state by May 1<sup>st</sup> of each year)
- Most recent tax return

### Other Documents (Monthly or as often as created)

- Approved treasurer's report
- Approved meeting minutes

## **Delineation of Organizations**

There shall be a **clear delineation** between the school and the OSO with respect to internal controls, custody of funds, and assumption of financial liabilities. An OSO, its officers, and its members, shall not hold themselves out or be considered agents or representatives of the school, the School Board, or the School District of Escambia County.

All officers of the OSO and members who come in contact with students shall be registered volunteers with the School District. General members are encouraged to become registered volunteers.

## **Financial Matters**

The OSO shall use sound accounting procedures, have auditable financial records, and use either manual or computerized bookkeeping systems.

- Fiscal Year – The fiscal year for every OSO shall coincide with the District's fiscal year, beginning July 1 and ending June 30.
- Audits – Prior year audits should be performed as close to the end of the fiscal year as possible and should be completed by the beginning of the next school year.
- Records – Financial records should be retained for a minimum of **five** years. In some instances, schools with sufficient space have offered to store OSO records; however, it is ultimately the OSO's responsibility to maintain the records in a secure location.
- EIN – The OSO shall **not** use the District's employer identification number (EIN).
- Sales Tax – The OSO shall **not** use the District's sales tax exemption number.
- Other District Numbers – The OSO shall **not** use any other number assigned to the School District in accordance with state and federal law.
- Bank Accounts – The OSO shall have a **single** checking account and investment

accounts as needed.

- Only board members shall be authorized signers on the bank accounts.
- **Two** signatures are required on all checks.
- Persons authorized to sign shall not be related or reside at the same address.
- **No Escambia County School District employee shall be a signatory for an OSO or have direct access to OSO funds, including debit cards, credit cards, etc.**

## **Compliance**

The OSO shall be in compliance with all state and federal Laws, secure their own federal EIN, and be responsible for proper payment of any and all applicable taxes and financial commitments. The OSO shall comply with this manual and all applicable School Board policies.

- Student Travel – If an OSO will be transporting students, approved transportation vendors must be used by the OSO and all policies listed in the most recent edition of the “[Student Trip Guide](#)” must be followed. See Travel section below.
- Fundraising – When an OSO conducts a fundraiser, it must be clearly identified as an OSO fundraiser and not that of the school. See Fundraising section below.

## **Purchases by OSOs and/or from OSO Funds**

- Any purchase by a school from funds given by an OSO must stay on school grounds and be used by students.
- As long as purchases are being used by students, OSOs can use Escambia County School District contracted vendors but must use their own tax ID.
- OSOs can buy supplies for a school and the school can reimburse them (excluding sales tax). The OSO must provide a detailed receipt as proof of purchase for reimbursement and utilize the following process:
  - Contact bookkeeper of school
  - Fill out check request for preapproval of purchase
  - Make purchase on their behalf
  - Submit receipt and request reimbursement
- An OSO shall not use the District warehouse or tax ID to make purchases if they are incorporated with the state.
- Purchases made by Outside Support Organizations in conjunction with District funds will require the OSO to deposit their portion of the purchase into the school’s internal accounts which will then be used towards the designated acquisition.

## **Modifications to District Facilities**

In support of certain programs, OSOs may wish to make purchases, provide services, or hire contractors to make modifications to District facilities or grounds, such as athletic buildings or fields. The plans for any such modifications shall be submitted to and approved by the District’s Facilities Planning Department prior to commencement of any activity.

## **Salary Payments to District Employees by Non-Exempt Organizations**

OSOs who are not incorporated with the state, not a registered 501(c)(3) organization, or whose incorporation or registration has lapsed shall pay for the services of personnel who are employed by the District through the District payroll system and will adhere to the

following process:

1. Checks will be made payable to the school for receipting into the school's internal fund accounts.
2. The funds will be receipted to an internal fund trust account that identifies it as salary for a specific employee.
3. Submission to the Payroll Department will follow appropriate District protocol.
4. When the Payroll Department completes processing, Accounting Operations will create and send an invoice to the school.
5. The school will pay the invoice using the funds the OSO deposited into the school's internal fund accounts.
6. The school should provide a copy of the paid invoice to the OSO.

## Travel Involving Students

OSOs that engage in extracurricular travel involving students of the District are subject to the guidelines listed in the most recent edition of the "[Student Trip Guide](#)."

- All trips must be well-planned (have a meaningful purpose, have sufficient resources to cover costs, not interrupt school testing, consider student safety, etc.) and be approved by the school principal and the level director in advance, utilizing the Activity Trip/Off-Campus Activity Request form. (Appendix B in Student Trip Guide)
- All necessary approvals should be obtained before trip-related fundraising occurs. OSOs will use the following practice concerning student travel:
  - **Travel by bus**
    - i. Option 1
      1. Contact the approved charter vendor
      2. Directly reserve the bus and get the quote
      3. Pay the vendor before or on the day of the trip
    - ii. Option 2 (with school approval)
      1. OSO will contact the approved charter vendor
      2. OSO will get a quote for the needed bus
      3. OSO will make payment to the school to be placed in school's internal fund accounts
      4. The school will contact the vendor to make payment
      5. The school will use the funds given by the OSO to pay vendor
  - **Travel using an airline**

The OSO may use whatever means they deem the most beneficial to their organization.
- Students traveling in conjunction with any District-related trip shall be transported ONLY in vehicles approved by the District and be operated ONLY by drivers approved by the District.

## Fundraising

Each OSO must establish and exercise control over its fundraising activities. In addition, the objectives of such activities for the school shall not conflict with programs as administered by the School Board. It is permissible to have a cooperative activity as defined below.

All OSOs shall be in compliance with IRS fundraising guidelines and prohibitions for tax-exempt organizations. It is the responsibility of each OSO to familiarize itself with these requirements and to remain informed of any changes.

**Cooperative Activity** is an activity in which the school participates with an OSO by planning, staging, or conducting school-related activities

- Such activities may be held on or off the school grounds and will usually take the form of fundraising events such as carnivals, paid entertainment, or food sales.
- Such activities must be approved by the principal and be beneficial to students.
- Funds collected shall be deposited into the school's internal accounts.
- District procedures shall be followed to provide appropriate accounting for funds and to ensure compliance with applicable Florida Statutes, State Board of Education rules and School Board policy.
- If a share of the proceeds is to be disbursed to the OSO, a prior written agreement signed by the principal and an OSO representative must be executed stating the percentage of the profit that will be disbursed to the OSO.
- The written agreement must be maintained for audit purposes.
- The school shall issue a check for the organization's portion of the profits after all expenses have been paid.

**Prohibitions** concerning advertising/fundraising at OSO events are as follows:

- Advertising for alcohol or tobacco shall not be accepted.
- Advertising will not be discriminated against based on age, race, gender, or religious belief.
- Administering any raffle drawings or games of chance are **prohibited on school property** regardless of who conducts them.

### **OSO Funds Remain with Organization**

Funds raised on behalf of, or for the benefit of, an OSO shall be considered the property of the OSO.

**Example:** A cheerleader sells coupon books and raises \$100 towards the costs of a trip later in the year. The funds are deposited into the OSO's bank account. The student subsequently moves out of state, and requests a refund of the \$100 from the fundraising effort. The OSO is under no obligation to refund the funds.

### **Use of School Facilities**

The District has an established policy relating to the use of school facilities by outside organizations. Volunteer activities concerning general maintenance performed by an OSO at associated facilities do not require a Use of Facilities Agreement; however, the following rules apply to all Outside Support Organizations:

The submission of a single [Use of Facilities Agreement](#) form to cover the school year will be submitted for recurring events, *i.e. the use of running concessions or holding OSO meetings on school campus*.

The use of school facilities for non-recurring events with an element of risk will require the submission of a Use of Facilities Agreement for each individual event. This form is to be provided to the principal or designee of the campus at least thirty (30) days before the proposed date of use. Facility use may also be requested through the Superintendent's Office by calling 469-6131. A Use of Facilities Agreement must be completed and approved

for each event scheduled during or after the normal school day, weekends, days when school is not in session, holidays, and during the summer months. When schools are closed due to inclement weather, all scheduled building activities and outdoor facility uses are cancelled.

### **Insurance**

As OSOs are involved in a wide variety of activities, the District recommends that OSOs consider obtaining general liability insurance. When an OSO requests to conduct an activity with an element of risk on a District site, the District may require the OSO to provide proof of general liability coverage. For additional information, OSOs can contact the District's Risk Management Department.

### **Title IX**

Title IX is a federal law enacted in 1972 which protects individuals in education programs or activities from discrimination based on sex. It states, *"No person in the United States shall on the basis of sex, be excluded from participation in, be denied the benefits of, or be subject to discrimination under any educational program or activity receiving federal financial assistance."*

Title IX applies to all aspects of education and related programs, not just athletics. It requires that equal opportunities be provided for members of both sexes. It does not require that each team receive exactly the same services and supplies, but rather that the male and female programs, receive comparable levels of service, facilities, supplies, etc. Since booster club funding and activities are included in the analysis of the District's compliance with Title IX, booster clubs shall have an awareness of the law and the District's requirement for compliance.

### **Access to Records**

Occasionally the need may arise for the District to have access to OSO records, including financial information, bank records, IRS documents, etc. OSOs are expected to provide any such requested information and to fully cooperate with District staff in inquiries related to OSO and other District matters. Failure to provide such information is grounds for OSO revocation as detailed below.

## **DISTRICT RESPONSIBILITIES**

As previously stated, the School District appreciates the time, effort, and financial support that parent associations and booster clubs provide to our students. As the activities of OSOs involve students and various functions of the District, the School Board is responsible for a certain level of monitoring of OSOs, as detailed above and further in this section.

### **District-Level Oversight**

Incorporated OSOs are legal entities with certain responsibilities. The District's responsibilities include a limited amount of oversight. The District's oversight cannot and does not substitute for an OSO's responsibility to effectively govern their organization. The District's limited oversight shall include serving as a repository for certain required OSO documentation as detailed above, and serving as a resource to assist OSOs.

### **Principal Responsibilities**

The Superintendent authorizes principals to give written permission to OSOs to use the name, logo, mascot, or trademark of their school, as part of the OSO's name and in its fundraising or other activities.

- The principal shall give written permission annually for the OSO to operate (on the prescribed form found in Appendix A).
- The principal will maintain a list of authorized OSOs associated with the school.
- All OSO activities shall be approved, in advance, by the principal or designee. These activities shall be beneficial to students, parents, volunteers, employees and/or the school, and shall not conflict with programs administered by the School District.
- The OSO officers shall report any allegations of misappropriation or misuse of funds to the principal in writing. The principal shall in turn notify the Superintendent. Local law-enforcement will be notified as appropriate.
- The principal shall make known to all OSOs the availability of the District's Fraud, Waste & Abuse Hotline.

### **District Employees**

The Escambia County School District understands that some active members of booster clubs are employees of the District. All District employees are subject to the [Escambia County School District Employee Code of Ethics](#) and the following guidelines:

- Escambia County School District personnel may be general members of an OSO and may vote in general membership voting.
- Escambia County School District personnel may serve as OSO board members, with voting privileges, as long as the employee does not work at the school or in a department that is associated with the OSO, or no other conflicts of interest exist.
- No Escambia County School District employee shall be a signatory for an OSO or have direct access to OSO funds, including debit cards, credit cards, etc.
- Escambia County School District employees are discouraged from conducting business matters or financial transactions on behalf of an OSO.
- Relatives or immediate family members, as defined by [School Board Policy 2.11\(3\)B](#), of Escambia County School District employees cannot serve on OSO committees that may present potential conflicts of interests. (i.e. By-laws, compensation, financial matters, etc.)
- While on duty, Escambia County School District employees cannot handle money

that is collected at an OSO initiative or fundraiser at the school in which they are employed during normal working hours. Normal working hours also includes hours worked and paid by a supplement. *For example, a coach working on behalf of an OSO during an after-hours school sporting event.*

## **OSO Authorization Revocation**

If it is determined that an OSO has failed to comply with administrative rules and guidelines, the principal may revoke the OSO's authorization to use the school's name, logo, mascot, or trademark and will begin the following steps for revocation:

1. The principal shall notify the OSO, the Superintendent, and ECCPTA (when applicable) in writing of the reason for the revocation.
2. The OSO may appeal the principal's revocation to the Superintendent or designee, whose decision shall be final. The appeal shall be filed in writing with the Superintendent or designee no later than five business days from the date of revocation.
3. In the event an OSO's authorization to use the school's name, logo, mascot or trademark is revoked, the OSO shall immediately deposit all of the funds in its possession into the school's internal funds account to be utilized by the school, for the benefit of the school.
4. Should the OSO choose not to file articles of dissolution, an amendment will be filed to its articles of incorporation and by-laws to change its name so as not to indicate any affiliation with the school or the District. Thereafter, the OSO shall not use the name, logo, mascot or trademark of the school in any of its fundraising or other activities.

## **EXEMPTIONS**

### **Escambia County Public Schools Foundation**

This manual is not applicable to the District's direct support organization, which supports academic excellence throughout the school system.

### **PTA Exemptions**

Escambia County School District understands the relationship necessary for Parent Teacher Associations to function. Therefore, Escambia County School District employees may serve on PTA boards as voting members, however, school administration (principal and assistant principal) is prohibited from serving in this capacity.

Associations chartered by the Florida PTA that are members in good standing with the Escambia County Council of PTAs/PTSAs, are also specifically **exempt** from the following requirements:

- Use of accounting procedures and bookkeeping systems included in this manual, as the National PTA has established accounting procedures for their PTAs
- The use of a single checking account and investment accounts
- Maintaining an active status with the Florida Department of State and providing the principal annually with a copy of the OSO's Uniform Business Report
- Depositing all of the funds in its possession into the school's internal funds account if their authorization is revoked, as the National PTA has established closing

procedures for their PTAs

### **General Exemptions**

Occasionally, an organization subject to this manual may feel a need to be exempted from one or more of the requirements set forth in the manual. To request an exemption, the organization must submit a request in writing to the Superintendent. The request should include the specific requirement(s) from which the organization wishes to be exempted and the reason for the exemption.

The granting of an exemption shall not be automatic. After careful consideration, the Superintendent will issue a decision to either grant, deny, or offer some other remedy to the exemption. The Superintendent's decision will be considered final.



## **Appendix B – Technical Assistance**

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The following technical assistance is provided to aid organizations with governing their operations. Some of the guidance may be required by law, while some of the information is offered as recommended best practice. Organizations should review the information, consult with the appropriate professionals, and adopt policies and practices appropriate to their operations. The information has been divided into three main categories:

### **Organizational Procedures**

This section provides guidance on steps organizations should take to become incorporated, adopt governing rules/policies, and obtain federal recognition as a tax-exempt entity.

### **Recommended Accounting Procedures**

This section details the various business practices and record-keeping guidance designed to produce reliable financial information for the organization's board and its members.

### **Organizational Audit**

This section discusses the need for an audit, the procedures involved in conducting an audit, and the presentation of the audit in the form of an audit report.

# Escambia County School District

## Outside Support Organizations

### Technical Assistance Notes

#### **Organizational Procedures**

Organizations who wish to process their own financial transactions and maintain their own financial records (outside of school internal fund accounts) must take certain steps to become legal entities. Generally, these steps involve forming a not-for-profit Florida corporation and receiving 501(c)(3) tax-exempt status from the Internal Revenue Service. This process can be detailed, and may require the expertise of an attorney, certified public accountant, or other professional. The information contained in this section is designed to provide a general idea of the process, but should not be considered conclusive.

#### **Not-For-Profit Articles of Incorporation**

The Articles of Incorporation (Articles) establishes the corporation. The document includes information such as the name of the corporation, the place of business, the mailing address, the purpose of the corporation, names and addresses of directors/officers, and the initial Registered Agent (the individual who receives legal information on behalf of the corporation). Instructions for completing Not-for-Profit Articles of Incorporation can be found on the Florida Department of State Division of Corporations [website](#). Articles, along with the associated filing fee, can be mailed in or submitted electronically [here](#).

#### **Employer Identification Number (EIN)**

Once the state has accepted the organization's Articles, the organization should apply for an Employer Identification Number, also known as a Federal Tax Identification Number. This number is used to identify a business entity. All organizations need an EIN, even if the organization does not have employees. When applying for an EIN, the organization will need to name an initial "responsible party." This individual, usually the president, is the person who initially controls or manages the organization. There are various ways to apply for an EIN. For additional information on applying for an EIN, visit the Small Business and Self-Employed section of the IRS [website](#). To apply for an EIN online click [here](#).

#### **By-laws**

OSOs should operate under a set of by-laws. These are the official rules/policies of the organization, and give its officers and directors authority and direction in running the daily operations of the organization. They should define each officer and director position, their duties, authority, terms of office, and method of election. By-laws state the purpose of the organization and requirements for membership. By-laws should identify and define the "executive board" or board of directors and indicate their duties, authority granted to them, and requirements to meet. By-laws should state minimum requirements for meetings, define a quorum, and state what rules of order meetings should follow.

By-laws and changes made to the by-laws should be submitted to the OSO's membership for review and approval, and be clearly identified in the minutes of those meetings. Notice of proposed changes to by-laws is normally given at least one month in advance of the vote.

The final approved version of the by-laws should be signed and dated at a minimum by the current president and secretary of the organization, with all future changes handled in the same manner. Official copies of the most current by-laws should be maintained by the secretary with the minutes of the OSO, and passed on to subsequent secretaries. A copy of the current by-laws should be issued to each member, made available to members at each meeting, and/or published on the OSO's website.

### **Tax-Exempt Status**

Not for profit status with the state may make an organization eligible for certain benefits, such as state sales, property, and state income tax exemptions; however, that does not mean the organization is exempt from paying federal income tax. In most cases, income generated by corporations is subject to income tax unless the income has been exempted by the Internal Revenue Service. To be recognized as exempt from federal income taxation, most organizations are required to apply for recognition of exemption. The application is lengthy and will likely require the expertise of a professional familiar with such matters. For additional information on applying for recognition of exemption under section 501(c)(3), visit the Charities and Non-Profits section of the IRS [website](#).

Once the organization has received tax-exempt status from the IRS, one important step in maintaining the status is filing the required annual tax return. Failure to file the return for three consecutive years will result in the IRS automatically revoking an organization's tax-exempt status. If an organization's tax-exempt status is automatically revoked, it is no longer exempt from federal income tax. Consequently, it may be required to file certain federal income tax returns and pay applicable income taxes. If an organization has lost its tax-exempt status, it should contact a professional for assistance with taking the necessary steps to regain the status.

# Escambia County School District

## Outside Support Organizations

### Technical Assistance Notes

#### **Recommended Accounting Procedures**

The treasurer is the authorized custodian, elected by the members, to have charge of the funds of the OSO. The treasurer receives and disburses all monies as prescribed in the by-laws of the OSO. The treasurer sees that all authorized bills are paid promptly, that revenues are accurately recorded, deposits are made timely, and a financial accounting is given at regular intervals (or as requested by officers of the OSO). Full and open disclosure of financial activity of the OSO aids in maintaining the membership's confidence in the management of the OSO.

It is important that the treasurer maintains accurate records. Adequate and accurate accounting records offer added assurance that the financial activities of the OSO are properly accounted for and provides safeguards for those entrusted with funds of the OSO should questions arise. Sound business practices should be followed when keeping financial records to assure members of the OSO of the integrity of financial operations and accounting records.

Descriptions of the accounting records and instructions outlined below are intended primarily for use by the treasurer of the OSO. The records and procedures described below are not mandatory, but offered only as a guide. In many instances, modification of these procedures may be necessary in order to meet the needs of the organization. The procedures are intended to provide the basic accounting framework for OSOs to follow.

Most components of a basic accounting system and related controls may also be found in several accounting software applications currently on the market. Many accounting programs (software) widely used today provide not only a user friendly means of accounting for organizational funds, but also possess the capability to provide the officers, directors, and general membership of the organization with useful information (reports) in a variety of formats, in a timely manner. *Whether automated or manual records are used, receipt and expenditure classifications should be adequate to provide the organization with a minimum breakdown of each by type and category.* Additional breakdown may be required depending on the size and complexity of the OSO.

#### **Basic Ledgers/Journals**

##### **Receipts Ledger**

This is a listing of the monies received, recorded by receipt number and classified by the "source" (e.g. coupon book fundraiser, membership dues, concessions, t-shirt sales, etc.). All money received should be substantiated by pre-numbered receipts, tickets, or other auditable records. Pre-numbered receipts are an added control that increase the confidence of the OSO's membership and provides a degree of protection for its treasurer. We strongly recommend the use of pre-numbered receipts. Other items recorded in the receipts ledger include credit items appearing on the bank statement (e.g. bank interest, etc.).

### General Information – Receipts

- Receipt books should be maintained by the secretary and issued to the treasurer as needed.
- Cash received should be recorded with pre-numbered receipts acknowledging initial receipt of the monies and signed by the treasurer.
- Cash collections should be verified by two or more persons.
- All cash should be recorded promptly when received.
- Checks received for deposit should be stamped "For Deposit Only" when received.
- Deposits should be made promptly and intact.
- Expenses should not be paid from cash collected.
- Personal checks should not be cashed using funds received for deposit.
- Cash receipts from fundraising activities should be turned in promptly.
- Two individuals should count receipts.
- Records should be maintained, including all receipts, receipt books and other numbered forms used to acknowledge the receipt of cash filed chronologically or by receipt numbers when used.
- All copies of voided receipts should be retained for audit.

### Disbursement Ledger

This is a listing of all payments made and recorded by "purpose," "function," or "item" (e.g. repairs, equipment, food, awards, fundraising, etc.) recorded by date and/or check number order. Automated systems permit multiple levels of classification and are very efficient in the manner in which they can capture this information. If using a manual system, disbursements may be categorized in more than one way, but may require multiple postings to accomplish this. All other charges (e.g. bank service charges, check/deposit slip charges, return check fees, etc.) should also be recorded here.

### General Information – Disbursements

- Expenditures should be approved and paid in accordance with provisions of the OSO's by-laws.
- Cash expenditures should not be made except through a properly established petty cash fund.
- Checks should be completely filled out prior to signature.
- Checks should require two signatures.
- Voided checks should be retained and have the signature space cut off.
- Expenditures should be charged to the account title indicating the purpose of the expenditure.
- Controls should be in place to prevent expenditures in excess of available funds.
- Timely payments should be made on all purchases billed to the OSO.
- Purchases of items to be donated to the District or school must be appropriate and should have the prior approval of the school principal.
- Original invoices should be on file to support every expenditure.

### General (Control) Ledger

Information contained in control ledgers tracks expenditures and receipts for major categories used by the OSO (e.g. regular operations, student accounts, trip accounts, etc.) in

order to maintain beginning balances, total receipts and expenditures, and ending balances in the funds. These account balances carry forward from year to year.

### **Subsidiary Control Ledger (if necessary)**

These ledgers are used to keep track of balances in more detail than in the typical control ledger (e.g. student account balances.) Balances listed here should agree with those in the major categories found in the "control ledger." If subsidiary ledgers are used to track revenues and expenditures by type (e.g. dues; fundraisers, travel, etc.), then these ledgers start with a zero balance each year.

### **Depository Ledger/Register**

This is a record of all bank transactions (similar to a checkbook register) used to post summarized entries. This would include deposits made, checks drawn, returned checks, change funds, re-deposits, etc. Also include additional columns here to account for any investment accounts maintained by the organization (CDs, savings, money market, etc.). Small OSOs may use the checkbook register and do not need a depository ledger.

### **Bank Reconciliation**

The bank reconciliation should be performed each month to reconcile the balance shown on the bank statement to the amount carried in the depository ledger/register and/or checkbook register. This balance should also agree with amounts presented in the treasurer's report and the accounting ledgers for that period. Preferably, someone other than the treasurer should perform the bank reconciliation, and all items should be reconciled. At a minimum, someone other than the treasurer should receive the bank statement. The activity on the statement should be reviewed. Any unusual transactions should be questioned. Once reviewed and all questions have been answered, the statement should then be provided to the treasurer. The reconciliation should be filed with the treasurer's records and maintained for audit.

### **Organizational Annual Budget**

Budgets should be established to control and monitor the financial operations of the organization. The budget is an outline of estimated annual income and expenses taking into consideration the projected goals and planned activities, as well as the financial needs to achieve these. The budget should be approved by the board of directors, if not the entire membership of the organization, and should be presented at the first meeting each year. Amendments may be made periodically as warranted and should also be approved by the board of directors. At the end of the fiscal year, the treasurer should prepare a report which compares budgeted amounts to actual income received and expense amounts incurred.

### **Minimum Reporting**

The by-laws should require that the treasurer report regularly to the OSO's membership. The treasurer should keep an accurate and detailed accounting of all monies received and paid out. Reports should be submitted at regular meetings (usually monthly) of the OSO indicating the total balance on hand at the beginning of the period covered by the report, the separate amounts credited to the different funds, other receipts, itemized disbursements, balance on hand of each fund, and the total balance on hand at the end of the period reported. At the close of the organization's fiscal year, the treasurer should close the financial records and prepare an annual financial report covering the entire fiscal year.

The form of the treasurer's report may vary.

### **Physical Inventories, Fixed Assets & Records Retention**

Persons responsible for resale items should maintain adequate physical safeguards over those items. Periodic inventory counts should be conducted and reconciled to items purchased and sold.

Records of equipment purchased with OSO funds should be maintained in a permanent log by the OSO secretary or another officer and passed on to each subsequent secretary. Periodic verifications of those equipment items should be conducted to ensure their existence. Accounting records, ledgers, bank statements, documentation of receipts and expenses, official minutes, treasurer's reports, etc., should be maintained for five (5) years. Articles of incorporation and by-laws should be kept permanently.

### **Annual Financial Audit**

The purpose of an audit is to certify the accuracy of the books and records of the treasurer, and to assure the membership that the organization's resources are being used in accordance with the by-laws of the OSO. The by-laws of the organization should indicate when an audit is to be performed and when it should be presented to the membership. The audit involves following financial transactions through records to assure that receipts have been properly accounted for and expenditures were made as authorized in the minutes and in conformity with by-laws, standing rules, and budget limitations. The audit should be conducted at least once every year and whenever a financial officer leaves or when requested by the membership or board of directors. The audit should be conducted by an external CPA, by a committee of qualified members, or by other means as defined in the by-laws of the OSO.

# Escambia County School District

## Outside Support Organizations

### Technical Assistance Notes

#### **The Organizational Audit**

Auditing involves following financial transactions through organization's financial records to provide reasonable, but not absolute assurance, that revenues have been properly accounted for and expenditures were adequately documented, expended as authorized in the minutes of the organization, and in conformity with organizational by-laws, standing rules, and budget limitations. The term "audit" is used to define a financial review of the organization's accounting records for the purpose of expressing an opinion on the financial activity of the organization. The term "audit" used in this guidance should not be confused with an audit as defined by the American Institute of Certified Public Accountants (AICPA). An AICPA audit, performed by a CPA, requires certain procedures which may not be included in this guidance.

Organizational by-laws should require an annual audit, indicate when the audit is to be conducted, and when it should be reported to the OSO's membership. An audit should also be performed whenever the financial officer (treasurer) leaves or when requested by a vote of the membership or board of directors.

If the audit is conducted internally by members of the OSO rather than an independent CPA, an audit committee should be established. The audit committee should be comprised of an officer of the OSO, other than the treasurer, and at least two members elected by the general membership if not appointed by the board of governors. The treasurer and president should be available to answer any questions during the audit. The audit should be performed immediately after the end of the fiscal year (preferably within one month) to produce a timely audit and before the organization potentially loses access to previous officers and directors.

#### **The Purpose of an Audit**

- To certify the accuracy of the financial books/records of the organization
- To assure the membership that the organization's resources are being used in accordance with the by-laws of the OSO and within the regulations established for their use

#### **Preparation for an Audit**

Financial records should be collected and organized for the audit immediately following the end of the fiscal year, and before the treasurer's term of office expires. All bills owed should be paid and any revenues received should be receipted, recorded, and deposited. The final end-of-year bank reconciliation should be performed, and a year-to-date treasurer's report should be produced. No transactions should be recorded by the outgoing treasurer once the books are closed at year-end.

The treasurer and secretary should prepare the following items for audit:

- Original copy of Articles of Incorporation
- Current copy of by-laws
- Copy of the prior year's audit
- Signed minutes of all Board of Directors and General Membership meetings
- Checking and investment bank statements for the period being audited
- The last/current tax return for the organization
- Copies of any federal tax forms filed (1099's)
- Copies of signature cards for all bank accounts to verify that current/appropriate signers are listed
- Checkbook register and canceled checks
- Deposit receipts
- Treasurer's books and/or ledgers
- The periodic and annual financial reports (treasurer's reports)
- Itemized statements and receipts for paid bills/invoices
- Check requests (if used)
- Copies of the adopted budget, as well as any amendments that were approved during the year

### **Preliminary Work**

Read the Articles of Incorporation, by-laws, minutes of the meetings, and review the treasurer's monthly and annual financial reports, for the purpose of determining whether the organization abided by and followed its written rules.

- Were expenditure limits of officers adhered to?
- Were required expenditures (large) duly voted on?
- Were required meetings held and minutes kept and subsequently submitted to the membership for approval?
- Were periodic treasurer's reports submitted to the membership and accepted?

Review the prior year audit report:

- For findings that required corrective actions
- To determine whether any audit adjustments were recommended
- Verify that audited ending balances were carried forward to the current year

### **Audit Procedures**

Audits can consist of differing procedures and can vary greatly depending on the size and financial activity of the OSO. We recommended the following actions:

#### **Year-End Bank Reconciliation**

Verify or confirm the bank reconciliation was performed by the treasurer. Make sure the ending figures on the treasurer's report or final year-to-date financial statement agree (reconciles) to the end-of-year bank statement.

For a test month:

- Determine that voided checks were handled appropriately and held for audit.
- Verify that checks were duly signed and contained appropriate signatures.
- Review endorsements on the back of checks to determine that endorsement matches payee on front of check.

### **Disbursement/Expenditure Testing**

Select a random sample of 30 disbursements spread throughout the 12-month period. For each disbursement, verify the following:

- Was the check posted to the correct account (ledger column)?
- Was there evidence that it was duly authorized according to the by-laws (i.e. within the limits of the treasurer and/or president and approved by the Board, if required)?
- Was there adequate support for the payment in the form of an original invoice or receipt?
- Was the payment (A) mathematically correct, (B) were discounts taken, (C) was sales tax paid when required, and (D) was payment made promptly?
- Was the expenditure a normal and necessary expense of the organization and its business?
- From a review of the ledgers, determine that Form 1099s were filed and are correct.

### **Receipts Testing**

Select a random sample of 30 receipts spread throughout the 12-month period. For each receipt/deposit, perform the following:

- Verify that they were signed by the treasurer, posted to the correct account, and review any supporting documentation to verify the account it was posted to.
- Trace the receipts to the deposit slip and to the bank verification.

If receipts are not issued for all revenue, consider selecting deposits in each month and determine if:

- The receipt/deposit contained the authorized signature.
- The receipt/deposit was posted to the correct account or activity.
- The receipt/deposit amount agrees with the source documentation presented.

### **Deposit Testing**

Randomly select deposits and trace monies deposited back to the account they were posted to in the ledgers and if possible to the treasurer's report.

- Determine that funds were deposited/remitted in a timely manner.
- Determine whether funds are deposited intact (as received).
- Verify that personal checks were not substituted for cash.

### **Adjustments**

- Review the detailed accounting ledgers for any unusual entries or adjustments, and determine that they were legitimate entries and properly authorized.
- Review entries into the student accounts ledger for appropriateness. Run a total of the balances in the ledger, and any other "subsidiary" ledgers, at the end of the year and agree that amount to the amount in the end-of-year treasurer's report and/or control ledgers.

### **Membership Verification**

From information obtained from the secretary or official minutes of the OSO, determine how many members are in the organization and what the dues were. Adjusting for multiple family members discounts and documented "scholarships" (individuals who may be permitted to pay a reduced rate or free), attempt to determine the total revenue that should

have been posted to that category. Perform similar analyses for other major categories of receipts. This often will point out large errors in the posting of receipts and can help to present a more accurate set of financial statements at year-end.

### **Treasurer's Reports/Ledgers**

For each account (ledger category), verify that the beginning balance agrees with the prior year's audited ending balance. Verify that Federal Form 1099s were filed, if required, and that they agree with the ledger totals. Agree figures on the federal tax return to ledger totals.

### **General Procedures**

Determine from the treasurer, any bills that were received by the end of the fiscal year but not paid, and prepare a schedule of the outstanding payables. If the audit is performed later into the start of the new school year, review the expenditure ledger for any bills paid that may belong to the prior year.

Inform the treasurer of any errors found during the audit and require that an amended year-to-date treasurer's report be prepared.

Review ending inventory reports of all items held for resale and compare them to the prior year's inventory for consistency.

Review permanent records of fixed assets purchased with OSO funds. Physically examine each item or obtain assurances from officers of the OSO that those assets are still in existence.

### **Audit Report**

Prepare an audit report. The report should contain a statement of strengths and weaknesses regarding the overall accounting and bookkeeping. It should be dated and signed by all members of the audit committee. It should list the inclusive dates covered by the audit. The report should list the beginning balance, year-to-date receipts and expenditures, and ending balance. It should reference the year-to-date treasurer's report or annual financial statements (if prepared), and indicate whether the information contained therein is accurate.

Present an original copy of the report with the attached year-to-date treasurer's report or financial statements to the president to be placed on the agenda of the next Board of Directors meeting and the next general membership meeting. The chair of the audit committee should meet with the Board and discuss any findings and/or recommendations for improvements. Remember, the audit committee has the responsibility to bring to the Board's attention any significant findings and anything that could improve the accounting or financial operations of the OSO.

Significant findings that may have a material impact on the financial statements or potential impact on the future operations of the OSO should be contained in the audit report itself. Clerical errors and suggestions for general improvements in accounting procedures may be listed in a separate letter and discussed with the Board of Directors only. Such matters do not have to be presented to the general membership.

The chair of the audit committee should attend the next general membership meeting and read the report or pass out copies to all members in attendance. The report should be entered into the minutes as evidence that the audit was performed and that members were presented a copy of the audit report. The chair should be available to answer any questions that may arise either during the meeting or afterwards.