



Student Activities

The Long and Winding Road

FRAUD/INTERNAL CONTROL

- ▶ Internal Control must be implemented at all times.
- ▶ Each School District is unique and each district has to implement Internal Controls that best fit the District.
- ▶ **DO NOT WANT TO ENCUMBER MANAGEMENT**

What is FRAUD?

- ▶ Any and all means a person uses to gain an unfair advantage over another person.
- ▶ A deliberate and willful deception perpetrated for unlawful gain, a trick or swindle, an impostor, a cheat. (Webster's Dictionary)



Fraud Detection

- ▶ 10-10-80 Rule
- ▶ 10% are Honest
- ▶ 10 % are Dishonest
- ▶ 80% will stay honest of afraid of being caught



▶ Fraud Detection - Cont.

- ▶ Be visible – make sure your activity sponsors are aware that you do double check.
- ▶ Make sure they are counting and signing off that the money is correct before leaving administration office. Being late picking up cash boxes is not an excuse not to have them count it before it leaves the administration office.



- ▶ Make unscheduled audits – are they following procedures – ticket takers?
- ▶ Compare receipts / expenditures to prior year.
- ▶ Bookkeeper never takes a day off.
- ▶ Teachers / Students not getting receipts – monthly reports.
- ▶ Lifestyle change for bookkeeper.
- ▶ Around Till – Marks on Paper, coins rearranged in till.



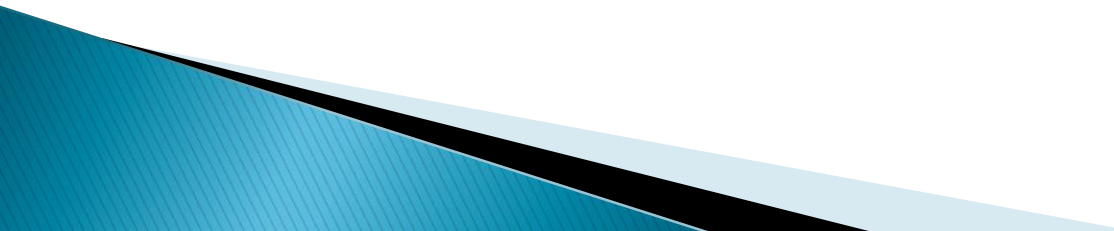
- ▶ Excessive VOIDS
- ▶ Takes money home to count – after activity cash boxes should be counted and turned into supervisor. NEVER TAKE HOME!!
- ▶ Not Turning cash boxes in on a timely basis.
- ▶ Several corrections to reconciliation sheet.



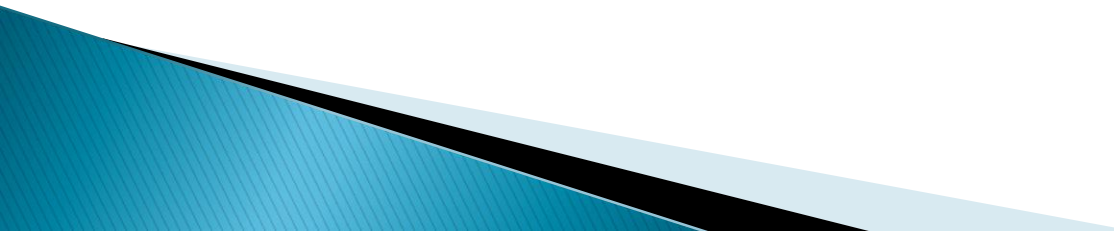
HOW TO PREVENT FRAUD

- ▶ Setting tone at top of organization
- ▶ Conducting ethical business
- ▶ Need to be committed to strong internal controls - EVERYONE
- ▶ Review your internal controls
- ▶ Assign authority and responsibility
- ▶ WRITTEN PROCEDURES ARE A MUST
- ▶ BE CONSISTENT, FAIR, and PROFESSIONAL treatment of all EMPLOYEES!!

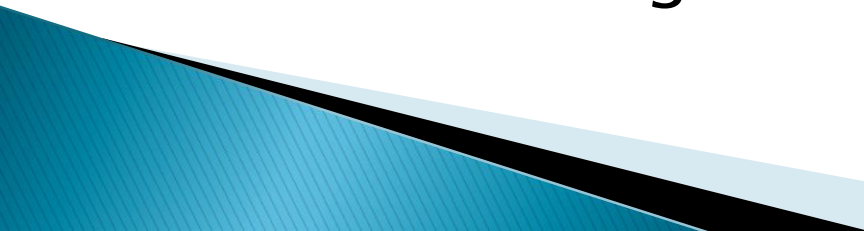
WHAT IS INTERNAL CONTROL

- ▶ Internal controls are simply good business practices, a process affected by the Board of Education, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in one of the following:
 - ▶ 1. Efficiency and effectiveness of operations
 - ▶ 2. Reliability of financial reporting
 - ▶ 3. Compliance with applicable laws and regulations.
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Basic Internal Control

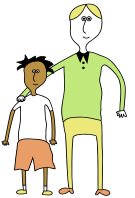
- ▶ Should benefit the district rather than encumber
 - ▶ Need to make sense within each school district operating environment
 - ▶ Not stand-alone practices – used in day to day responsibilities of the people involved.
 - ▶ Need to be cost effective
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Five Components to achieve effective internal control

- ▶ 1. Control Environment–district needs to set up and follow procedures – no allowances
 - ▶ 2. Risk Assessment – where are your risks within the district
 - ▶ 3. Control Activities – administration need to know what is going on
 - ▶ 4. Inform and communicate – VERY IMPORTANT – every employee needs to hear the same thing.
 - ▶ 5. Monitoring – Use common sense
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What weakens Internal Control

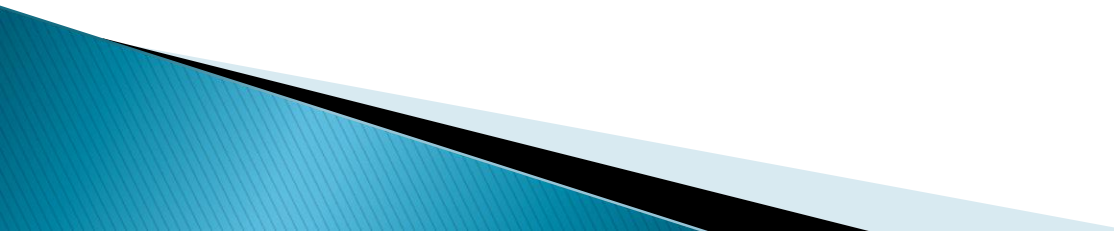
- ▶ 1. Clubs and organizations collecting funds which are not handled by the school business office.
- ▶ *** (Classic example parents decide to sell bennies for class of 2018 and do not run anything thru office, next thing you know money is being turned in)
- ▶ 2. Fundraisers, athletic events, field trips
- ▶ 3. Several parties handling monies – which normally do not have a financial background or understanding of internal controls.



How to Implement Stronger Controls

- ▶ 1. Train Individuals in the process – be patient – Some don't have a clue!!
- ▶ 2. Document procedures
- ▶ 3. Segregate duties when Possible – Harder in smaller districts – but work with auditor and if you have policies and procedures in place and IF YOU FOLLOW THEM this will help. BE CONSISTENT!!
- ▶ 4. Checks should be made out to companies not individuals.

How to Implement Stronger Controls – Continued

- ▶ 5. All accounts should be self-sustaining
 - ▶ 6. AUTHORIZATION AND APPROVAL – make sure everyone knows the process
 - ▶ 7. Funds balances on monthly basis with reports submitted monthly to board and account sponsors – which include receipts, disbursements and current balances.
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Closing Comments

- ▶ Remember each DISTRICT is unique – not every procedure or form suits all districts
- ▶ There is no full proof method of preventing fraud in your district, but taking the necessary steps can reduce your chances of being a victim
- ▶ A non-existent or poor internal control structure could lead to fraud.



Updates to Student Activity Manual

- ▶ **NEW – STUDENT ACTIVITY FORMS MANUAL**
- ▶ The thought on the this new manual was to put together a manual of forms that are accessible to all members thru the MASBO web site. These forms are examples and may be downloaded and changed to meet your district needs.

New Sections to existing Manual

- ▶ New Section dealing with raffles–Make sure you know the current regulations on conducting raffles in your district
 - ▶ P-Cards
 - ▶ NSF Policy
 - ▶ Fraud/Internal Control Accountability
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