

Guidelines for Student Activity Programs



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

Dear School District Officials and Student Activity Advisors:

A program of co-curricular activities established by the board of education should ensure that young people have an opportunity to take part in co-curricular and extra-classroom experiences; should provide efficient procedures for their creation, operation, and dissolution; and should outline a system for the safeguarding, accounting, and internal control of extra-classroom activity funds.

The raising and expending of activity monies by student bodies should have but one purpose: to promote the general welfare, education, and morale of the students and to finance the normal, legitimate co-curricular activities of the student body organizations.

As the number, size, and complexity of schools in the State of Ohio has grown, much development concerning how these activities should be financed and how they should be administered has taken place.

These guidelines, along with the accounting system prescribed in Chapters 117-2 and 117-6 of the Ohio Administrative Code, have been developed for better accounting and management of student activity programs.

I would like to emphasize, however, that these guidelines are only one method used to serve your official needs. The Auditor of State's office, through its Local Government Services Section staff, stands ready to provide personal consultation on fiscal and procedural matters at your request.

Thank you for your service.

Sincerely,

A handwritten signature in blue ink that reads "Dave Yost".

Dave Yost

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Guidelines for Student Activity Programs
Authority, Policy Development and Management

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Guidelines for Student Activity Programs Authority, Policy Development and Management

AUTHORITY

Legal Authority and Establishment

Ohio Revised Code Section 3315.062 permits a board of education to expend funds for student activity programs. This section states:

1. The board of education of any school district may expend monies from its general revenue fund for the operation of such student activity programs included in the program of each school district as authorized by its board of education. Such expenditures shall not exceed five-tenths of one percent of the board's annual operating budget.
2. If more than fifty dollars a year is received through a student activity program, the monies from such a program shall be paid into an activity fund established by the board of education of the school district. The board shall adopt regulations governing the establishment and maintenance of such fund, including a system of accounting to separate and verify such transactions and to show the source from which the fund revenue is received, the amount collected from each source, and the amount expended for each purpose. Expenditures from the fund shall be subject to the approval of the board.

The following is a list of student activity programs which may be established by any school district's board of education:

- A. Academic oriented activities:
 1. Subject Oriented Activities
 - a) Art
 - b) Debate and Speech
 - c) Drama
 - d) Literary
 - e) Mathematics
 - f) Photography
 - g) Science
 - h) Social Studies
 - i) Journalism
 2. Language Oriented Activities
 - a) African Language Clubs
 - b) Asian Languages Clubs
 - c) European Languages Clubs
 - d) English Languages Clubs (as foreign)
 - e) French Club
 - f) German Club
 - g) Russian Club
 - h) Spanish Club

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3. Music Oriented Activities
 - a) Music Combos
 - b) Dance Band
 - c) Drum and Bugle Corps
 - d) Marching Band
 - e) Pep Band
 - f) Instrumental Ensemble
 - g) Vocal Ensemble
 - h) Glee Club
 - i) Music Production
 4. Honor Societies
 - a) National Honor Society
 - b) National Junior Honor Society
 - c) Local Honor Societies
 5. Other Academic Oriented Activities
- B. Occupation Oriented Activities
1. Distributive Education Clubs
 2. Future Homemakers
 3. Future Farmers
 4. Future Teachers
 5. Industrial Arts Clubs
 6. Junior Achievers
 7. Office Education
 8. Student Nurses
 9. Vocational Industrial Clubs
- C. Sport Oriented Activities
1. Boys' Sports - Team
 - a) Baseball
 - b) Basketball
 - c) Soccer
 - d) Softball
 - e) Volleyball
 - f) Football
 - g) Hockey
 - h) Aquatics
 - i) Other

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2. Boys' Sports – Individual
 - a) Aquatics
 - b) Bowling
 - c) Cross-Country
 - d) Golf
 - e) Gymnastics
 - f) Tennis
 - g) Track & Field
 - h) Wrestling
 - i) Other

 3. Girls' Sports – Team
 - a) Baseball
 - b) Basketball
 - c) Soccer
 - d) Softball
 - e) Volleyball
 - g) Hockey
 - h) Aquatics
 - i) Other

 4. Girls' Sports - Individual
 - a) Aquatics
 - b) Bowling
 - c) Cross-Country
 - d) Golf
 - e) Gymnastics
 - f) Tennis
 - g) Track & Field
 - i) Other

 5. Mixed Sports
 - a) Archery
 - b) Bowling
 - c) Cheerleading
 - d) Golf
 - e) Riflery
 - f) Tennis
 - g) Volleyball
 - h) Aquatics
 - i) Skiing

 6. Other Sports Oriented Activities
- D. School & Public Service Co-Curricular Activities
1. Student Government
 2. Student Union or Center

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3. Social Service Activities
4. Audio-Visual Clubs
5. Library Clubs
6. Student Patrol
7. Class Oriented
8. Yearbook
9. Periodicals

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Principles of Student Activity Programs

A good student activities program is a necessary facet of the total educational program of each school district in the State of Ohio. The board of education may provide its students with an activities program that is attractive, meaningful, and worthwhile. A well planned program will ultimately enrich the curriculum, provide new learning experiences, promote interest in classroom work, and improve morals and discipline.

The successful operation of any co-curricular program is dependent upon the formation of sound policies and effective guidelines. These elements give the program a sound base that will enable it to expand and flourish while keeping it within those parameters that are part of a good educational system. All student activities programs must function within the framework of the educational and organizational policies of the board of education and the State of Ohio.

In view of the large amounts of monies received from and expended for student activities, the demand has developed for efficient, thorough, and safe management of these funds. Every board of education should have in effect rules, regulations, and procedures for accountability of student activity funds.

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Administration

Board of Education

The board of education shall adopt, by resolution in its official board minutes, rules, regulations, and policies to govern the establishment and operations of the student activity funds (Funds 200 and 300) - see Public Purpose - 1986 O.A.G. No. 86-013. The board should also approve the individual purpose clauses submitted by each student activity group.

The board of education shall adopt, by resolution in its official board minutes, the approval and authorization of related organizations (non-school, separate legal entities that operate as non-profit entities as defined by the Internal Revenue Code). The board of education should also adopt, by resolution, rules, regulations, and policies to govern the participation of students and school district employees in fund raising programs of these outside related organizations.

In adopting policies, the board must consider all applicable legal requirements including court cases, Ohio Revised Code requirements, Ohio Administrative Code requirements, and Attorney General Opinions.

Treasurer

In every school district, the treasurer of the board of education shall be the custodian of all funds (Ohio Revised Code Section 3313.51). The enforcement of accounting procedures and internal control procedures shall be the sole responsibility of the treasurer. The treasurer may delegate an employee to receive custody of student activity funds. The custodian must deposit monies, with the treasurer or properly designated depository, on the business day following the day of receipt if the public monies received exceeds one thousand dollars. If the total receipt does not exceed one thousand dollars, the custodian will deposit the money the following business day unless there is a policy adopted by the board of education permitting a different time period. This time period shall not exceed three business days following the day of receipt and the person must be able to safeguard the monies until such time that monies are deposited (Ohio Revised Code Section 9.38). The Treasurer's fiscal responsibilities related to co-curricular activities include, but are not limited to Staff, Bonding, and Auditing.

All board of education employees designated to collect monies should have a surety bond in an amount commensurate with the responsibility of the position.

The Auditor of State has adopted and required, within each school district, the use of a uniform system of accounting, prescribed in Chapter 117-2 of the Ohio Administrative Code, whereby the direct and indirect costs of all school district activities can be analyzed, including athletic and non-instructional activities regardless of the sources of funding. This system, known as the Uniform School Accounting System (USAS), can be found in Ohio Administrative Code Chapter 117-6. Non-school organizations are not covered by these guidelines.

Superintendent

The superintendent is responsible for administrating all board policies, except those required of the treasurer (Ohio Revised Code Section 3319.01).

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Principal

The principal or the authorized administrator is responsible for the approval of requisitions for the expenditure of funds and any other duties as assigned by the superintendent of the school district.

Advisors/Sponsors

The duties and responsibilities of the advisors/sponsors are at the direction of the board of education and should consist of the following:

1. Preparing annual budgets and purpose clauses of the activity group,
2. Supervising the activities of the activity group, including preparation of fund raising potentials, proofs of cash, and other appropriate documentation, and
3. Performing any other duties as assigned by the proper administrative authority.

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POLICY DEVELOPMENT

General Student and District Managed Policies

The board of education should formulate an overall policy statement which governs the management and control of all student managed student activity programs. The purpose of student activity programs should be to promote the general welfare, education, and morale of the students and to finance the normal, legitimate co-curricular activities of the student body organizations. This policy statement should create the parameters within which all student activity groups can achieve this purpose and operate effectively. See Management of Student Activity Program Funds for specific guidelines.

The board of education should formulate an overall policy statement which governs the management and control of all district managed student activity programs. The purpose of the programs should be to promote participation in those activities associated with the programs. This policy statement should create the parameters within which all of these activity programs can achieve this purpose and operate effectively. See Management of Student Activity Program Funds for specific guidelines, pages 23 through 25.

The board of education should formulate an overall policy statement that all student groups must be authorized or approved by the school administration. The policy should also prohibit groups such as secret groups or gangs.

Additionally, the appropriate administrative personnel, as authorized by the board of education (generally the Superintendent or Treasurer) should develop administrative guidelines and/or an administrative handbook that addresses specific rules, regulations, guidelines and procedures to be followed in the management and day-to-day operations of student and district managed activities.

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Fund Raising Policies

One of the most common sources of revenue for student activity programs is fund raising activities. The board should adopt guidelines covering these activities to ensure the appropriate objectives are met. Areas that should be addressed include:

1. The procedures to be followed in obtaining authorization to conduct a fund raising activity. The school district may want to limit the number or type of sales that may be permitted by an individual group or at a given point in time.
2. The guidelines to be followed in approving fund raising activities. It is important that a board identify whether student groups are limited to ordering merchandise based on their existing cash fund balances or whether orders can be placed based on estimated sales revenue. The types of consignment purchases that are permitted should also be addressed. If orders can be placed based on anticipated revenues, the board should address the means of covering shortfalls in revenue that may occur.
3. The potential for sales tax to be imposed on sales in accordance with ORC Section 5739.02 (B) (9) should be reviewed to determine applicability.
4. Each board should instruct all individuals involved that they are handling public funds and that all transactions are required to be accounted for on the financial records maintained by the school district treasurer. The policy should specifically state that all receipts collected must be turned over to the appropriate school official for timely deposit.
5. The procedures to be followed when an individual group's budget needs to be revised due to a sales event. This situation can occur when the group decides to have a sales event not previously included in the budget or when actual revenues are not meeting or are exceeding expected levels. Clear guidelines will reduce the possibility of groups making purchases outside the scope of their authority.
6. The documentation required to be maintained for fund raising activities, including the length of time to be kept and where the documentation should be maintained for subsequent review. Information should also be required for any unusual circumstances occurring during the sale, such as loss of merchandise or disposition of unsold merchandise.
7. If certain fundraising activities are to be performed through on-line sales where a third-party may be responsible for the credit/debit card sales, the board should design policies to address the specific documentation, including a reconciliation of the sales and the receipt of the sale proceeds.
8. Designation of individuals responsible for each aspect of the activity, including those permitted to authorize specific transactions or situations.
9. Additional forms that individual school districts may want maintained.

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Purchasing Procedures

The school district must follow standard required purchasing procedures for all activities related to Fund 300. These procedures include the use of purchase orders, certification by the treasurer of available funds, proper authorization procedures, and using the encumbrance system of accounting.

The school district is not required to follow the standard purchasing procedures for activities related to Fund 200. Instead, the school district may develop a purchasing policy and guidelines for use by the student managed student activity funds (Fund 200). This policy and the related procedures are necessary to reasonably ensure that adequate internal controls exist to protect these funds. This process can be consistent with those followed for all other funds or can be designed to meet the needs of an individual school district. Areas that should be addressed include:

1. The documents that will be used to process a purchase (requisition, purchase order, receiving document, etc.). The treasurer is not required to certify the availability of funds; however, the board may want to implement a similar procedure.
2. Identifying the approval process for purchase requests by indicating the individual responsible for approving purchase requests, the parameters within which the individual can act, and the documentation required. The parameters should include identifying whether purchases can be approved based on anticipated revenues or cash fund balances, whether certain purchases require additional approval, and whether the school district wants to incorporate a process similar to the “blanket purchase order process” and the related restrictions on its use.
3. Each school district should establish guidelines outlining specific procedures to be followed to execute a purchase. The guidelines should also identify the individual responsible for each role. A sample procedure is as follows:
 - a. Originator prepares requisition and submits it to the principal or the supervisor for approval.
 - b. Principal reviews requisition; if approved, it is forwarded to the superintendent or other authorized administrator.
 - c. Administrator approves and completes pre-numbered purchase order.
 - d. Purchase order is forwarded to the treasurer for certification and encumbrance of funds, posting, and distribution of document.
 - e. Originator verifies receipt, compares with purchase order, and submits itemized shipping invoice to treasurer as correct and proper for payment.
 - f. Treasurer compares billing invoice and shipping invoice to purchase order for costs and adjustments.

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- g. Treasurer issues check for payment. Small expenditures (within established dollar limitations) may be made from a petty cash fund maintained on an imprest system. Such imprest system must address dollar amount, location, and limitation of disbursement. Cash plus receipts must always equal the amount authorized for petty cash. All disbursements made by check require at least the signature of the treasurer.

Note: This procedure is required of all purchases made for district managed student activity funds (Fund 300). Less formal procedures can be developed for student managed student activity funds (Fund 200).

- 4. All disbursements should be made by a check prepared by the treasurer and supported by documentation authorizing the purchase and verified by a receipt for the purchase. They also should be verified for mathematical accuracy.
- 5. Identifying the process to track outstanding obligations. The encumbrance system is the preferred method of handling this process.

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Private Travel Vendor

Each school district should adopt a policy governing compensation received from private travel vendors. Private travel vendors may be necessary for trips taken by a student activity program. When arranging, booking, or approving field trips through or with a private travel vendor, school district officials and employees are acting under the “color of office” as defined in Ohio Revised Code Section 117.01 (A). As such, monies and other forms of compensations, including gifts, paid to the school district official or employee, by the private travel vendor, are considered “public monies” and must be remitted to the school district (AOS Bulletins 2000-006 and 2000-015, which includes Ohio Ethics Commission Advisory Opinion 2000-04, “Compensation for School Trip”, and Ohio Ethics Commission Advisory Opinion 2001-04, “Travel and Gifts Provided to School Officials and Employees”).

The Advisory Opinion does not prohibit public school teachers, public school administrators, and other public school officials and employees from accepting, from a private tour company, necessary travel expenses to accompany students on a school trip, so long as the travel expenses are provided in connection with the contract between the district and the tour company to provide tour services.

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Dormant Funds

Each school district should adopt a policy governing the disposition of funds remaining after a specific student activity group is dissolved. The board may provide several alternatives to the group. Appropriate methods of disposition include authorized expenditures, donation of remaining funds to another student activity program, or transfer of funds in accordance with legal requirements.

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Internal Control

U.S. Auditing Standards – AICPA (Clarified) [AU-C] Section 315.04 defines internal control as “a process effected by those charged with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include controls relating to financial reporting and operations objectives.”

Management Objectives

Establishing and maintaining an internal control structure is an important management responsibility as noted in AU-C 210.06b.ii, “the agreement of management that it acknowledges and understands its responsibility... for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.”

Internal control is designed, implemented, and maintained to address identified business risks that threaten the achievement of any of the entity's objectives that concern

- the reliability of the entity's financial reporting,
- the effectiveness and efficiency of its operations, and
- its compliance with applicable laws and regulations.

The way in which internal control is designed, implemented, and maintained varies with an entity's size and complexity. (AU-C Section 315.A51)

An entity's internal control structure consists of five components: the control environment, the entity's risk-assessment process, the information system (including the “business” processes relevant to financial report and communication), control activities, and monitoring the proper operation of control activities (AU-C Section 315.15 - .25).

Control Environment (AU-C 315.A78 - .A79)

The control environment includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Elements of the control environment include the following:

1. Communication and enforcement of integrity and ethical values.
2. Commitment to competence.
3. Participation by those charged with governance.
4. Management's philosophy and operating style.
5. Organizational structure.
6. Assignment of authority and responsibility.
7. Human resource policies and practices.

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Risk Assessment Process (AU-C 315.A89 – .A90)

An entity's risk assessment process for financial reporting purposes is its identification, analysis, and management of risks relevant to the preparation and fair presentation of financial statements. If that process is appropriate to the circumstances, including the nature, size, and complexity of the entity, it assists the auditor in identifying risks of material misstatement. For example, risk assessment may address how the entity considers the possibility of unrecorded transactions or identifies and analyzes significant estimates recorded in the financial statements. Risks relevant to reliable financial reporting also relate to specific events or transactions.

Risks relevant to financial reporting include external and internal events and circumstances that may occur and adversely affect an entity's ability to initiate, authorize, record, process, and report financial data consistent with the assertions of management in the financial statements. Risks can arise or change due to circumstances such as the following:

- Changes in operating environment
- New personnel
- New or revamped information systems
- Rapid growth
- New technology
- New business models, products, or activities
- Corporate restructurings
- Expanded foreign operations
- New accounting pronouncements
- Changes in economic conditions

The Information System, Including the Related Business Processes Relevant to Financial Reporting and Communication (AU-C 315.A92)

The information system relevant to financial reporting objectives, which includes the accounting system, consists of the procedures and records designed and established to

- initiate, authorize, record, process, and report entity transactions (as well as events and conditions) and maintain accountability for the related assets, liabilities, and equity;
 - resolve incorrect processing of transactions (for example, automated suspense files and procedures followed to clear suspense items out on a timely basis);
 - process and account for system overrides or bypasses to controls;
 - transfer information from transaction processing systems to the general ledger;
 - capture information relevant to financial reporting for events and conditions other than transactions, such as the depreciation and amortization of assets and changes in the recoverability of accounts receivables; and
- ensure information required to be disclosed by the applicable financial reporting framework is accumulated, recorded, processed, summarized, and appropriately reported in the financial statements.

Control Activities (AU-C 315.A99)

Control activities are the policies and procedures that help ensure that management directives are carried out. Control activities, whether within IT or manual systems, have various objectives and are applied at various organizational and functional levels. Examples of specific control activities include those relating to the following:

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- Authorization
- Performance reviews
- Information processing
- Physical controls
- Segregation of duties

Monitoring of Controls (AU-C 315.A110)

Monitoring of controls is a process to assess the effectiveness of internal control performance over time. It involves assessing the effectiveness of controls on a timely basis and taking necessary remedial actions. Management accomplishes monitoring of controls through ongoing activities, separate evaluations, or a combination of the two. Ongoing monitoring activities often are built into the normal recurring activities of an entity and include regular management and supervisory activities.

General Considerations

The applicability and importance of specific control environment factors, the risk assessment process, information system methods and records, control activities, and control monitoring procedures that are established should be considered in the context of the following:

1. The entity's size,
2. Its organization and ownership characteristics,
3. The nature of the business,
4. The diversity and complexity of its operations,
5. The methods of processing data, and
6. Its applicable legal regulatory requirements.

Considerations Specific to Smaller, Less Complex Entities (AU-C 315.A52)

Smaller entities may use less structured means and simpler processes and procedures to achieve their objectives. For example, smaller entities with active management involvement in the financial reporting process may not have extensive descriptions of accounting procedures or detailed written policies. For some entities, in particular very small entities, the owner-manager (the proprietor of an entity who is involved in running the entity on a day-to-day basis) may perform functions that in a larger entity would be regarded as belonging to several of the components of internal control. Therefore, the components of internal control may not be clearly distinguished within smaller entities, but their underlying purposes are equally valid.

Limitations of Internal Control (AU-C 315.A53 - .A54)

Internal control, no matter how effective, can provide an entity with only reasonable assurance about achieving the entity's financial reporting objectives. The likelihood of their achievement is affected by the inherent limitations of internal control. These include the realities that human judgment in decision making can be faulty and that breakdowns in internal control can occur because of human error. For example, an error in the design of, or in the change to, a control may exist. Equally, the operation of a

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control may not be effective, such as when information produced for the purposes of internal control (for example, an exception report) is not effectively used because the individual responsible for reviewing the information does not understand its purpose or fails to take appropriate action.

Additionally, controls can be circumvented by the collusion of two or more people or inappropriate management override of internal control. For example, management may enter into undisclosed agreements with customers that alter the terms and conditions of the entity's standard sales contracts, which may result in improper revenue recognition. Also, edit checks in a software program that are designed to identify and report transactions that exceed specified credit limits may be overridden or disabled.

Establishing and maintaining an internal control structure is an important management responsibility. To provide reasonable assurance that objectives will be achieved, the internal control structure should be under ongoing supervision by management that makes both quantitative and qualitative estimates and judgments in evaluation the cost-benefit relationship.

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Non-School Organizations

A board of education should clearly identify groups that they recognize as non-school organizations. The most common of these groups include booster clubs, alumni groups, and parent/teacher organizations. The board should adopt a policy and establish parameters within which these groups should operate. The policy should specify the following:

1. That activities of these groups do not involve public funds,
2. That the groups clearly distinguish themselves from the school district in all activities,
3. The guidelines and procedures to be followed in the use of school grounds, school district personnel, and students in fund raising activities of the groups,
4. That purchases by the groups are not represented as school district expenditures and do not use the identification numbers of the school district (Tax I.D. numbers, sales tax exemption forms, school district purchase orders, etc.),
5. That donations to the school district, in the form of cash or merchandise by such groups, only be accepted by board resolution, and
6. That checks made payable to the school district or a school district building should not be accepted by such groups.

According to Ohio Revised Code Section 3313.811, the State Board of Education has established the following guidelines to be used by the board of education in determining the appropriateness of the sale of school supplies by organizations other than a school district.

1. The organization has a purpose which will benefit the school district and its students.
2. The organization's planned activities are clearly in the best interest of the school district and its students.
3. The organization has submitted the following information and assurances:
 - a. A statement noting the purpose of the organization, including but not limited to:
 - i. Organization name,
 - ii. Stated purpose,
 - iii. Provisions for student involvement, and
 - iv. Names and terms of officers.

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- b. Financial accountability assurances that the organization:
 - i. Utilizes a proper bookkeeping procedure,
 - ii. Has identified persons who have financial responsibilities,
 - iii. Will not commingle funds with student activities accounts,
 - iv. Will use funds within the framework of the purpose of the organization whereby funds will not be considered public monies, and
 - v. Will guarantee that at least seventy percent of funds collected will be spent on student activities.

- c. Use of facility assurances that the organization:
 - i. Will obtain permission to use school property,
 - ii. Will have a faculty member or principal on the advisory board,
 - iii. Will use teacher volunteers, students, or members to conduct activities only if approved by the superintendent or his or her designee, and
 - iv. Will be willing to pay for any or all additional expenses incurred by the activity.

- 4. Any funds generated by the above activities will be accounted for by the fiscal officer of the non-school organization rather than the school district treasurer.

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MANAGEMENT OF STUDENT ACTIVITY PROGRAM FUNDS

Fund 200 - Student Managed Student Activity Programs

Fund 200 consists of those student activity programs in which students participate in the management of the program. This includes those student activities which consist of a student body, student president, student vice- president, student treasurer, and faculty advisor. Fund 200 is an agency fund fiduciary fund type. GASB 84 "Fiduciary Activities" may impact classification of 200 funds for reporting purposes, upon implementation.

The board of education should formulate an overall policy statement which governs the management and control of all student managed student activity programs. The purpose of student activity programs should be to promote the general welfare, education, and morale of the students and to finance the normal, legitimate co-curricular activities of the student body organizations. This policy statement should create the parameters within which all student activity groups can achieve this purpose and operate effectively.

Guidelines

As part of effective management of the 200 funds, the board of education's policy or Administrative guidelines, established by the authorized administrative employee, should consider the following sampling of guidelines:

1. The board of education should authorize, by resolution recorded in the official board minutes, the student activity programs that will be offered.
2. All groups with transactions of \$50 or more, shall establish and account on the records of the school district.
3. All funds generated by the student activities should follow district policies regarding timely deposit of funds.
4. Membership or participation in the organization or operation of any fraternity, sorority, or other secret group as described by law is prohibited throughout the school district. In particular, the board of education shall not tolerate any type of gang or gang-related activity occurring on district property or while students are under the auspices of the board of education.
5. Projects for raising student activity monies should, in general, contribute to the educational experience of the pupils and should not conflict with but add to the instructional program.
6. Student participation is an important factor in the democratic management of monies raised by the student body and expended for its benefit. Expenditures should be approved by the appropriate student activity group.
7. Student activity monies should, to the extent possible, be expended in such a way that it benefits those currently in school who have contributed to the accumulation of those monies.

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8. Monies derived from the student body as a whole should be expended to benefit the student body as a whole and not benefit a special group.
9. Student activity monies should not be used for any purpose which represents an accommodation, loan, or credit to the board of education employee or other persons. Post dated checks should not be accepted, and checks should not be cashed for anyone. Board of education employees or others should not make purchases through a student body order to take personal advantage of the student body purchasing privileges.
10. No gifts or compensation shall be received by anyone participating with student activities from private vendors in accordance with Ohio Ethics Law.
11. The amount of the various program fund balances should not exceed limits prescribed by the board of education. Placing of limits tends to assure that money is used for the benefit of the students who contribute to the program.
12. No student body organization should be obligated for purchases made by students, faculty, and others unless pre-authorized by school officials.
13. Prior to any financial transaction by an authorized student activity, a budget should be submitted and approved for the current school year.
14. All sources of revenue should be approved by the board of education and should be included in the student activity group's current year budget. Receipts must be identified by USAS classification as prescribed by Ohio Administrative Code Section 117-6-01.
15. All expenditures by the student activity program should be in accordance with the approved budget of the group. The authorization for the expenditure will be an approved purchasing document.
16. Investment procedures and the allocation of interest earnings should be handled in accordance with the Ohio Revised Code and board policy.
17. Monthly and annual financial reports for student activity funds should be prepared by the treasurer and submitted to the board of education as part of the treasurer's report. Funds are accounted for on a fiscal year basis (July to June). Financial reports should also be furnished to each advisor on a regular basis.
18. A system of internal controls should be implemented in order to safeguard the assets of the student activity programs to provide reasonable assurance that the students will receive the benefits sought to be attained in accordance with Ohio Administrative Code Section 117-2-01. Funds are accounted for by fund, function, object, and special cost center in accordance with Ohio Administrative Code Section 117-2-02.

In addition to the above types of guidelines, the board of education should also establish restrictions on the type of expenditures that student activity groups are permitted to make. Before approving student activity expenditures, the board should determine whether the proposed expenditures will serve a public purpose.

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Ohio Constitution Article VIII, Section 4, provides: “(t)he credit of the state shall not, in any manner, be given or loaned to, or in aid of, any individual association or corporation whatever,...”. The doctrine that public funds may only be expended for a public purpose is based upon this constitutional provision; this restriction has been extended to political subdivisions by Article VIII, Section 6. The Attorney General has determined that this doctrine applies to student activity funds as well. 1986 O.A.G. No. 86-013 states:

“(A)lthough no statutory guidelines have been written, it must be remembered that student activity funds in question here are public funds having been received by public officials under color of law (Ohio Revised Code Section 117-10). Thus, the limitation that public funds may only be spent for a public purpose must be observed.”

It has been consistent policy of the Auditor of State that findings for recovery shall be issued for any expenditures which fail to serve a public purpose. The determination of whether an expenditure serves a public purpose will be based on the policy adopted by the board of education. This policy should be set forth in the minutes of the board of education. The policy may be in the form of a separate resolution for each expenditure, or one resolution which identifies specific types or classes of expenditures which the board considers to be for a public purpose. The resolution should be specific enough to clearly define the type of expenditure being authorized. Rather than generalizing expenditures as “supplies” or “services”, the resolution should specify “refreshments at meeting” or “meals and lodging for club participants at state convention”. In either case, the board’s determination will not be overruled by the Auditor of State unless it constitutes an abuse of the board’s discretion. Such an abuse occurs when the expenditure is prohibited by precedent, such as a court decision or Attorney General Opinion, or when it is clearly unreasonable under the circumstances.

There are two common methods of defining public purpose. The first method involves adopting a policy outlining specific expenditures that are permitted and those expenditures that are not permitted. The other method involves requiring very explicit information on the group’s budget which is then approved by the board to indicate their concurrence with the group’s plan. Under this method, it is important that the detail be specific enough to limit misinterpretation by board of education employees.

Purpose Clause

Prior to any financial transactions by an authorized student activity, a purpose clause for the activity should be submitted by the student group and approved by the board of education. The purpose clause should encompass the reason for the activity’s existence, its aspirations, its future goals, and the means through which the goals and aspirations may be achieved. Any amendment to an approved policy statement should also be approved by the board of education.

The student group should establish how the revenue of the group is going to be raised and how the group is going to expend these funds to accomplish its goals and aspirations. The budget, as submitted by the activity group, should be approved by the board of education as part of the purpose clause. Before approving these budgets, however, the board should determine whether the proposed expenditures will serve a public purpose.

Guidelines for Student Activity Programs Authority, Policy Development and Management

Fund 300 - District Managed Student Activity Programs

Fund 300 consists of those student activity programs in which students do not participate in the management of the program. These activities usually include athletic programs but could also include the band, cheerleaders, flag corps, and other similar types of activities. Fund 300 is a special revenue governmental fund type.

The board of education should formulate an overall policy statement which governs the management and control of all district managed student activity programs. The purpose of the programs should be to promote participation in those activities associated with the programs. This policy statement should create the parameters within which all of these activity programs can achieve this purpose and operate effectively.

Guidelines

As part of effective management of the 300 funds, the board of education's policy or Administrative guidelines, established by the authorized administrative employee, should consider the following sampling of guidelines:

1. The board of education should authorize, by resolution recorded in the official board minutes, those programs that will be offered.
2. All sources of revenue should be approved by the board of education and included in the board's current year budget.
3. All fundraising activities should be in accordance with district policies regarding fundraising and student participation.
4. All expenditures shall be in accordance with the budget (appropriations) as approved by the board of education.
5. All disbursements of funds from the 300 fund should be in accordance with district policies regarding purchasing.
6. No gifts or compensation shall be received by anyone participating with student activities from private vendors in accordance with Ohio Ethics Law.
7. An adequate system of internal controls should be implemented in order to safeguard the assets of these programs in accordance with Ohio Administrative Code Section 117-2-01. Funds must be budgeted and accounted for at the legal level of control established by the board in accordance with Ohio Administrative Code Section 117-6-02.

Guidelines for Student Activity Programs Authority, Policy Development and Management

Budgetary Process

The school district is required to include all activities related to District Managed Student Activity Funds (Fund 300) in their formal budgetary process. This includes incorporation into the tax budget (if required by the County Budget Commission), certificate of estimated resources, and the appropriation process.

The school district is not required to formally include activities of the Student Managed Student Activity Funds (Fund 200) in the formal budgetary process required of other school district funds. This exclusion results from classifying these funds as “agency funds”, which are considered to be custodial in nature. Each board of education needs to formulate a policy to clearly identify the budgetary process to be used by Fund 200. The following issues should be addressed:

1. Identify the budget document to be used by each activity group.
2. Set deadlines for each group to submit its annual budget. Since this budget does not need to be incorporated into the school district’s tax budget, the board may determine that it is more appropriate to have the budget submitted at the end of one school year for use in the subsequent year, or it may be appropriate to develop budgets at the beginning of the school year.
3. Establish procedures for approving the budget and all amendments. A board can retain full control over this process or can establish guidelines within which an administrator can assume this responsibility. If the approval process is delegated to an administrator, the policy should clearly specify the process and requirements.
4. Establish procedures for incorporating the budget accounts on the financial records. While these budget amounts are not required to be reflected on the school district’s financial records, they provide financial information that management may desire. If included, the guidelines should address what should be included, how estimates should be revised, and what individuals should be responsible for the process.

Guidelines for Student Activity Programs Authority, Policy Development and Management

Collection and Deposit of Cash

Student activity programs have the ability to generate a significant amount of revenue. Each board of education should review the structure and organization of their school district to determine the most appropriate procedures to implement. The policies and procedures should be designed to ensure accountability over cash receipts. Additional areas that should be addressed include:

1. It is important for the board policy to identify the level of responsibility of each person involved (cashier, advisor, student, etc.).
2. All monies collected from any source should be substantiated by pre-numbered student activity group receipts, cash registers supplying cumulative readings, pre-numbered tickets, or other auditable records. In all cases where tickets are used, ticket reports and unsold tickets must be available for audit. A well documented audit trail is crucial. Where it is not practicable to collect the cash in a central office, collections from various classes may be collected by cashiers and turned into the school district treasurer or properly designated depository on the business day following the day of receipt if the public monies received exceeds one thousand dollars. If the total receipt does not exceed one thousand dollars, the cashier will deposit the money the following business day unless there is a policy adopted by the board of education permitting a different time period. This time period shall not exceed three business days following the day or receipt and the person must be able to safeguard the monies until such time that the monies are deposited. (Ohio Revised Code Section 9.38)
3. Cash registers
 - a. Registers should be sealed without resettable totals.
 - b. Total should reconcile with sales.
 - c. Tickets or tapes supporting “over rings” should be retained.
 - d. Approval should be obtained for all voids or adjustments.
4. Forms
 - a. All forms should be pre-numbered.
 - b. Perpetual inventory should be maintained on pre-numbered collection forms, receipts, tickets, etc. Any discrepancies should be investigated and resolved.
 - c. Pre-numbered forms should not be printed in the school printing department.
 - d. Advisor should keep records of collections by source.
 - e. A pre-numbered receipt should be received for all money turned over to the cashier.

Guidelines for Student Activity Programs Authority, Policy Development and Management

Auditing

The State Department of Education recommends an annual audit of student activity funds. The Auditor of State recommends that at the end of each fiscal year an internal audit be conducted in order to verify compliance with board policies, receipts, expenditures, cash on hand, petty cash, and to balance all ledgers and journals with the depository. A copy of this audit should be on file in both the treasurer's and superintendent's offices. All organizational records and internal audit working papers should also be retained in the treasurer's office so they may be audited by the Auditor of State.

Each activity fund established under Ohio Revised Code Section 3315.062 is subject to be audited at the same time the audit of the records and accounts of the school district is made, or at such other times as needed or as requested by the board of education. The audit will include an assessment of whether legal requirements, including those requirements imposed by the board of education, are being followed.

Guidelines for Student Activity Programs Authority, Policy Development and Management

LEGAL REQUIREMENT REFERENCES

<u>Requirement</u>	<u>Description</u>
Ohio Constitution, Article VIII, Section 4	Financial Involvement with Private Enterprise
Ohio Constitution, Article VIII, Section 6	Credit of State
Ohio Revised Code Section 9.38	Collection and Deposit of Income
Ohio Revised Code Section 102.03	Representation by Present or Former Public Official or Employee Prohibited
Ohio Revised Code Section 117.43	Local Accounting and Financial Reporting Rules
Ohio Revised Code Chapter 135	Depository Law
Ohio Revised Code Section 3313.29	Duties of Treasurer, Accounting of Funds
Ohio Revised Code Section 3313.291	Petty Cash Account
Ohio Revised Code Section 3313.31	Treasurer as Chief Financial Officer
Ohio Revised Code Section 3313.36	Acceptance of Gifts
Ohio Revised Code Section 3313.51	Deposit and Disbursement of School Funds
Ohio Revised Code Section 3313.53	Hiring Non-Certified Staff to Supervise Student Activity Programs
Ohio Revised Code Section 3313.811	Sale of Uniform School Supplies
Ohio Revised Code Section 3315.062	Authorization for Student Activity Programs, Accident Insurance, and Self Insurance
Ohio Revised Code Section 3319.01	Duties of Superintendent
Ohio Revised Code Section 5705.09 - 5705.12	Establishment of Funds
Ohio Revised Code Section 5705.14 - 5705.16	Transfers of Funds
Ohio Revised Code Section 5705.28	Tax Budget
Ohio Revised Code Section 5705.36	Certification of Available Revenue
Ohio Revised Code Section 5705.38	Annual Appropriation Measure
Ohio Revised Code Section 5705.39	Limit on Appropriations
Ohio Revised Code Section 5705.41	Restriction on Appropriation and Expenditure of Money
Ohio Revised Code Section 5739.02	Sales Tax
Ohio Administrative Code Chapter 117-2-01	Internal Controls
Ohio Administrative Code Chapter 117-2-02	Accounting and Reporting Records
Ohio Administrative Code Chapter 117-2-03	Annual Financial Report
O.A.G. No. 82-014	Participating Fees, Supplemental Salaries, and Transportation Costs
O.A.G. No. 84-083	Use of Board Funds
O.A.G. No. 86-062	Disposition of Property
O.A.G. No. 86-013	Public Purpose Expenditures
O.A.G. No. 86-013	Accident Insurance
O.A.G. No. 98-002	Calculating Limit on Use of Board Funds for Student Activities
32 Ohio School Board Assn. J53 (Des. 88)	Blowing the Whistle, to Play You must Pay
Auditor of State Bulletin 2000-006	Compensation of School District Officials or Employees by Private Travel Vendors
Auditor of State Bulletin 2000-015	Compensation by Private Travel Vendors
Auditor of State Bulletin 2003-005	Expenditure of Public Funds/Proper "Public Purpose"

Guidelines for Student Activity Programs Authority, Policy Development and Management

Ohio Advisory Ethics Opinion 95-001
Ohio Advisory Ethics Opinion 2000-04
Ohio Advisory Ethics Opinion 2001-03
Ohio Advisory Ethics Opinion 2001-04

Professional Athletic Team Season Tickets
Compensation for School Trip
Golf Outings
Travel Gifts Provided to School Officials
And Employees