

### **Internal Control Guidelines for School Connected Organizations**

- **Pre-Planning**
  - Non-Profit Status: Organize as a 501(c)(3) entity with the IRS and State of California
  - Conduct properly noticed, regular Board/Council meetings and keep minutes
  - Use the organization's Taxpayer Identification Number (TIN) for soliciting donations. Do NOT use TIN for the school district.
  - Annual Budget: Establish and adopt an annual budget that includes the following details:
    - Beginning Balance
    - Revenue broken down by source and totaled for the year
    - Expenditures broken down by type or category and totaled for the year
    - Net Income (Revenue minus Expenditures)
    - Ending Balance
  - Fundraisers: Establish and adopt a plan for each major fundraiser that includes estimated revenue, expenditures, and net income
- **Bank Account**
  - Establish a separate bank account for the organization to account for all income and outgo
  - Separation of duties: Someone who does not sign checks or make deposits should reconcile the bank account with accounting records every month
- **Cash Receipts**
  - Independent documentation: Establish a documentation process for each fundraiser to provide an independent accounting of the amount collected. This could include, but is not limited to:
    - Cash register tape
    - Reconciliation of pre-numbered tickets: Recording of beginning and ending counts with amount charged per ticket
    - Use of pre-numbered receipts: Copy given to payer and copy retained for reconciliation
    - Inventory counts: Recording of beginning and ending inventory counts of items with amount charged per item
    - Written Log: Line-item recording of payer, purpose, amount received, and date
  - Dual Control:
    - Staff areas where cash is collected with more than one individual
    - Count and prepare deposits in the presence of 2 individuals
  - Intact and Timely Deposits: Ensure all cash and checks are deposited first and not held for an unreasonable amount of time. Do NOT make payment for any expenditure directly from fundraiser proceeds or reduce deposits for petty cash or change funds. Write a check to establish any petty cash or change fund.
- **Cash Disbursements**
  - Use checks for all expenditures and retain supporting documentation:
    - Purchase order or purchase approval
    - Evidence of receipt of goods or services: signed packing slip or signed invoice (Payments in advance of receiving goods or services are not advised)
    - Itemized invoice for vendor payments or original receipt showing proof of payment for reimbursements
  - Require two (2) signatures on all checks
  - Regularly submit all disbursements to the Board/Council for approval/ratification
- **Reporting**
  - Provide monthly report to Board/Council comparing budget to actuals with Board/Council approval of budget revisions, if any
  - Ensure Form 990 is filed every year with the IRS