

## **AGENCY ACCOUNTS**

### **PUPIL ACTIVITY ACCOUNTS AND PARENT ORGANIZATIONS**

#### **I. PUPIL ACTIVITY ACCOUNTS**

Student activity funds support activities that are based in student organizations. The decentralized nature of activity funds makes them vulnerable to error, misuse, and fraud, resulting in audit risk. Pupil activity funds should be subject to the same internal controls as other funds. Student activity balance sheet accounts must be supported by detail records.

#### **II. PARENT ORGANIZATION AGENCY ACCOUNTS**

School districts *may* establish agency funds for parent groups. Effective July, 2005, boards of education may approve an agency fund for a parent group subject to the following:

- The organization may not be a separate 501c3.
- The agency fund is subject to the same policies and procedures as student activity accounts and other district funds.
- Bank accounts must be in the name of the district.
- The parent organization may not use the district's tax exempt number issued by the Department of Revenue. Consult your firm's tax department regarding sales tax issues.

#### **III. SUGGESTED AUDIT PROCEDURES**

1. Obtain a schedule of cash activity for each agency account for the year. The schedule should list the cash balance at the beginning of the fiscal year, the total deposits for the year, the total disbursements for the year and the year end cash balance. Prepare the supplemental Schedule of Changes in Assets and Liabilities (Agency Funds), reflecting beginning liabilities, additions, deletions and ending liabilities in total for amount due to student organizations and amount due to parent organizations.
2. Confirm all bank balances and reconcile to the ledger balances. Verify whether bank reconciliations are performed monthly. Review monthly bank reconciliations for overdrafts.
3. Receipts for book deposits, locks, school lunch and other fees temporarily deposited to agency accounts must be reclassified at year end to the required fund. For example, school lunch fees should be reclassified to fund 50.

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4. Select a sample of accounts.
  - a. Verify the board of education has approved the student activity or parent organization in Fund 60. The documentation should include the purpose of the club and proposed fund raising activities.
  - b. For parent organizations, verify that the organization is not a 501c3, or affiliated with a separate tax exempt organization. The agency fund is subject to the same policies and procedures as other district funds. Verify that the bank accounts are in the school district's name.
  - c. Verify that a signed copy of the board policy for each activity selected is on file. If board policy and procedures regarding activity funds are not communicated in writing to student organizations and parent groups, note that fact in the work papers and make the appropriate recommendation. Verify the following:
    - Procedures for receipt and disbursement of funds
    - Policies addressing inactive student activity accounts.
    - Policies addressing misappropriation of funds
    - Policies addressing negative activity account balances
    - Policies prohibiting the loans, credit, or compensation, to school employees or other individuals.
  - d. Select a sample of disbursements.
    - Obtain support documentation for disbursement
    - Verify whether disbursements are properly supported by a purchase order, requisition form, or voucher authorized by the appropriate individuals pursuant to district policy.
    - All disbursements should be made by pre-numbered checks, signed by the appropriate individuals.
    - Activity funds may not be used to make any kind of loan, pay compensation to employees, or extend credit to individuals.
    - Scan cancelled checks for checks made out to cash. Checks requested for change funds should have documentation which indicates the amount requested and purpose. Change funds should be returned as soon as possible.
    - The parent organizations may not use the district's tax exempt number.
  - e. Select a sample of receipts.
    - Receipts are recorded as deposits payable to the proper student or parent organization.
    - Verify that receipts are deposited intact. Receipts should not be used to make disbursements, such as paying volunteers, the day of an event.
    - Pre-numbered receipts are issued for all money received from student and parent organizations.
    - Receipts are deposited promptly in accordance with district policy. Ideally, collections should be deposited daily, with any collections received subsequent to the daily deposit to be deposited with the collections of the following day.