AUDIT SURVIVAL GUIDE FOR SCHOOLS

An Internal Audit is the examination, monitoring and analysis of activities related to a company’s operations, including its business structure, employee behavior and information systems. A daily, weekly, monthly or annual internal audit assesses the effectiveness of a company’s internal control system and helps uncover evidence of fraud, waste, or abuse. The Florida Conference performs audits to each school every other year.

The school is responsible for the preparation and fair presentation of the financial records in accordance with accounting principles generally accepted in the United States of America and in compliance with standards set by the Florida Conference of SDA. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial records that are free from material misstatements.

1. Internal Controls:
   1. Operating: Minimum wage and overtime federal laws are observed.
   2. Financial Accounts/Banking:
      1. Written bank reconciliations are prepared on a timely basis (monthly)
      2. No checks outstanding over 6 months
      3. All accounts are recorded in the program (QuickBooks)
   3. Financial Statements:
      1. Prepared monthly and presented to the school board on their regular meetings.
      2. Independent party overviewing the financial statements
   4. Physical Access:
      1. Require two or more people to be present to access the safe, uncounted amounts, gift card inventory, or other monies
      2. Detail records should be kept of all land, buildings, and equipment
   5. Segregation of Duties:
      1. Custody, authorization, and record keeping. If at least two people divide these responsibilities, the likelihood of fraud is significantly decreased. If limited staffing, volunteers can be a solution that provides additional resources at no additional cost.
   6. Payments:
      1. When funds are counted, at least two or more unrelated people should be involved.
      2. Count sheets should be prepared and signed by the counters.
   7. Disbursements:
      1. Petty Cash: Periodically reconciled and replenished based on proper documentation of expenses.
      2. All disbursements are paid by check except for minor expenditures paid through the petty cash fund.
      3. Invoices or check requests are approved by the appropriate individual before payment is made.
      4. Corporate credit cards are only issued to individuals that are diligent in providing timely documentation and receipts for amounts charged on the cards. Personal expenses on a school card are not allowed.
      5. Expense reimbursements, whether by check or electronic payment, and corporate credit card charges are reviewed by a supervisor, including a periodic review of the staff leader’s expenses by a board member. Must be substantiated by a receipt.
      6. Electronic payments are processed only by authorized bank account signers.
2. HUMAN RESOURCES:
   1. Salary Employees -
      1. Teachers, Principal, Treasurer
   2. Locally Funded Employees –
      1. Payment funded by the local school: Treasurer, Secretary, Teacher Assistants and aids, after school care personnel, custodian, kitchen help, etc.
   3. Have your Human Resources poster properly displayed.
3. INDEPENDENT CONTRACTORS:
   1. Has his/her own business and services other entities besides the school. Has license and liability insurance.
   2. Secure a W9 when first contracted
   3. File a form 1099 Miscellaneous at the end of the calendar year for any contractor that was paid $600 or more for the year (not including reimbursements)
4. CAPITAL EXPENDITURES for Property, Plant and Equipment.
   1. Includes property (if owned), copy machines, books, etc.
   2. Depreciate capital expenditures. Determine the life and divide by the number of years. For example, if books are renewed every 3 years, the life is 3 years. Divide the cost in 3 and depreciate 1/3 of the cost yearly
5. INVOICING:
   1. Invoice school families on a monthly basis; not when the payment from StepUp is received nor at the beginning of the school year for the year total
6. ACCOUNTS RECEIVABLE - Maintain to a minimum with proper invoicing and follow-up
   1. Have an Allowance for Uncollectable Accounts. Determine the uncollectable amount by multiplying Accounts Receivable x %. Example: $25,000 x 3% = $750.00. At the end of the accounting period (month), Debit Bad Debt Expense and Credit Allowance for Uncollectable Accounts
   2. Write-Off Allowance of Uncollectable Accounts: Debit Allowance for Uncollectable Accounts and Credit the Specific Student Account
7. FUNDS MANAGEMENT :
   1. When tuition payments are received, credit the proper family/student
   2. Use restricted funds only for the purpose they were given
   3. Maintain separate records for each grade, after care, kitchen, etc
   4. Deposits all funds promptly in the bank
8. ACCOUNTS PAYABLE:
   1. Pay all your debts on time. Have a contract or payment plan when required
      1. Teacher salaries
      2. Locally Funded Payroll
      3. Independent Contractors
      4. School Mortgage
      5. Private Loans
      6. Monthly contracts (copy machine, stamp machine, etc.)
      7. Other
   2. Keep backup documentation for every payment made, whether it is for checks written, electronic payments, credit card expenditures
   3. Avoid writing checks to Cash
   4. Organize receipts by check number and date
9. RISK MANAGEMENT
   1. When renting the school building, prepare a contract and request a certificate of liability naming the school
   2. Conduct emergency drills as required
   3. Conduct school inspections as required
   4. Have a written School Emergency Response Plan
   5. If the school owns any vehicles, have them insured through Risk Management. Use/ownership of 15 passenger vans is prohibited
   6. All school personnel, where hired or volunteers, should be properly screened to work with children (fingerprinting, other)
10. FAITHFULNESS – All Conference hired employees:
    1. Principal
    2. Teachers
    3. Treasurer
11. ORGANIZATION OF DOCUMENTS
    1. Year Folders:
       1. Bank Statements & Reconciliation: Keep a School **Year** Folder with the bank statements and reconciliations for the 12 months from July through June.
       2. Miscellaneous **Year** Folder: Include the School Budget, W-9s, 1099’s, contracts and certificate of liability, tax exempt certificate, insurance, Yearly Fees per Grade.
       3. Board Minutes: Keep a **yearly** file with the board minutes for the school year.
       4. Financial Agreements Folder: Family Financial Agreements for the School **Year**
    2. Monthly Folders:
       1. Payments Folder: Keep a **monthly** copy of all disbursement (payments) with proper receipts.
          1. Payments to Vendors
          2. Payments for Locally Funded Employees
          3. Reimbursement to Teachers
          4. Credit card expenses
          5. Etc.
       2. Deposits Folder: Keep a **monthly** copy of all deposits.
          1. Check payments to the school
          2. Step-Up Payments
          3. RenWeb Reports