

## Procedures for School Support Organizations

**Required controls**

1. To comply with the statute, the organization must register (incorporate as a nonprofit) with the Secretary of State's office.
2. The organization must annually: confirm its status as a nonprofit; describe its goals and objectives; and provide the address, telephone number and position of each officer of the organization to the director of schools or the director's designee. (Refer to sample reports.)
3. Organizations must not use the school's Employer Identification Number or sales tax exemption for any purpose.
4. The identity of the authorized banking institution, authorized bank account(s), and authorized signatories should be included in the minutes.
5. The name on any bank account, security, or other investment should be that of the incorporated support organization.
6. The titled owner to any property (vehicle, computer, land, etc.) should be the incorporated support organization.
7. Materials, supplies, and fundraising product inventory should be stored at a location and in a manner to prevent spoilage or pilfering. An effort should be made to account for supply and inventory items.
8. All bills should be paid by check, never cash. Presigning blank checks should be prohibited.
9. For disbursements, prenumbered bank checks should be used that require two signatures.
10. Each check written should have a receipt or invoice filed by check number. The treasurer should write the check number and date paid on the invoice or receipt. When a receipt or invoice is not available, a written document, signed by the treasurer, describing the expenditure and explaining why no other documentation is provided, should be created and filed.
11. A receipt should be issued any time, and at the time, cash is turned over to or collected by the treasurer acting in his/her official capacity as treasurer of the school support organization. The receipts should be prenumbered and kept in a bound book. One copy should be maintained in the receipt book.
12. For certain events or mass collections (e.g., concession, parking, car wash, candy sale), a record of the total collections each day must be created. Two individuals should count the collections and prepare a count sheet, signed by both counters. When the collections are

turned over to the treasurer, he/she and the individuals should recount the collections. The treasurer should then immediately issue a receipt to the individuals. The count sheet should be filed by the treasurer.

13. When a school support organization operates a concession stand or parking at a related school academic, arts, athletic, or social event on school property, the support organization must provide the school with all relevant collection records required by the *Internal School Uniform Accounting Policy Manual*. (Refer to Sections 4 and 5 of the manual. The manual may be found online at <http://tennessee.gov/education/support/ed331936.shtml>.)
14. Collections should be deposited in the bank in a timely manner. Deposit slips should include an itemized listing of checks.
15. The treasurer should provide a signed summary of collections and disbursements to organization officers on a monthly basis. (Refer to sample reports.)
16. Bank accounts should be reconciled promptly. A copy of the bank statement and imaged checks should be included in the minutes.
17. All collection records, bank statements, canceled checks and invoices, along with copies of the monthly treasurer's report, should be organized and maintained by the treasurer by fiscal year. Records should be maintained for at least four years.
18. The organization should maintain documentation of any *written* conditions on any donations to the board of education or the school. Pursuant to state law, the school board or school must, in good faith, disburse the funds in accordance with those conditions.
19. The organization should contact the Comptroller of the Treasury, Division of Municipal Audit, at (615) 401-7871 if fraud is suspected.

### **Other recommendations**

1. Schools' and support organizations' sales and use tax exemption does not exempt them from taxes due on items purchased for resale. To avoid liabilities for sales tax due to the state and any related penalties, the organization should comply with state sales tax statutes (Section 67-6-102, *Tennessee Code Annotated*) by remitting sales tax to the vendor or use tax to the Tennessee Department of Revenue for applicable purchases of products intended for resale.
2. Financial responsibilities should be separated whenever possible. One person should not have complete control of the organization's finances. Periodic review of bank statements and other documentation by other officers or members helps detect errors and enhances the integrity of financial information.
3. Systematic analysis of fundraising events should be performed whenever possible to help identify the most successful events.

4. To assist in the transition for incoming treasurers, a treasurer's manual (simply a checklist of monthly and annual duties) should be prepared.
5. Designate a support organization officer as custodian of records. This officer would maintain the financial and other entity records in an organized manner and protect them from damage. The records would be turned over to the subsequently elected and designated officer.
6. To provide an independent review of the organization's records and financial activity, the organization should form a financial review committee or designate a member as financial reviewer. (Refer to sample reports.) That role could also function to ensure compliance with Internal Revenue Service, nonprofit, or other state laws and regulations. The treasurer should not serve on the financial review committee or be designated the financial reviewer.