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MARTIN COUNTY WEST PUBLIC SCHOOLS

Internal Controls Manual for Accounting Procedures and Practices



TABLE OF CONTENTS

[Cash](#)
[Checks](#)
[Purchase Orders](#)
[Electronic Fund Transfers](#)
[Store Accounts](#)
[District Credit Card Purchases](#)
[Reimbursements](#)
[Activity/Event Revenue](#)
[Field Trips](#)
[Grant, Fundraising, Gifts, Donations](#)
[Year-End Purchasing](#)
[Capital Assets & Expenditures](#)
[Inventories](#)
[Fund 10 Accounts](#)
[Revenues & Receivables](#)
[Year-End Close & Journal Entry Process](#)
[General](#)
[Payroll](#)
[Insurance](#)

CASH

Employees are informed of procedures for collecting and handling cash in a memo from the superintendent or designee in the fall of each school year.

1. Receipt of cash must be recorded on the day it was received.
2. Cash and the receipt record must be turned into the building administrative assistant as soon as is practicable.
3. Cash is to be recorded and secured in the building safe.
4. Building administrative assistants are to itemize all cash receipts on the district-provided form and include the code into which the cash should be deposited.
5. The completed form and cash will be turned in to Central Office for deposit.
6. Central Office staff will reconcile the cash with receipts, deposit into the bank, and record in the finance system.
7. Deposit slips are retained with the deposit form.

Staff members are advised to safeguard cash at each step in the deposit process. Building administrative assistants are prohibited from cashing personal checks or allowing notes of personal indebtedness. Staff members are directed that they may not substitute a personal check for cash.

The Business Manager, or designee, reconciles the bank statements for all accounts.

The Business Manager, or designee, verifies the original coding of the accounting receipts.

Direct deposits are checked by the Business Manager, or designee, every other month to reconcile state payments with receipts. staff

CHECKS

Hand payable checks are for invoices, student field trip costs, workshop registrations, officials, entry fees and other expenses that are not able to be processed with a purchase order.

All requests for checks must have written prior approval from the building principal and/or superintendent. The person requesting the check fills out a check request form, including the UFARS code from which funds for the check will be expended, and attaches an invoice or detailed receipt to the form. This check request form is approved by the supervisor and the superintendent before it is submitted to Central Office for the check to be written.

Central Office will process check requests twice per month. Check requests are due by end of business on the 10th and 25th of each month and checks will be cut on the 15th and 30th of each month.

The school board reviews and approves all hand payable processed checks each month. Staff members are advised of the check request process at least annually with a memo from the superintendent in the fall.

Payments to the school district in the form of a check for items such as yearbooks, activity fees, community education tuition, etc. are deposited via scanner by the administrative assistant who accepts the check. Payments received via check will be receipted by the administrative assistant who accepts it and submitted to Central Office for deposit.

PURCHASE ORDERS

All purchases must have prior approval. The process of obtaining prior approval begins when the employee submits a requisition in the SMART ER system. The requisition must include the vendor name, contact information and W-9 (new vendors only), along with the UFARS code from which the funds for the purchase will be expended. The requisition is forwarded to the building administrative assistant who will transfer it to a purchase order in the financial system. The purchase order is then forwarded to the building principal for approval in the financial system. The purchase order is approved or denied by the principal based on funds available in the applicable budget. Once the purchase order has been approved, the purchase order is then routed to the party who will complete the purchase with the vendor.

When the order arrives, it is checked for accuracy by the building administrative assistant. Once the complete order has arrived, the building administrative assistant uploads the receipt and invoice to the financial system. Completed uploads will trigger payment of the invoice.

Invoices received by end of business on Mondays will be processed for payment with a Thursday check. Invoices received after Monday will be processed with the following week's checks.

The school board reviews and approves all processed checks each month. Staff members are advised of the purchase order process at least annually with a memo from the superintendent in the fall.

ELECTRONIC FUND TRANSFERS

Whenever possible, the school district will set up electronic fund transfer accounts for recurring payments. Central Office will set up the accounts for EFT and upload monthly statements into the financial system to document the payments.

EFT for one time payments must be approved in advance by the superintendent or business manager.

STORE ACCOUNTS

Purchases for classrooms or activities charged to the school district's account must have prior approval from the building principal. A credit card check out/store charge request form must be completed including the vendor, items for purchase, approximate amount to be charged, and expenditure code. Within 24 hours after the purchase has been made, a detailed receipt must be attached to the credit card check out/store charge request form and returned to the Central Office administrative assistant who reconciles it with the store account statement.

DISTRICT CREDIT CARD PURCHASES

All purchases made with the district credit card must have prior approval from the building principal. A credit card check out/store charge request form must be completed including the vendor, items for purchase, amount to be charged, and expenditure code. The credit card is obtained from the building principal or Central Office. Within 24 hours after the purchase has been made, a detailed receipt must be attached to the credit card check out/store charge request form and returned with the credit card to the Central Office administrative assistant who reconciles it with the credit card statement.

Purchases made through this process must be made only by employees of the school district. Use of the district credit card without prior authorization may result in the expenditures being solely paid by the employee.

REIMBURSEMENTS

An employee who obtained prior approval from the building principal or superintendent to make a purchase using personal funds on behalf of the school district will be reimbursed via payment on the next pay check following submission of all required forms.

Attach a detailed receipt to the requisition form that must include administrative approval and submit it to Central Office. The request form must include the UFARS code for the reimbursement.

Employees who incur travel expenses are required to complete a Personal Travel Expense Claim form in order for their expenses including: mileage, lodging, registration and other appropriate expenses to be considered for reimbursement. The Business Manager and/or superintendent must approve these requests. All reimbursements are subject to board review in the monthly bills or Hand Payable Check Request process. Reimbursements must be submitted within 30 days of when the expense was incurred. Mileage reimbursements for itinerant staff must be submitted by January 7 and June 7 of each year. Employee expense reimbursements

will be included with the monthly payroll. Sales tax is not eligible for reimbursement. Employee expense reimbursements subject to taxation will be applied according to federal and state regulations. Expense reimbursement that is not governed by individual or master agreements will be paid at the IRS rate in effect at the time of expenditure.

ACTIVITY/EVENT REVENUE

All revenue generated by fees for activities and events must adhere to the processes of Internal Controls. Funds collected from gate fees at activities and events, student fees for participation, and funds collected at the concession stand must be receipted and recorded in accordance with the standards for Internal Controls.

Gate receipts will be counted immediately after the gate has been closed by the gate workers. The funds and receipt signed by a gate worker will be placed in a sealed envelope and placed in the safe at the end of the activity. As soon as practicable, the building administrative assistant will verify the funds collected and submit to Central Office for deposit in the manner described in the [Cash](#) section.

Student participation fees will be paid via online payment or to the activities administrative assistant. Upon payment of the fee, a roster will be provided to the coach or advisor as documentation of the fee being paid in full. Students must pay participation fees prior to being allowed to practice or play. Participation fees will be receipted by the activities administrative assistant and submitted to Central Office for deposit.

Operational oversight of concession stands utilizing district-purchased inventory is the responsibility of the FFA Advisor. The management of the concession stands utilizing district-purchased inventory will include maintaining the inventory for the concession stands as well as ensuring the stands are in good operating order (ie., equipment, cleanliness, etc.). The profits from the sale of district-purchased inventory in the concession stands will be distributed among the organizations that worked the concession stands and the FFA group.

Concession stand receipts will be counted immediately after the concession stand has been closed by the concession stand workers. The funds and receipt signed by a concession stand worker will be placed in a sealed envelope and placed in the safe at the end of the activity. As soon as possible, the building administrative assistant will verify the funds collected and submit to Central Office for deposit in the manner described in the [Cash](#) section.

FIELD TRIPS

All revenue generated by fees for field trips must adhere to the processes for Internal Controls. Student payments and/or alternative funds must be secured in advance of the trip to cover all costs including transportation. Teachers are responsible for planning and organizing field trips. At least three months in advance of the trip, teachers must obtain approval of the trip from the building principal. At least one month in advance of the trip, teachers must inform parents/guardians of the trip. Each child must have a permission slip signed by the parent/guardian, which must be returned in advance of the trip along with any fees to be paid by the student. After the fees have been collected, the teacher must fill out a deposit form and submit it with the revenues to the building administrative assistant along with a request for

payment of any admission fees associated with the trip at least one week in advance. Purchase orders, requests for checks, or a district credit card charge will not be processed unless the funds to cover the costs have been collected and receipted by Central Office.

GRANT, FUNDRAISING, GIFTS, DONATIONS

All applications for grants that would enhance student opportunity and be consistent with the district's mission must be pre-approved by the superintendent.

All fundraising activities and the uses of raised funds must be approved by the superintendent. Fundraising activities must adhere to the processes of Internal Controls and must be in accordance with any existing federal, state, or local laws, Minnesota State High School League policies, and policies/procedures of the school district. The coach or advisor of the organization, team, or club must complete a Fundraiser Request Form prior to engaging in any fundraising activities. The process for receipting revenues and tracking expenditures must be specifically stated on the form. This form is due to the superintendent's office by September 15 for approval. Participation and/or promotion of non-approved fundraising activities will be a violation of the processes for Internal Controls.

Students may only fundraise for items or equipment that will benefit students. If a student assists in the raising of funds, that student must benefit from its use during their attendance period. All student participation in a fundraising project will be voluntary. Students will not be pressured into participating in fundraising activities. Fundraising sales are prohibited during class times in classrooms.

All funds collected through fundraising must be stored in the safe on a daily basis. Staff are not permitted to keep any money in their desks or in their classrooms. The coach or advisor is responsible to receipt and record the revenue generated through the fundraising activity, following the processes that meet the standards for Internal Controls, which includes a first and second count of all receipts.

All monies fundraised on behalf of the school district must be collected and deposited with Central Office within five days of the end of the fundraiser. Monies that are fundraised cannot be donated to another group, organization, or individual. The money raised cannot be used for any other purpose than the one that has been board-approved.

All donations, gifts, and monies received must be reported to Central Office for inclusion on the school board meeting agenda for school board action at their monthly meeting. Donations, gifts, and monies received become the property of the school district upon school board approval.

YEAR-END PURCHASING

Supplies purchased during the fiscal year are to be used within the same year. To ensure that this procedure is practiced, the cut-off for purchases will be no later than April 1. The purpose for this deadline is to ensure that any supplies ordered with the current year's allocations are used within the same fiscal year. The intent of this procedure is not for grade levels and/or departments to "spend down" their budgets. Staff are expected to submit purchase orders for materials and/or items that are only needed for the remainder of the school year. This applies to

all purchases including purchases processed through [purchase orders](#), [district credit cards](#), [check requests](#), and requests for [reimbursement](#).

It is understood that supplies with a short shelf life will need to be purchased through the end of the school year. Additionally, departments with seasonal needs will also be allowed to make purchases as needed, ie., custodial, athletics, etc.

CAPITAL ASSETS & EXPENDITURES

Capital assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The school district maintains a capitalization threshold level of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Once the assets have been added to the fixed asset system, a printout is given to the building and grounds supervisor who gives the fixed asset a tag number when appropriate. When all of the fixed assets have been assigned tag numbers and the tag number sticker has been affixed to the fixed asset, the printout is given back to the Business Manager so that the tag numbers can be added into the fixed asset system.

Disposal of any assets of significant value requires the approval of the superintendent. Requests for purchases made with monies from Capital Outlay and Long-Term Facilities Maintenance will be submitted to the superintendent no later than February 28. These funds are not to be used for supplies and are intended to be used primarily for equipment and facility needs. The equipment must cost at least \$500 and have a useful life of greater than one year. If items are consumable within one year, the items are considered to be supplies.

Situations or circumstances that arise throughout the fiscal year that require the use of the funds designated for capital expenditure or long-term facility maintenance must be submitted to the superintendent for prior approval. The superintendent and board reserve the right to establish a fund balance reserve of at least \$500,000 for capital expenditures.

INVENTORIES

The school district maintains an inventory system for textbooks, chairs, and student desks. The teacher fills out an inventory list of the items kept in their classroom or instructional area. The inventories are updated during the first and final weeks of each school year. The teacher updates the inventory list with any new purchases and deletes any inventory that has been discarded. Digital copies of the inventory lists are maintained by the building administrative assistant. The items identified on these inventory lists are for inventory that is not considered to be a fixed asset.

FUND 10 ACCOUNTS

Fund 10 accounts are under school board control and are required to follow the general accounting requirements in the UFARS Manual as noted by Minnesota Statute 123B.77, Subd.1. Fund 10 accounts under school board control are included in the district's annual external financial audit. The school board must receive, disburse, and account for all funds in

the same manner as all other revenues and expenditures of the district as directed by the UFARS manual. Fund 10 accounts must follow the processes and procedures as outlined in the Internal Controls Document for receipting revenues and disbursing funds for expenditures.

A statement of purpose must exist for each student activity with a Fund 10 account. The statement of purpose form must be completed for each Fund 10 account on an annual basis, signed by the advisor, a student representative, and submitted to Central Office by October 1. The form will include the name of the student activity, the name of the advisor, and acknowledgement of responsibility for assuring that proper procedures are followed. The form must include the following information:

- Date
- Name of Student Activity
- Purpose of Student Activity
- Age, grade, and/or interest of students served
- Name of Advisor – printed, signature and date
- Name of Building Principal – printed, signature and date
- Instructions for disposal of the balance of the activities' funds upon termination of the activity

For elementary Fund 10 accounts, the student representative approval is not required.

A certified public accountant must audit Fund 10 accounts annually. The fiscal year of Fund 10 accounts will coincide with the school district fiscal year. The school board must review and accept the audit report. A copy of the audit report must be filed with MDE and must also be made available to the public upon request.

Fund 10 accounts must not borrow money from any individual or entity (ie., a booster club). Fund 10 accounts must not loan money to school employees, activity members or any other individual. Fund 10 accounts may not be transferred to the general fund to support operations. Central Office will maintain the financial operations of Fund 10 accounts, including receipting revenues and issuing disbursements. Disbursements for expenditures will be made via a [check request](#) or [purchase order](#). Every receipt of revenue and disbursement for expenses must be prepared and approved by a student representative, the advisor, and the administrative designee (superintendent or building principal).

No Fund 10 account will operate with a negative cash balance at the end of the fiscal year. Guidelines for the establishment, management, and audit of Fund 10 accounts include the following. Activity fund development and fund management are grounded in school board policy and written procedures. Student activity funds are used for student activity purposes and for those students currently enrolled in school. There is an adult of record who is primarily responsible for the management of the fund. Decisions regarding disbursement of money from a Fund 10 account cannot be made unilaterally by an administrator or faculty member. Participation by students must be supported by minutes, student signatures on purchase orders, check requests, and credit card requests. All transactions are open to inspection. Fund 10 accounts are managed in accordance with sound business practices. The size of the account is limited to a reasonable amount. Fund 10 accounts are audited annually.

REVENUES & RECEIVABLES

Every possible effort, within the resources available, is made to segregate duties with regard to billing, collection, cash receiving, receivables accounting, and the maintenance of the general ledger accounts.

Receivables are made a matter of record promptly upon completion of the acts, which entitle the district to collect the amount due it. As directed through UFARS, the district maintains separate accounts for each major category of receivables in order to ensure the clear and full disclosure of the district's resources in its financial reports. Controls exist so that receivables are reported in the appropriate funds/accounts. The vast majority of the district revenue comes from federal, state, county and fee dollars. Actual products and services to purchasers are minimal; therefore, invoicing receivables is also minimal. Central Office, with the approval of the superintendent, may generate receivable invoices.

Central Office performs the original UFARS coding for State aids, property taxes, other direct deposits received, and any cash receipted in Central Office every month.

YEAR-END CLOSE & JOURNAL ENTRY PROCESS

The Business Manager codes journal entries for items that are needed to reconcile the bank statement. These items include ACH cost, interest, cost of deposit tickets and uncollected NSF checks. Journal entries are also needed to transfer funds from one account to another and/or one fund to another fund. Some of the journal entries are system generated. Posting of invoices, receipts, and checks are examples of system generated journal entries. Year-end journal entries and closing is a process of booking receivables for the state payments. Journal entries are recorded and posted for salary and wages payable, gas, fuel, and food inventories.

GENERAL

Every effort is made to ensure all records are kept in a neat and proper order. Accounting records are kept current. Backup files are kept for electronic data, in a timely manner. Supervisors, as appropriate, perform internal audits.

PAYROLL

Each employee who is paid on an hourly basis is responsible for entering their duty time on Time & Attendance. The majority of employee payroll is governed by negotiated contractual agreements. Payroll is paid on the 20th of each month, except where said date falls upon a weekend or holiday, in which case payroll is paid on the preceding business day.

Supervisors are responsible for monitoring hourly employee duty time and approving individual time cards on Time & Attendance. Payroll and general ledger functions are separated in so far as staff resources allow. Payroll is distributed to individual employee bank accounts for all regular employees by electronic transfer to help avoid fraud. Employees are provided an electronic payroll statement for each pay period to help ensure accuracy of payment through the SMART ER system. The Human Resources Coordinator will send the payroll ACH files to Bank Midwest. Payroll charges, including fringe benefits, are recorded and distributed accurately as

per UFARS principles and are done in a timely manner. In performing the journal entry of disbursement of salaries and benefits, deductions are reviewed.

Electronic forms are required for authorization, recording and controlling sick leave, other leaves, vacation time, holidays, overtime, and compensatory time. Most such benefits are controlled by negotiated master contracts.

Payroll records and reports are adequately safeguarded. Employee personnel files are securely maintained and access is restricted to appropriate personnel. The Human Resources Coordinator performs the entering of payroll information including time sheets from Time & Attendance. Journal entries to carry payroll across to finance are done by the Business Manager or designee. The Business Manager reviews distribution codes as often as needed to ensure accuracy and program compliance. The Human Resources Coordinator runs all payroll reports and sends the ACH files to the bank. The Human Resources Coordinator also creates the vouchers in payroll to be carried across to finance.

INSURANCE

The school district's insurance program consists of many facets and is designed to protect the investment of the taxpayer as well as to protect employees. The Human Resources Coordinator is the official who manages the school district's participation in these programs.

The program consists of: employee health insurance, dental insurance, life insurance, long-term disability insurance, employee worker's compensation insurance, liability (including directors and officer) insurance, fleet insurance, and property insurance.

Employee health insurance is offered through Medica and is coordinated through South Central Service Cooperative. Employee dental insurance is offered through Delta Dental and is coordinated through NIS. Employee long-term disability insurance is offered through Madison National Life Insurance. Worker's compensation insurance is offered through RAS and is coordinated through Ringnell Insurance. The remainder of the district insurance coverages have been competitively bid and are offered through OMNI for 403b contributions.