

WEST VIRGINIA
SECRETARY OF STATE
KEN HECHLER
ADMINISTRATIVE LAW DIVISION

Form #2

Do Not Mark In this Box

FILED
1989 MAY 19 AM 9 01
OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

NOTICE OF A COMMENT PERIOD ON A PROPOSED RULE

AGENCY: West Virginia Board of Education TITLE NUMBER: 126

RULE TYPE: Legislative; CITE AUTHORITY 18-9B-5

AMENDMENT TO AN EXISTING RULE: YES NO

IF YES, SERIES NUMBER OF RULE BEING AMENDED: 2

TITLE OF RULE BEING AMENDED: _____

Individual School Accounting Procedures (Policy 1224.1)

IF NO, SERIES NUMBER OF NEW RULE BEING PROPOSED: _____

TITLE OF RULE BEING PROPOSED: _____

IN LIEU OF A PUBLIC HEARING, A COMMENT PERIOD HAS BEEN ESTABLISHED DURING WHICH ANY INTERESTED PERSON MAY SEND COMMENTS CONCERNING THESE PROPOSED RULES. THIS COMMENT PERIOD WILL END ON June 30, 1989 AT 9:00 a.m.

ONLY WRITTEN COMMENTS WILL BE ACCEPTED AND ARE TO BE MAILED TO THE FOLLOWING ADDRESS.

Mrs. Hazel Kroesser, Assistant Bureau Chief

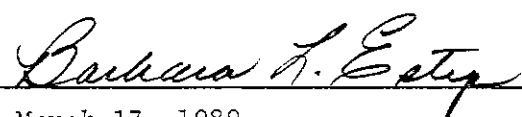
Finance & Administration, Dept. of Ed.

Room B-215, Bldg. #6

Capitol Complex

Charleston, WV 25305

THE ISSUES TO BE HEARD SHALL BE LIMITED TO THIS PROPOSED RULE.



March 17, 1989

ATTACH A **BRIEF** SUMMARY OF YOUR PROPOSAL

Executive Summary
1224.1 Individual School Accounting

FILED
1029 MAY 19 AM 9 02
OFFICE OF WEST VIRGINIA
COMPTROLLER OF STATE

Purpose: —

The purpose of this policy is to provide clear regulations for accounting in individual schools.

Background:

The Individual School Accounting Procedures Policy, 1224.1, has not been revised since 1977. The procedures in the policy are, in some cases, outdated and vague.

The proposed policy provides clear regulations in the following areas:

1. Authority for the regulations
2. Responsibility
3. Accounting system
4. Receipts and deposits
5. Disbursements
6. Petty cash account
7. Journals and ledgers
8. Insufficient funds, stop payment and canceling outstanding checks
9. Pre-numbering
10. Internal control
11. Payment for personal services
12. Bank reconciliation
13. Purchases
14. Investments
15. Quasi - public funds and activities
16. Consumer sales tax
17. Business license
18. Financial reports
19. Auditing
20. Records retention

The proposed policy was developed in cooperation with the West Virginia Association of School Business Officials.

Impact:

Leadership/Administrative - Policy 1224.1 provides procedures for individual school accounting that will leave an audit trail.

Financial - None of the requirements will cause additional expenditures.

Instructional - An efficient and accurate finance system supports the instructional program.

Societal/Political - An effective accounting procedure protects the integrity of individuals responsible for school funds and protects the funds from misuse.

Economic - This policy requires that funds be in interest bearing accounts so that the maximum benefit will be derived.

TITLE 126
WEST VIRGINIA BOARD OF EDUCATION
Legislative Rule
CHAPTER 18-9B
SERIES 2
POLICY 1224.1

FILED
MAY 16 AM 9:02
OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

Title: Individual School Accounting Procedures

Section 1. General

- 1.1 These rules update established regulations and procedures for individual school accounting procedures.
- 1.2 Authority - 18-9B-5
- 1.3 Filing Date - _____
- 1.4 Effective Date ~~18-9B-5~~

Section 2. Responsibility

- 2.1 The school principal is responsible for the financial management of the school and must ensure that all financial records are accurately maintained and all financial reports are submitted in a timely manner to the County Board of Education, or its designee, as required.
- 2.2 All employees of a Board of Education who are responsible for monies or property shall be bonded.

Section 3. Accounting System

- 3.1 The accounting system established herein for individual schools represents the minimum requirements. The school accounting system should cover all monies for which the school has responsibility and control.
- 3.2 The accounting system for individual school funds is designed to:
 - a. Protect the funds entrusted to those in authority;
 - b. Protect the integrity of individuals so entrusted.
- 3.3 Each school is a separate and distinct accounting entity. A school's accounting system should only include monies for which the school has responsibility and fiscal control. No school personnel should be officially responsible for nor should any school accounting system include any money not remitted directly to the school for school use.

- 3.4 A fund is a separate grouping of receipts and expenditures for specific activities, accounted for by separate accounting records and bank accounts. A school is permitted to establish a General Fund and a Food Services Fund. These two (2) funds are briefly described as follow:
- a. General Fund -- a separate grouping of receipts and expenditures not belonging to the School's Food Services Program. Note: The General Fund may be subdivided into subsidiary accounts; e.g., Office Account, Bank Account, Library Account, et cetera.
 - b. Food Services Fund -- a separate grouping of receipts and expenditures belonging only to the School's Food Services Program. Note: The Food Services Fund may be subdivided into subsidiary accounts; e.g., Food Account, Supplies Account, Commodities Account, et cetera.
- 3.5 Each of the funds shall be identified separately and maintained in separate bank accounts. Only one (1) checking account is permitted for each fund.
- 3.6 There will be a separate and complete set of records for each fund. The basic forms and books required for the minimum accounting system are: -
- a. Purchased in standard form:
 - 1) Receipt Books
 - 2) Journals: Joint Control (Receipts and Expenditures)
 - 3) Ledgers
 - 4) Purchase Orders
 - b. Secured from bank in which account is kept:
 - 1) Checkbook with school name imprinted with all checks pre-numbered
 - 2) Deposit Slips
 - c. Monthly financial report forms provided by the county school system.
 - d. Individual School's Annual Financial Report provided by the West Virginia Department of Education.

Accounting records may be maintained on a computerized system but must produce the selfsame type of financial records as delineated herein.

4.0 Receipts and Deposits

- 4.1 School personnel who handle money must be aware of the need for maintaining accurate and systematic records of all cash collected.
- 4.2 The school principal or principal's designee must issue a pre-numbered receipt ticket in duplicate for all money received daily. The original receipt ticket shall be issued to the individual transmitting money to the principal or principal's designee for deposit within a school account. The duplicate copy shall remain in the receipt book as part of the school record. All receipt tickets that are issued shall show the amount received, the transmitter's name, and the original source of the funds.

The total of these receipt tickets shall equal the total of the monies received and the total deposited in the school bank account(s). Deposits shall be made in a timely manner with daily deposits required when receipt tickets for the day are greater than \$100.

5.0 Disbursements

5.1 All monies shall be disbursed by check and no check shall be issued without itemized supporting papers such as purchase orders and invoices.

5.2 All checks shall be signed or countersigned by the principal. Checks should be imprinted with the school name and fund name and must be pre-numbered. Check stubs are to be completed in full on a daily basis including deposits, expenditures, and balance.

5.3 No check shall be destroyed. Voided checks shall be clearly marked on the face as "void," arranged in the proper sequence with other checks, entered as a disbursement with the amount listed as "void", and it is recommended that the signature line(s) be physically removed from the check and discarded.

6.0 Petty Cash Account

6.1 When a petty cash account is permitted by the county board of education, it shall not exceed \$50. A check to reimburse petty cash shall be supported by itemized receipts and/or invoices for amounts paid. The cash and receipts in the petty cash drawer shall always equal the amount set up for petty cash. The petty cash is replenished by writing a check to the bank for an amount equal to receipts and/or invoices in the petty cash box.

7.0 Journals and Ledgers

7.1 A journal must be used to record and summarize the financial transactions of each school fund.

7.2 The journal must include the following information:

- a) Transaction date
- b) Receipt number
- c) Receipt amount
- d) Name of individual, group, or company from whom money is received
- e) Check number
- f) Disbursement amount
- g) Name of payee to whom money is disbursed
- h) Individual accounts to which receipts and disbursements are classified

7.3 A cash control column must be established in the journal to maintain control over the total cash resources available in a school fund.

7.4 Activity account columns must be established in the journal to allow receipts and disbursements to be properly classified. Proper classification of receipt and disbursements depends upon the nature of each receipt and disbursement.

- 7.5 Receipts and disbursements shall be entered into the journal by the date of occurrence. Check numbers and receipt ticket numbers shall be listed in numerical sequence.
- 7.6 Receipts and disbursements shall be entered into the journal from receipt tickets and checks.
- 7.7 Transactions should be posted in the journal on a daily basis and summarized at the end of each month. The journal shall be kept up-to-date at all times.
- 7.8 Checks shall be listed individually and never entered as a group on the same line of the journal.
- 7.9 Receipt tickets shall be listed individually, but may be grouped together on the same line of the journal if money is received from the same specific source on consecutively numbered receipt tickets. The range of receipt numbers grouped together in the journal must be indicated in the Receipt Ticket Number column.
- 7.10 The following transactions must be recorded in the journal and be supported by detailed documentation: receipts, disbursements, voided receipt tickets, voided checks, non-sufficient fund charges, bank charges, administration fees, interest earnings, transfers between accounts within a fund, transfers between the General Fund and Food Service Fund, and transfers between depository accounts of the same fund.
- 7.11 Ledger accounts may be established to maintain control over the detailed breakdown of an activity account. For example, the clubs activity account may be further broken down in the French Club, Spanish Club, Math Club, and Science Club through the use of ledger accounts.
- 8.0 Insufficient Funds, Stop Payment, Canceling Outstanding Checks
- 8.1 At times schools will accept checks which are returned by a bank to the school marked "Insufficient Funds." For various reasons it may be necessary to stop payment or cancel a check issued by the school. In all such instances proper journal and/or account entries are to be made to ensure the avoidance of over inflation of receipts and/or disbursements.
- 8.2 A stop payment order or a principal's directive to cancel outstanding checks may be initiated for checks which have been outstanding for more than one (1) year if the circumstances so warrant.
- 9.0 Pre-Numbering
- 9.1 Control and accountability of certain basic documents is essential in order to maintain the integrity of the accounting system. Therefore, the following documents shall be pre-numbered: receipt tickets, checks, purchase orders, and athletic event tickets.

10. Internal Control
- 10.1 Internal control is a plan of organization that is designed to safeguard a school's assets, check the reliability of its accounting records, promote operational efficiency, and encourage adherence to prescribed policies.
- 10.2 Good internal control is a key factor in the effective management of a school. Good internal control ordinarily includes the following characteristics:
- a) A plan of organization which provides appropriate segregation of duties.
 - b) A system of authorization and record procedures adequate to provide reasonable accounting control over assets, liabilities, revenues and expenses.
 - c) Sound practices to be followed in performance of responsibilities.
11. Payment For Personal Services
- 11.1 Any employee of a Board of Education who is to receive payment for services from funds collected at an individual school shall be paid through the normal payroll process at the county business office. The only exception would be contracted services.
12. Bank Reconciliation
- 12.1 A bank statement reconciliation shall be prepared monthly for each fund, immediately after the bank statement is received by the school.
13. Purchases
- 13.1 Each individual school shall initiate and maintain a purchase order system whereby all purchases which exceed an aggregate of \$50.00 are made by a pre-numbered purchase order issued prior to the purchase and signed by the principal or his/her designee.
- 13.2 Purchase Order forms shall be sequentially pre-numbered and processed, as a minimum, in duplicate.
- 13.3 The school principal must approve all expenditures, and approvals can be made only when sufficient funds are available.
- 13.4 No purchase may be made which obligates the income of a subsequent school year, nor may any purchase be made which will encumber a fund or line item account in excess of the available resources of that fund or account.
14. Investments
- 14.1 Each school principal shall closely monitor available balances for investment possibilities. A school should utilize interest bearing checking accounts, guaranteed certificates of deposit, or the State of West Virginia Consolidated Investment Fund.

- 14.2 Interest earned from investments shall be credited to the fund from which the money was originally available.
- 14.3 The transfer of cash to and from investments shall not be included as receipts or expenditures for any account within a fund.
15. Quasi-Public Funds/Activities
- 15.1 The Board of Education has the authority to formulate rules and regulations which control all receipts and disbursements collected in the name of the school including those generated by a group or booster organization.
16. Consumer Sales Tax
- 16.1 Items purchased for use or consumption by public schools are not subject to the payment of sales tax. All invoices must be checked to determine that sales tax has not been added to the total charges. Such charges should be deleted. Each local Board of Education is supplied an exemption number by the State Tax Commissioner. This exemption number may be used by local schools in completion of a "West Virginia Consumer Sales and Use Tax Blanket Exemption Certificate" form for vendors.
- 16.2 Individual schools are subject to collection of sales taxes and payment thereof to the State Tax Commissioner under the conditions as listed in the West Virginia State Code, Chapter 11.
17. Business License
- 17.1 Schools must make application for a business license by contacting the State Tax Department; however, as a political subdivision of local government, schools are exempt from the registration fee. An annual renewal form must be completed each year to continue the business license.
18. Financial Reports
- 18.1 A monthly financial report for each fund will be prepared at each school which exhibits, as a minimum, beginning balances, revenue, disbursements, and ending balances. The report is to be prepared within ten working days after the end of the month on which the report is rendered.
- 18.2 An annual financial report for each fund, covering the period July 1 through June 30, and a reconciled bank statement, shall be filed with the County Superintendent of Schools as part of the official school record. By September 1 of each year, the County Superintendent shall submit an annual summary report to the State Board of Education together with copies of each school's individual report(s).
19. Auditing

- 19.1 All school accounts shall be audited at least annually at the direction of the county Board of Education. The audit shall be performed by personnel employed by the county Board of Education, by certified public accountants, employees of the Chief Inspector and Supervisor of Public Offices or employees of the State Board of Education.
- 19.2 It is important that the auditor become familiar with the Code of West Virginia, and the regulations of the local county Board of Education, the State Board of Education and the State Department of Education.
- 19.3 Audits shall be conducted in accordance with generally accepted auditing standards to the extent applicable and shall include a review of internal controls, tests of revenues, deposits, expenditures and unpaid bills. Schools which receive in excess of \$100,000 in program revenue in restricted federal grant programs such as in a decentralized Food Services Program must have their audits made in accordance with generally accepted governmental auditing standards as defined in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions promulgated by the U. S. Comptroller General; the Single Audit Act of 1984; and the provisions of OMB's Circular A-128, Audits of State and Local Governments. Additionally, fund raising activities such as vending machine sales, candy sales, etc., should be periodically tested to determine the reasonableness of the funds generated.
- 19.4 Supporting workpapers for each school audit shall be retained for use of the auditor who conducts the ensuing fiscal year audit.
- 19.5 Audits shall be made for the County Board and transmitted through the superintendent. A copy shall be supplied to the person in charge of the school or program audited. A copy of the audit report shall be on file in the Superintendent's office for public inspection.
- 19.6 The costs of the audits may be borne by the County Board, the individual school or program according to an equitable schedule established by the county board.
- 19.7 For audit purposes, there shall be made available all required reports, receipt books, checkbooks, canceled checks, complete journals and ledgers, invoices and purchase orders, bank statements and other information and records which may be incorporated as part of the local county accounting system.
20. Records Retention
- 20.1 All internal accounting records are considered property of the County Board of Education and must be preserved in the applicable individual school except as authorized by the Board.
- 20.2 All financial records shall be retained five (5) years or until all audit exceptions (if any) are resolved.

- 20.3 Annual financial reports (statements), school audit reports, and personnel earnings records (if applicable) shall be retained permanently.
- 20.4 The process of disposing of any financial records shall be supervised by the principal to insure complete destruction.

4/19/89
1881i/67i

COMMENT LOG
Proposed Implementation of West Virginia State Code §18-9b-5:
Series (56) Policy 1224.1
Individual School Accounting Procedures

NAME OF INDIVIDUAL/ORGANIZATION _____

ADDRESS _____

Section 1	
Section 2	
Section 3	
Section 4	
Section 5	
Section 6	
Section 7	

NAME OF INDIVIDUAL/ORGANIZATION _____

ADDRESS _____

Section 8	
Section 9	
Section 10	
Section 11	
Section 12	
Section 13	
Section 14	
Section 15	

NAME OF INDIVIDUAL/ORGANIZATION _____

ADDRESS _____

Section 16	
Section 17	
Section 18	
Section 19	
Section 20	
Other Comments	

Please submit comments by: June 15, 1989 to:

Hazel Kroesser
Assistant Bureau Chief
Bureau of Finance and Services
West Virginia Department of Education
Building 6, Room B-215
Charleston, West Virginia 25305

1939i/67i



WVDE

FILED
West Virginia Department of Education
MAY 19 1989

Capitol Complex, Charleston 25305

John Pisapia State Superintendent of Schools
OFFICE OF THE SECRETARY OF STATE

MEMORANDUM

TO: County Superintendents, RESA Directors,
School Business Officials and Interested Persons

FROM: John Pisapia
State Superintendent of Schools

SUBJECT: Proposed Policy for Individual School Accounting Procedures

DATE: May 12, 1989

Enclosed is a copy of the proposed policy 1224.1, Individual School Accounting Procedures. Also enclosed is a comment form for this policy.

Please review the policy and submit your comments by June 15, 1989. If you have any questions, please feel free to contact Carolyn Arrington, Assistant State Superintendent, or Hazel Kroesser, Assistant Bureau Chief.

JP:mja

ENCLOSURE

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