ACTIVITY FUND ACCOUNTING PRACTICES IN THE SMALL HIGH SCHOOLS OF SOUTHWEST WASHINGTON

by

Joseph Lloyd Jenson

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INTRODUCTION

Recent years have seen an ever increasing incidence of leisure time. This has been reflected in additional free time for students of our schools. Along with this the average student has more money to spend and frequently has an automobile to use. This has been a factor in the demand on the part of communities for the schools to expand their activities beyond the school day. The result has been the growth of the extra-curricular activities program until it has become a major part of the curriculum in the public schools of the United States.

The number of activity groups that raise and spend funds in the secondary schools has increased in proportion to the growth of the extra-curricular program. This increase has often resulted in comparatively large sums of money being handled through student activity accounts. With these factors in mind, satisfactory accounting practices and procedures have become a matter of great importance.

The early programs created no particular problem for school administrators since the activities were relatively few in number and financial problems were small. Today the large sums received and expended for student activities, create a natural demand for safe, economical, and efficient management. Considering this, all schools should have adequate rules and regulations for the effective management and adequate control of activity funds.

THE PROBLEM

Statement of the problem. The growth of activities within the secondary schools has created a difficult problem of supervision and management of student funds for administrators. Over the years many systems have been created through the efforts of many individuals associated with the schools. It appears that not all educators have had access to information on the successful systems which have been developed. This study was an examination of the existing activity fund accounting practices and procedures of the small high schools of Southwest Washington. The study is to serve as a guide for those seeking to establish a workable program of activity fund accounting. To accomplish this purpose the following questions needed to be answered:

1. For what purposes are activity funds raised and expended?
2. What are the sources of these funds?
3. Who is responsible for the administration of these funds?
4. How are funds managed?
5. How much are certificated personnel involved in fund management?
6. Is there uniformity in practices of fund accounting among small schools?

Limitations of the study. The researcher recognized that there were some very definite limitations in the study. The data collected was limited to the high schools of Southwest Washington with an enrollment of under three hundred students on 1 October 1968. No attempt was made to judge the value of extra-curricular activities. The study was further limited by the use of a questionnaire which always has some inherent shortcomings.

Importance of the study. The study is significant when related to the rapid expansion of extra-curricular activities, coupled with the increased amount of money involved. These are factors which make it essential that a well managed activity fund be in operation. This has become more important when the incomplete and unbusinesslike manner in which many school activity funds have been kept is considered.

It becomes more significant when the managers of student body activities are accused of being in competition with local firms, when school officials are accused of misappropriation of student funds, and when high school athletics become big business. The school frequently runs the largest entertainment business, through its extra-curricular program, in a small community. In some the school offers the only public entertainment, and frequently becomes the center of public interest. All of these things have led to the generation of rather large sums of money which tends to increase the importance of this study.

It has been suggested by the Association of School Business Officials (1:10) that activity funds schould be raised and expended in terms of the welfare, education and morale of all students. The funds should be used to finance normal and legitimate activities without embarassing any individual.

DEFINITION OF TERMS USED

To prevent confusion in the interpretation of material in this study it is necessary to define some of the terms used. The following define terms as they are used in this paper:

Administrator. An administrator is a certificated individual who spends more than half of his time in administrative or supervisory duties.

Activities accounting. Accounting as used in this study is the record keeping provided for internal funds which are not derived from tax sources. The record includes a permanent and complete accounting of all money received and expended for each school activity.

Extra-curricular activity. Any activity which is sponsored by the school and not offered for credit shall be considered as an extra-curricular activity.

Internal school funds. Those funds which are received by any activity group within the school. Money raised through athletics, dramatics, class functions, programs and performances are examples of such funds.

Small high school. For the purpose of this study, small high school refers to those high schools with an enrollment of three hundred or less.

Student body activity fund. This study refers to the fund where all extra-curricular income is collected, disbursed, and controlled as the student body activity fund.

CHAPTER II

REVIEW OF RELATED LITERATURE

Many articles and books have been written relative to accounting for revenues received from school activities such as athletic games, programs and performances, and other school related functions. As a general rule, the literature advocates that sound accounting practices must be followed.

Need for a workable system of activity fund accounting. Meade (10:23) pointed out the need for a workable system for extra-curricular fund accounting when he indicated that new problems have been introducted into school administration by the growth of activities which produce and require money. He stated that activities had grown with very little guidance during the early period of their development. This growth was on occasions tolerated, sometimes ignored, and in some cases opposed by school authorities. As a result developement took any direction that the students felt met their needs. Funds were raised, handled, and spent in any way an organization desired which led to many problems in the management of financial affairs. The records were often incomplete; money was lost; bills were unpaid; and functions and activities were duplicated.

Samuelson (15:269) reported that accounting for school activities is a constant problem. There has been a somewhat nonchalant attitude and a definite absence of standard accounting procedures. This has led to circumstances in which it has been impossible to determine total amounts received and expended. The source of funds or the purpose for expenditure has sometimes been obsure.

Moehleman (11:248) classed funds collected and expended as a result of athletics, dramatics, concerts, and debates, as part of non-public revenue accounting. He then cited several ways in which these non-public revenues were handled. The first is the laissez faire method, which, because of negligence and some dishonesty, was disappearing. The second procedure placed building principals in control of non-public revenue. The method and extent of the control showed considerable variation from one school to another. Teachers might be delegated the responsibility for accounts with an occasional audit by the principal. Some principals would keep all accounts and carry the cash reserves in their personal bank accounts. Criticism of this plan, in his writings, was based on the feeling that losses resulted from lack of bookkeeping knowledge and business sense on the part of the principal. He did not question the honesty of the individual involved, but suggested this might be a dangerous policy, leading to unfortunate results. The third procedure would have the board of education assume the responsibility for all non-public funds. This plan was designed to overcome the criticism of the other two methods of fund management.

McCann (9:48) indicated that concern for activity fund accounting has led to fairly elaborate laws in some states: Indiana and Pennsylvania, for example. These states require central accounting with prescribed procedures. Courts in Pennsylvania have rules that these funds when obtained while using school facilities and under the direction of school personnel are school district funds subject to use only at the direction of the board of education.

Burrupp (3:87) reported that many indefensible practices have been used in student body accounting. He cited the tin can in the safe and running all funds through the principal's personal bank account. His position was in agreement with the bulk of the literature when he stated:

> It is mandatory that a school involved in extra class activities, maintain a simple, centralized accounting system. This system should be based upon student participation with strong supervision.

Increasing problem of handling activity funds. Moehleman (11:248) listed an increasing number of activities that generate non-public revenue. The collecting of revenue and accounting for it have generally been placed in the hands of the building principal. The range of activities generating funds has become extensive and includes such items as athletics, music, clubs, classes, lunch rooms, book stores, candy counters, and many more.

Christy (4:49) described the accounting system in the school at Shreve, Ohio, where before 1938, each organization maintained its own records and bank account. This was eventually changed to a centralized plan under the supervision of the commercial teacher. The move to faculty supervision and administrative involvement became a necessity as the number and size of accounts grew.

Meade (10:23) suggested that the rapid growth and expansion of extra-curricular activities created new problems requiring the attention of school administrators. He indicated that the early attitude of indifference toward these activities resulted in poorly managed accounts and loss of funds. In time, considerable sums of money passed through the hands of those in control of these organizations. This factor tended to further complicate the problem of management.

Present practices and suggested aids for management of activity funds. In writing of the system used in the Iron, Michigan school, Dear (5:98) reported that the volume of paperwork involved, with the growing activities, threatened a limitation of additional accounts. They solved their problem with a Burroughs posting binder which allowed them to write each transaction only once. Ledgers were still maintained for each account, bills coded, checked and approved for payment. The use of spot carbon on the back of receipts and checks made it possible to position the proper fund record and made a single entry of the needed information. The result was a completed document, and a posted fund record in a single operation.

The central treasury system established by Christy (4:49) while superintendent of schools at Shreve, Ohio, provided for uniform and standardized procedures within the activity fund account. The procedures may be summarized as follows:

1. A ledger is kept by each organization treasurer showing all receipts and all cash payments with dates and amounts.
2. Forms for requisitions for purchases or authorization to incur indebtedness.
3. Formal receipts issued by all treasurers for money received.
4. Funds of all organizations deposited in a central account under control of the central treasurer.
5. Ledger of the treasurer reflects separate accounts for each organization.

6. Treasurer of organization is issued a receipt for all money deposited in the central fund.

7. All bills paid by check which is issued only when bill bears the signature of organization treasurer, president and advisor.

The necessary expenses for operation of the accounts are provided for by a one percent deduction from all funds in the central treasury.

Secoy and Englehart (16:82) reported a plan which was established in the Troy High School, Troy, Ohio. The plan was formulated through consultation with a commercial firm which designed a single form in quaduplicate with provision at the top to indicate deposit or check requests. The individual copies of the completed form were distributed to the bank folder, the accounts folder, the sponsor and student treasurer, and the principal's folder.

All transactions originate with the sponsor or treasurer of the activity. Deposits or requests for expenditures are recorded on the same form by making the proper entry at the top and filling in the necessary information on the body of the form.

The school treasurer makes necessary transactions based on the forms submitted. The forms are placed in the proper folder and secured. At the end of each month the bank statement is reconciled with the forms in the bank folder. A report of account balances is then made to each organization.

The article went on to comment that, "It is a simple plan to operate and understand. It allows individuals to quickly determine the exact status of any school fund with a little cross checking."

Bucknum (2:62) listed the following objectives of the activity fund accounting system for the schools of Albany, Oregon:

1. To centralize activities accounting.
2. To save time for principals, with no loss of program.
3. To eliminate duplication of effort.
4. To provide closer faculty supervision.
5. To eliminate errors in activities accounts.
6. To make it possible for schools, at any time, to have an over-all view of activities accounting, and to know the status of any individual account.
7. To provide training for students in budgeting and accounting.
8. To furnish guidance and leadership to students through an interested faculty representative.
9. To provide proper indentification of receipts in the records.
10. To attain a regular and frequent deposit of receipts for all activities.
11. To make all disbursements by check, from one authorized source, after a requisition procedure has been followed.
12. To provide a detailed and accurate record of all receipts and disbursements.
13. To reduce the time lapse before reports are sent to state agencies.
14. To provide the most in student activities at the least expense.

<u>Control through a budget system</u>. Rosenstengel (14:302) stated, "All funds raised and spent for the several activities of a school should be operated on a budget plan." Meade (10:23) was in agreement when he indicated that a balanced program of extra-curricular activities cannot exist without planned expenditures by a central authority. Uncoordinated

and decentralized activity financing have been factors leading to dissention and disagreement among activity leaders, with reduction in cooperation and a loss of morale.

The literature was in general agreement that budget procedures provided excellent training to students in handling financial matters. This philosophy is well supported by Rosenstengel's (14:302) statement: "Probably no other activity offers a better opportunity for pupils to gain experience in solving financial problems cooperatively--which is so often needed by adults in working with community projects."

Reeder (13:650) emphasized that control should be by the sponsors and administrators of activity funds through a student faculty budget committee. This form of operation would appear to be the most democratic and equitable means to insure the financing of all activities, without exceeding established limits.

Collection of activity funds. Mort and Ruesser (12:220) stated that it is "very desirable that the accounting of all internal activity funds of the school be cleared through the central office." This would indicate that the collection of activity funds would best be a function of a central finance office. It is likely that collection on a decentralized basis would not provide the control necessary.

Along with the collection of funds, it is the concensus of authorities that a duplicating receipt must be issued for all transactions. This is to insure proper credit to a specific account and protection of individuals involved.

Disbursement. Hendrix (8:110) has stated that "All transactions which involve the handling of funds should be properly documented." This statement can reasonably be interpreted to mean proper documentation for the purpose of disbursement. The statement by Buchnum (2:62) that "All disbursement is accomplished by check," would be in agreement with this line of thinking. It is not unreasonable to expect this procedure to be followed in disbursement of activity funds.

Auditing of school activity funds. Elsden (6:42) indicated that early activity funds were seldom audited, but in recent years auditing has become more common. Some states require that these funds be audited at specified intervals.

In discussing activity fund accounting, Rosenstengel (14:307) emphasized that a plan for internal accounting should provide for an annual audit. He continued by saying that the audit should come at the end of the school term. The auditor should provide a copy of his report to the board of education, the principal, and the central treasurer.

Elsden (6:42) stated that the audit must be more than a verification of the cash and should include other assets and liabilities. Supplies, equipment, and furniture should be traced to the inventory records. At the same time, a current, accurate inventory should be maintained.

In another article, Elsden (7:255) wrote of the obligation schools have to provide adequate accounting procedures. He indicated concern that neglect in this area might lead to placing of funds in the hands of accountants and auditors outside of the schools completely.

CHAPTER III

SOURCES OF DATA AND METHOD OF INVESTIGATION

The survey methods of investigation was used to determine present practices and procedures of accounting for student activity funds in the small high schools of Southwest Washington. Many school officials with whom this topic was discussed were interested in a comparison of their own practices with those of others.

At the September 1968 meeting of the Southwest Washington Activities Association, the cooperation of the high school principals was requested. They gave their assurance that the proposed questionnaire, on internal fund accounting, would be completed and returned.

The survey was restricted to the small high schools of Washington Interscholastic Activities Association, District IV, of Southwest Washington. The names and addresses of the principals were obtained from the 1968-1969 State of Washington Educational Directory.

The State Department of Public Instruction and the State Auditor's Office, Olympia, Washington were asked for advice and assistance. In each case they indicated that committees were working on the matter of student activity fund accounting but had not published anything on the subject. In correspondence from the State Auditor's Office (Appendix A) a number of items were suggested which would be acceptable as a basis for any future accounting system. The recommendations were as follows:

1. Use only prenumbered receipts when receiving money and control any unused receipts.

2. Save all copies of spoiled or voided receipts.

3. Deposit cash receipts intact and frequently.

4. Make all payment from student activity funds by check.

5. Require two signatures on all checks.

6. Reconcile bank statements to check register and total of activity accounts each month.

7. Do not use student activity funds to pay for materials or services that should properly be paid by the school district.

THE QUESTIONNAIRE

For practical reasons, a questionnaire seemed best for gathering information from schools located in the eight counties of Southwest Washington. In preparation of the questionnaire, assistance was given by individuals in business, accounting and education: an accountant for a Seattle, Washington drug chain; the central treasurer of West High School, Bremerton, Washington; the Superintendent of Schools, Napavine, Washington.

The questionnaire was mailed to each of the principals of the high schools in Southwest Washington. The cover letter gave the purpose of the questionnaire and asked for the principal's cooperation in its completion. Each principal was offered a tabulation of the results upon completion of the study.

The enrollment of the schools in the sample ranged from a low of 37 to a high of 300 students. The distribution by enrollment, was relatively equal at all levels of the scale with the largest number of schools falling in the 151-200 student range. The following illustrates the enrollment range.

TABLE 1. ENROLLMENT OF RESPONDING SCHOOLS

Enrollment		Number of Schools
Below 50		6
51-100		5
101-150		7
151-200		13
201-250		6
251-300		5
	Total	42

The exact enrollment of the responding schools as of October 1, 1969 was 6,424 students in grades nine through twelve. The researcher estimated that the total funds generated by these schools would be in the area of $237,000 during an average school year. This estimate was based on the responses given by the schools pertaining to total funds handled in the activity account in one year.

THE ENVIRONMENT

Geography. The area extends from Puget Sound to the Columbia River. It has the Cascade mountains as its eastern boundary and the Pacific Ocean to the west.

The climate is fairly uniform, with the most change being from west to east, as there are changes in elevation. The area experiences from six to eight month season of cloud cover and precipitation, generally in the form of rain, and a four to six month dry season.

Population. The Southwest area of Washington State has shown substantial population growth over the past twenty-five years. Recent estimates project an average yearly increase of 1.3 percent between 1960 and 1971.(17:56).

The 1960 population of Southwest Washington was 358,300, and was concentrated in five areas: Aberdeen and Hoquim, in Grays Harbor County; Centralia and Chehalis, in Lewis County; Kelso and Longview in Cowlitz County; Olympia and Shelton, in Thurston and Mason Counties; and Vancouver in Clark County.

Economy. A large portion of the land is heavily forested. This has led to an economy dependent upon processing of wood products. The percentage of non agricultural wage earners employed in the woods industry has been decreasing in recent years. The wood processing industry still provides more than 30 percent of the non-farm jobs (17:57).

With relatively little land available, agriculture has not been a major industry in the area. Livestock and livestock products have been the chief source of farm income.

In recent years various manufacturing industries have moved into the area. This has given greater stability to the economy (17:58).

Schools. The schools in the sample were generally in the outlying areas surrounding the five centers of population concentration. These schools exhibited some obvious differences from those located in the more heavily populated areas of Southwest Washington. The attendance at school events tend to be smaller as a result of a small population and limited facilities. These factors lead to reduced income for the student activity accounts. This has been enough to change the pattern of operation between the large and small high school. The fact remains, however, that many of the generalizations regarding sound accounting procedures can be applied to all high schools regardless of their size.

CHAPTER IV

ANALYSIS OF QUESTIONNAIRE RESPONSES

The responses to the questionnaire (Appendix B) were tabulated, analyzed and compared with practices and policies for student activity fund accounting which had previously been established as desirable from the review of literature. The questionnaire responses reflect the practices being followed during the 1968-1969 school year in the small high schools of Southwest Washington.

Questionnaires were mailed to fifty high schools in the area and a total of forty-seven were returned. Of this number five respondents indicated their enrollment exceeded three hundred students. Those who did reply stated that activity funds were maintained and accounted for separately from school district funds.

The United States Office of Education (18:3) in a 1967 publication, "Principles of Public School Accounting," suggested criteria for an adequate school accounting system which should also apply to activity funds. They recommended that the record system be adequate to provide financial and related operational information to interested parties, be designed to demand accuracy and a reasonable degree of internal control yet flexible enough to allow for change. It was further recommended that the system be uniform and also as simple as possible and still fulfill the requirement of ready access to information on individual financial transactions.

In dealing with activity fund accounting in the schools a 1956 report by the Association of School Business Officials of the United States and Canada (1:10) stated principles which would be a basis for uniform management policies. They suggested that activity funds finance extra-curricular activities which augment rather than replace activities provided by the district: all projects are to add to the educational experience of students, and funds accumulated from such projects are to be expended for the benefit of the entire student body. They continue by suggesting that rules and regulations for administering activity funds, be formulated by the board of education, chief administrative officer and building principals. These general principles were considered as the questionnaire responses were tabulated and compared. They were used to examine existing programs and to draw some conclusions.

Responsibility for accounting records. All the responding schools indicated that an activity fund account was maintained. In response to the question of the amount of money handled in student funds one of the forty-two schools reported $1,500; one $2,000; three $2,500; six $4,000; ten $5,000; eight $6,000; six $7,000; three $8,000; two $9,000; and two $10,000 during a single school year. This makes an average of approximately $5,643 per small high school in Southwest Washington during a given year. Of further interest is the total figure of $237,000 in student activity funds that are raised and expended by these forty-two high schools with a combined enrollment of 6,424 students.

The primary responsibility for control and direction of student funds was assumed by the principal in a majority of schools. There were five who responded that the principal shared the responsibility equally with either the business education teacher or administrative assistant. These practices are pointed out by Table 2, which follows.

TABLE 2. PRIMARY RESPONSIBILITY FOR DIRECTING, ADMINISTERING AND ADVISING OPERATION OF STUDENT BODY FUNDS.

Responses		Number
Principal		37
Business Education teacher		5
Administrative assistant		2
Superintendent		3
	Total	47*

*Total greater than number of schools responding because the principal shared responsibility with the business education teacher in three schools and with the administrative assistant in two.

In maintaining the accounting records, nineteen schools indicated that the principal acted as the central treasurer. Sixteen named a student, three named a teacher and four assigned the task to an office employee as shown in Table 3, which follows. The central treasurer had

TABLE 3. PERSON IN CHARGE OF RECORDS FOR STUDENT BODY FUNDS.

Central Treasurer		Number of Schools
Principal		19
Student treasurer		16
Office Employee		4
Teacher		3
	Total	42

assistance in fifteen schools, the student body treasurer in ten, an office employee in three, and a teacher in the remaining two.

Of the twenty-two schools where a teacher or administrator maintained the accounting records, seven made the assignment in lieu of a full teaching assignment. In the remaining fifteen the assignment was in addition to a full teaching assignment and was treated as extra-curricular. In four cases the amount of time spent daily for this assignment was reported to be two hours. The other eighteen indicated a daily time allotment of one hour or less.

Sources of student body revenue. Major sources of income in all schools surveyed were the activity ticket and admission to athletic events. Other common sources were music programs, dramatic performances and dances. Table 4 is a tabulation of the reported sources of revenue.

TABLE 4. SOURCES OF STUDENT BODY REVENUE

Source	Number of Schools
Activity tickets	42
Admission to athletic events	42
Concessions	36
Sale of annual	34
Admission to plays	33
Admission to dances	31
Fund drives (major)	22
Admission to music events	20
Vending machines	16

Fund raising drives were reported as a way to raise money in twenty-nine schools. This method was used to finance items such as band uniforms, chorus robes, athletic equipment and other large expenditures from the activity account.

The holders of activity tickets in all schools were admitted to athletic events and assemblies and were entitled to the school paper. Some schools admitted activity ticket holders to dances, plays and music programs. Some entitled the student to the school annual. The benefits to which activity ticket holders are entitled are shown in Table 5.

TABLE 5. BENEFITS TO WHICH ACTIVITY TICKET HOLDERS ARE ENTITLED.

Benefits	Number of Schools
Admission to athletic events	42
School paper	42
Admission to school assemblies	36
Admission to plays	21
Admission to music events	15
Admission to dances	12
Annual at a reduced price	10
School annual	6

Budget. Nine of the high schools prepared a master budget for all activities. Seven of these reported the budget was prepared in the spring for the following year. The remaining two accomplished this task in the fall for the current year. In student bodies where a budget was used, the student treasurer prepared it in two schools, the student council in one, a committee of students in three, the director of activities in two and a student faculty committee in one. The budget prepared by the director of activities needed no further approval. In the other schools the budget was approved by the principal in three and the principal and student council in three. In the remaining school, the joint committee of students and faculty, who prepared the budget also approved it.

Five high schools using a master budget did not have separate budgets for each activity. In the four which used separate budgets, they were prepared by the faculty advisors, activity presidents and treasurers.

Expenditures. The student council's action was required in thirteen schools for all expenditures. Two indicated that the student council was occasionally consulted. In two others the student council passed on expenditures which exceeded a specified maximum. All remaining schools responded negatively to the question of student council consent for expending student funds.

Individuals authorized to contract expenditures included the principal of all respondents. In seventeen schools the directors of activities also had this authority. In all the other schools the principal was the activity director also. The principal or activity director was authorized to contract all general expenditures. Activity advisors were also authorized to contract expenditures for their specific areas in some schools: the director of athletics in nineteen and the athletic coaches in twenty-three could expend funds from their department, the dramatics coaches in twenty-seven and the director of music in thirty-two.

In responding to who authorized payment from club funds deposited with the central treasurer, most schools required signed requisitions. Twenty-two reported that the faculty advisor must sign the requisitions. In six of these the club treasurer would also sign while four required the signature of the activity president. Ten activity treasurers signed all requisitions and the activity president had the responsibility in four instances. In the remaining schools four allowed payment as a result of oral authorization by the advisor and by the advisor and treasurer in two.

All of the schools, except seven, made all payments by check. Those who made some cash payments reported that officials for home athletic contests were paid from the gate receipts. Two recorded the transaction through a receipt signed by the officials. The remaining five maintained no record at all of the transaction.

The signature on the checks is the final means by which disbursement is controlled. Forty of the forty-two schools required two signatures on every check, while one indicated a requirement for three. Those authorized to sign checks are indicated in Table 6.

The principal was one of those signing checks in thirty-five of the schools and the superintendent in fourteen. The second signature was most commonly the student body treasurer as reported by twenty-nine responding schools, while six listed the central treasurer, and seven the secretary. Others who sign checks included: vice principal, one; student body president, two; director of activities, one; office manager, one.

TABLE 6. PERSONS AUTHORIZED TO SIGN STUDENT BODY CHECKS.

Signs checks	Number of Schools
Superintendent	14
Principal	35
Vice principal	1
Secretary	7
Central treasurer	6
Office manager	1
Director of activities	1
Student body treasurer	29
Student body president	1
Total	95*

*Total results from schools requiring more than one signature and provision for alternates.

In response to inquiries on bonding of those who sign checks, only in nineteen of the forty-two schools is this practice followed. Those who count money are bonded in twenty-three and those who receive and deposit money are bonded in eighteen. All bonding that was reported existed in twenty-nine schools. Where bonding is a common practice they limited it to staff members who handle money, but not students who do so.

Petty cash. Almost a complete lack of petty cash funds was evidenced in the survey. Only three indicated a need for this fund. In two instances the principal had custody and also authorized all expenditures from the fund. The remaining school gave the same authority and custody to the central treasurer. In each case the limit on expenditures was less than $25.00. The general purpose of the petty cash fund was reported to be for disbursements of less than $5.00, for postage and stationary.

Financial statements. Monthly statements were submitted to each activity in twenty-two schools; three prepared a financial statement quarterly; five at irregular intervals and one on a yearly basis. The eleven remaining reported no financial statement, as such, being prepared. They indicated that each activity advisor would be given the information on request.

The reports varied widely. Seven schools showed only cash balances for each activity while ten others reflected only cash receipts and disbursements for the month with cash balances at the end of the period.

Six of these also listed outstanding bills and checks by activity.

Where financial statements were prepared, the principal in all cases, received a copy. In addition the reports were made available to organization advisors in each school. Others receiving the financial statements were the accounts advisor in fourteen, board of directors in fifteen, student council in twenty-two, superintendents in twenty-one and the vice principal in three. Table 7 is a tabulation of financial statement distribution.

TABLE 7. FINANCIAL STATEMENT DISTRIBUTION.

Recipient	Number of Schools
Principal	31
Organization advisors	31
Student council	22
Superintendent	21
School board	15
Accounts advisor	14
Vice principal	3
Posted on bulletin board	3
Club president or treasurer	3
County superintendent	2
All teachers	1

Auditing. All respondents stated that their activity accounts were audited. As a result of recent changes in philosophy in the state auditor's office, these funds are audited every two years by that office. This audit is generally limited to a verification of fund balances. Twenty-seven schools conduct an annual audit; however, one of these conducts an internal audit monthly. The responses revealed that these annual audits were conducted locally and were much more thorough than those of the state auditor's office. Table 8 enumerates the classifications of persons or firms performing audits other than the state auditor.

TABLE 8. FIRM OR PERSONS PERFORMING AUDITS OTHER THAN STATE AUDITOR.

Agent		Number of Schools
Certified public accountant		12
District superintendent		11
Commercial teacher		7
Principal		5
District clerk		4
District business staff		2
Faculty committee		1
	Total	42

Student help. Thirty-seven of the schools reported the use of student help. Seven selected business education students, two accepted applications from students, and twenty-eight were selected as a result of being elected to a student body office. The students involved were often utilized in very limited capacities. In only seven instances did student help come in direct contact with the funds. Twenty-one other schools use student help to assist with the maintenance of the activity fund account records. The remaining nine schools limited the student body treasurer to writing checks on student funds. As indicated in Table 6, page 24, student body treasurers in twenty-nine schools sign checks. From questionnaire responses and the investigator's experience it is unlikely that these individual's signatures appear on the account card at the bank. Therefore in those schools where the student body treasurer's signature is the second signature, it is likely that a single signature is all that is actually required.

Protection of personnel and safeguarding funds. The questionnaire listed ten safeguards for funds and protection of personnel involved in the management of student funds. Not one of these ten safeguards was a common item of response from the surveyed schools. Only nineteen possessed nonportable safes or vaults and just eleven of these were fireproof. Each school used checks for disbursement but only seven used a check protector. Two signatures were required on checks issued by forty schools, one required three signatures and one required only a single signature. Immediate endorsement for deposit was accomplished by twenty-six schools. Fourteen deposited funds more often than once per week, nine deposited at irregular intervals and one deposited monthly. The use of lock bags for deposit to the bank was not a common practice and was used by only thirteen schools. Money was counted separately by two or more persons in twenty-one schools. Of this number four qualified their response by restricting this procedure to game receipts. Funds were protected by burglary or robbery insurance in fewer than half of the schools.

As mentioned previously, bonding is common in only twenty-nine schools where one or more persons were given this form of protection. Table 9 is a resume of safeguards.

TABLE 9. TABULATION OF SAFEGUARDS FOR THE PROTECTION OF PERSONNEL AND FUNDS.

Safeguards	Number of Schools
Using non-portable safes and vaults	19

TABLE 9. (Continued)

Using fire-proof safes and vaults	11
Using check protectors	7
Requiring requisitions or purchase orders	22
Using locked bags for deposit to bank	13
Counting money twice	21
Depositing frequently	33*
Endorsing checks for deposit promptly	26
Insuring for burglary or robbery	20
Requiring checks to be countersigned	24
Bonding of employees	29

*At least once per week

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

It was the purpose of this study to examine current activity fund accounting practices and procedures used in the small high schools of Southwest Washington. The data gathered revealed that they sponsor the same activities that are common to large high schools, such as athletics, annual, newspaper, dances and clubs; the major difference being smaller size and a reduced financial return.

In the schools of the survey a faculty member, usually the principal, was in charge of student funds with the assistance of the student body treasurer. Since the main duties of a principal were supervisory, it was necessary to have an accounting system which takes as little of his time and effort as possible yet embodies the principles of good bookkeeping.

The schools surveyed reported the complete separation of activity accounts from school district funds.

The study showed a variety of practices with a lack of uniformity. Questionnaire responses, however, indicated that the schools in the survey had made more progress toward an effective program of control and management of student activity funds than is commonly believed by some authorities.

The extent to which good accounting and management was practiced showed a relationship to enrollment. The smaller schools had a tendency to follow procedures which reduced control and exhibited unsatisfactory management. As the enrollment increased there was an increased tendency toward good accounting procedures and practices. The lack of formal directives from the state auditor and state superintendent has allowed considerable variations in methods of management and administration of student body funds.

The practice of preparing a budget was not wide spread as approximately twenty percent responded in the affirmative. Where a budget was prepared the basis for preparation and the method of approval varied considerably.

Expenditures were authorized through the use of excellent business practices in all but six schools. These six expended funds without a signed requisition. Virtually all required two signatures on checks, but seven did not use checks for all expenditures. Also a majority did not provide an alternate in the event of absence or incapacity of one of the signers.

Auditing of student activity funds has become a regular practice in the State of Washington in recent years. These audits are generally very limited in scope. They are usually little more than a verification of fund balances.

The area of safeguards for the protection of personnel and funds, leaves much to be desired. Of the eleven items in table nine, page 29, only six are common practices in more than fifty percent of the schools surveyed. Safes in a large number of instances did not offer the necessary security. A check protector was used by only seven schools. Lock bags for bank deposits were not used by all schools. Bank deposits were too infrequent in many schools. Over one third of the schools did not endorse checks for deposit upon receipt. Safeguards in the area of bonding, and burglary and robbery insurance need attention in a large number of schools.

RECOMMENDATIONS

A statement of policy should be developed by the board of directors regarding activity fund management. They should further insure that no one person has complete control over any financial transaction.

Safeguards should be provided for the money handled by the student body. These include depositing all receipts intact, making all payments by check, requiring properly authorized purchase orders for payment, signatures of two persons on all checks, and bonding of personnel who work with student body funds. There seems to be a weakness in that students who handle funds are not bonded.

Funds should be further safeguarded by the use of only non-portable safes with regular changes in combination. If personnel change there must be provisions for an automatic change of combination. The safes should also be examined for fire resistant qualities. Funds in transit to the bank should also be in lock bags.

Provision for regular audits should be made to insure that financial transactions are accounted for in a proper manner. These audits should be performed annually with an occasional spot check of random items.

A budget should be prepared at the close of the school year and be reviewed when school opens for the fall semester. Each activity should be expected to operate within its established budget, although there should be procedures for budget extensions. No activity should be allowed to overdraw its account.

Any system of activity fund accounting must be efficient, simple, adaptable and produce records which are easy to maintain and preserve if there is to be adequate control. As a bare minimum an accounting system for activity funds must provide for the deposit of all money with the central treasurer who will issue a pre-numbered duplicating receipt and bank all funds in one account. Separate fund accounts should be kept for each group or organization in the ledger. All payments should be by check with the checks and receipts posted to the appropriate column in the ledger. The central treasurer should prepare a monthly statement for distribution to each activity. And finally audits should be performed by a professional auditor at frequent intervals.

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APPENDIX

APPENDIX A

ROBERT V. GRAHAM
STATE AUDITOR
RICHARD L. HUSK
ASSISTANT STATE AUDITOR

ADRIAN WEBSTER
CHIEF EXAMINER
J. FRANK LOREE-COUNTIES
HARRY A. SITES-CITIES
WARREN V. SINCLAIR-SCHOOLS
HOWARD E. YARBROUGH
UTILITIES
ASSISTANT CHIEF EXAMINERS

The State of Washington
OFFICE OF
STATE AUDITOR
DIVISION OF MUNICIPAL CORPORATIONS
Olympia

October 23, 1968

Mr. Joseph Jenson, Principal
Napavine School District No. 14
Napavine, Washington 98565

Dear Mr. Jenson:

This is in answer to your letter of October 16 regarding Student Activity Fund Accounting.

While we have a committee working on the matter of Student Activity Fund Accounting, we have not yet published anything on this subject. However, if you will follow the suggestions below we believe you will have a minimum of difficulty in adopting any accounting system promulgated in the future.

1. Use only prenumbered receipts when receiving money and control any unused receipts.
2. Save all copies of spoiled or voided receipts.
3. Deposit cash receipts intact and frequently.
4. Make all payments of Student Activity funds by check.
5. Require two signatures on all checks.
6. Reconcile bank statement to check register and total of activity accounts every month.
7. Do not use student activity funds to pay for materials or services that should properly be paid by the school district.

If we can be of further assistance, please do not hesitate to call on us.

Yours very truly,

ROBERT V. GRAHAM, State Auditor

By Warren V. Sinclair

Warren V. Sinclair
Assistant Chief Examiner

WVS:aes

APPENDIX B

THE QUESTIONNAIRE

TO: HIGH SCHOOL PRINCIPALS

SUBJECT: ACTIVITY FUND ACCOUNTING

Most of the material which has been written about activity fund accounting, describes the practices and procedures followed in the large high schools. Very little has been published which deals with those problems which are peculiar to the smaller high school. In the smaller high school the sum of money is not as great, therefore, the degree of specialization found in the large high school is not practical.

The accompanying questionnaire is an attempt to examine some of the problem areas. I would appreciate your cooperation in spending the time necessary to complete it. Most items are multiple choice and should take a minimum of time to accomplish. An envelope is enclosed for your use in returning the form.

If you would be interested in the results of this survey, please indicate on your questionnaire and a resume will be sent to you.

Check the appropriate answer or answers, for each question, which best describes your situation. Use the space at the end of each question if the desired answer is not given, or if you wish to modify your response.

1. What was the enrollment of your school October 1, 1968? ____________

2. Does your school have an activity account? Yes______ No__________

3. Indicate the approximate amount of money handled through your activity account during one school year.

__$500	__$2,500	__$6,000	__$10,000
__$1,000	__$3,000	__$7,000	__Over $10,000
__$1,500	__$4,000	__$8,000	__Less than $500
__$2,000	__$5,000	__$9,000	

4. Check the sources of student body revenue.
   __Activity tickets
   __Admission to athletic events
   __Admission to plays
   __Admission to music events
   __Admission to dances
   __Sale of annual
   __Concessions
   __Vending machines
   __Fund drives
   __Other__________________________________Please specify.

5. If you use an activity ticket, what are the holders entitled to?
   __Admission to athletic events
   __Admission to dances
   __Admission to school assemblies
   __Admission to music events
   __School paper
   __School annual
   __Admission to plays
   __Annual (Reduce rate)
   __Other__________________________________Please specify.

6. Is the checkbook the only means of activity fund accounting in your school? Yes__________ No_________.

7. Who is primarily responsible for directing, administering and advising operation of the student body funds?
   __Principal
   __Business Education teacher
   __Administrative assistant
   __Vice principal
   __Other teacher
   __Other__________________________________Please specify.

8. Indicate the individual, or individuals, who do the actual accounting for student body funds. If more than one, individual in charge #1, assistant #2. Individual responsible to be considered the Central treasurer.
   __Principal
   __Vice principal
   __Treacher
   __Office employee
   __Student treasurer
   __Other student
   __Other__________________________________Please specify.

9. Is the central treasurer paid for these duties? Yes____No____.

10. If the central treasurer is paid, indicate the source of funds from which payment is made.
__District funds __Student body funds
__Other____Please specify.

11. If student funds and accounting are handled by a faculty member, which of the following are true?
__Work is in lieu of a full teaching assignment.
__Work is in addition to a full teaching assignment and is treated as extra-curricular.

12. If a teacher or administrator does the bookkeeping, how much time, on the average is spent daily by him in the conduct of this function?
__One hour __Three hours
__Two hours __Four hours
__Other____Please specify.

13. Is a permanent ledger maintained for activity accounts? Yes___No___

14. If you maintain a ledger, how often is posting accomplished?
__Weekly __Irregularly
__Monthly
__Other____Please specify.

15. Do you use pre-numbered duplicating receipts for all money received?
__Yes __No

16. Do you keep a file of duplicate receipts and cancelled checks?
__Yes __No

17. Who counts money deposited in student body funds?
__Principal __Other secretary
__Bookkeeper __Advisor
__Principal's secretary __Student
__Other____Please specify.

18. Do you require that more than one individual be present to count money taken in?
__Yes __No

19. Is the individual, or individuals, who count the money bonded?
__Yes __No

20. Indicate which of the following are bonded.
__Individual who receives and deposits student funds.
__Individual authorized to sign checks.
__Others____Please specify.

21. Are all activity funds banked in one account?
__Yes __No

22. How are funds deposited?
__Checking account only
__Checking and savings
__Some type of savings
__Bonds
__Other________________________________Please specify.

23. Indicate how funds of school organizations are managed.
__Each club is responsible for its own banking.
__Clubs are required to deposit funds with central treasurer.
__Deposit is optional.
__Other________________________________Please specify.

24. How often are bank deposits made?
__Average once per week
__2-3 times per week
__Other________________________________Please specify.

25. Is a charge made to clubs for administering their funds?
__Yes __No

26. If yes, how is the charge levied?
__Fee for each deposit
__Percentage of amount handled
__Fee for each withdrawal
__Fixed charge for each account
__Other________________________________Please specify.

27. If club funds are accepted for deposit, who authorizes payment from these funds? If more than one please indicate.
__Club treasurer by signed requisition
__Club president by signed requisition
__Club faculty advisor by signed requisition
__Oral request of club treasurer
__Oral request of club president
__Oral request of club faculty advisor
__Other________________________________Please specify.

28. Is your activity account audited?
__Yes __No

29. If yes, who performs the audit?
__State auditor or representative
__District business office staff
__Commercial teacher
__Principal
__District directors
__District superintendent
__District clerk
__C. P. A.
__Other________________________________Please specify.

30. How frequently are the activity funds audited?
__Annually
__Every two years
__Each semester
__Administrative request
__Other____Please specify.

31. Is a signed requisition or purchase order required before bills can be contracted against student body funds?
__Yes __No

32. Is the consent of the student council required before any expenditures can be contracted against student body funds?
__Yes __No

33. Check individuals authorized to contract expenditures of student body funds.
__Director of activities
__Central treasurer
__Student body treasurer
__Student body president
__Student council
__Director of athletics
__Athletic coaches
__Dramatics coaches
__Director of music
__Class advisors
__Club advisors
__Other____Please specify.

34. Are all payments from funds made by check?
__Yes __No

35. How many signatures are required on checks?
__One
__No specific requirement
__Two
__Three
__Other____Please specify.

36. Indicate individual who signs checks for approved expenditures. If more than one is required indicate by marking #1, #2, etc.
__Principal
__Vice principal
__Student body president
__Student body treasurer
__Bookkeeper
__Central treasurer
__Director of activities
__Other____Please specify.

37. If a student acts as treasurer, does a school official countersign all checks?
__Yes __No

38. Is a master budget prepared for all activities?
__Yes __No

39. If yes, when is the budget prepared?
__In the spring for the following year
__In the fall for the current year
__Other________________________________Please specify.

40. Is each activity required to prepare a budget?
__Yes __No

41. Check the individual or group who prepare the master budget. If it must be approved indicate by whom.

Prepare	Approve	
______	______	Central treasurer
______	______	Student treasurer
______	______	Student council
______	______	Committee of students
______	______	Director of activities
______	______	Committee of the faculty
______	______	Student-faculty committee
______	______	Other, please specify.

42. Are financial statements submitted to each activity?
__Yes __No ________________how often?

43. What information is included on the financial statement?
__Cash balance of each activity __Cash receipts and expenditures
__Other________________________________Please specify.

44. Who receives copies of the financial statement?
__Principal __Vice principal
__Accounts advisor __Student council
__School board __Superintendent
__Other________________________________Please specify.

45. Is student help used?
__Yes __No

46. On what basis are students selected to assist with the activity accounts?
__Student body officer __Business education students
__Application of students
__Other________________________________Please specify.

47. Are student body funds maintained and accounted for separately from district funds?
__Yes __No

48. If you maintain a petty cash fund, who has custody of and who authorizes expenditures from the fund?

Custody	Authority	
______	______	Principal
______	______	Central treasurer
______	______	Student body treasurer
______	______	Activities director
______	______	Director of athletics
______	______	Other, please specify

49. If you have a petty cash fund, what are the limits?
__$25.00 and under __$25.01-$50.00
__$50.01-$100.00
__Other________________________________Please specify

50. In the operation of sale of admissions to activities, do you follow the practices indicated?
__Sell tickets
__Record beginning and edning ticket numbers
__Tear tickets in half to prevent re-use
__Use a variety of colors throughout the year

51. Do you take any of the following steps to protect personnel involved in the administration of activity funds?
__Use non-portable safes and vaults __Fireproof safes
__Use a check protector __Countersign checks
__Require requisition or purchase order
__Use lock bags for deposits to the bank
__Have money counted separately by two or more persons (count twice)
__All funds except for daily needs deposited in the bank frequently
__All checks received promptly endorsed for deposit
__Carry burglary and or robbery insurance
__Other, please specify below