

**MILWAUKEE PUBLIC SCHOOLS
OFFICE OF BOARD GOVERNANCE-AUDIT SERVICES**

INTERNAL CONTROLS AND OTHER PROCEDURES

School funds are accounted for through the Integrated Finance and Accounting System (IFAS). The MPS School Accounting Manual (SAM), MPS Financial Standards (FS), Travel Policies and Procedures Manual (TPPM), Educational Materials Inventory Management Process Manual (EMIVMP), and Administrative Policies and Procedures (AP) are the primary sources for the district's financial guidelines. The following information summarizes the most commonly used Internal Controls and Other Procedures that the district requires schools to follow. In some cases, information or explanations were added or expanded by Audit Services, based on best business practices (BBP). Sources where more detailed information can be found are referenced throughout.

I. FINANCIAL TRANSACTIONS

IFAS-Student Activity (IFAS-SA) Balance Sheet

Purpose: To ensure that no expenditures are made in excess of funds available in an account and that only school-related activities are represented on the balance sheet.

1. The principal should ensure that IFAS-SA Balance Sheet accounts never have negative balances (except the budget-reimbursement account — xx20101 L201 — and the camp-reimbursement account — xx20301 L205). No expenditure should be made in excess of the total funds in the club's account. [SAM]
2. All accounts on the general ledger should represent currently active, school-sponsored clubs or activities. Cash balances relating to inactive club accounts should be transferred to the General School account after one year. [SAM]
3. The principal, secretary, or bookkeeper should ensure that the petty cash is kept in the office and in a secure location. [SAM]
4. The principal should ensure that the petty cash is no more than \$50. [BBP]
5. The principal should receive, open, and review the bank statements. The principal should review cancelled checks returned with the bank statement to ensure that all checks were signed by the principal. [SAM]
6. The monthly bank statement should be reconciled to the IFAS-SA report and checkbook balance, and a copy of the reconciliation should be remitted to the Finance Department by the 20th of the month. The review of the bank reconciliation should be performed in tandem with the monthly review of the school's financial records and should be signed by the principal. [SAM, FS #7, AP 3.06]
7. The secretary/bookkeeper should record bank adjustments such as returned items and bank charges in the checkbook as soon as they are known. [SAM]
8. Outstanding checks older than one year should be written off. [SAM]
9. Correction memos from the bank and adjusting entries on IFAS-SA should be rare occurrences. [BBP]
10. Electronic fund transfers (EFT) used to transfer monies from the school's checking account to a central nutrition account should be monitored. Daily cafeteria receipts should be reconciled to the

monthly EFT on the bank statement, and differences should be investigated and resolved. [SAM, BBP]

11. Interest earned on savings accounts or certificates of deposit should be recorded when received, which may be monthly, quarterly, or upon investment maturity. [SAM]

Cash Receipts

Receipt of Funds

Purpose: To ensure that adequate control is maintained over all funds that are received by school personnel.

1. When an individual (advisor) receives funds, the advisor should, on a daily basis, count the funds and prepare and sign the standard three-part Cash Receipt form, which includes the account number and name, date, and the breakdown of funds being deposited. The funds and the completed Cash Receipt form should then be submitted to the secretary/bookkeeper. Food service managers should prepare three signed cafeteria reports, which detail the cafeteria receipts, and submit two copies to the secretary/bookkeeper in lieu of the three-part Cash Receipt form. [SAM, AP 3.08]
2. The secretary/bookkeeper should independently count the funds and countersign the Cash Receipt or cafeteria reports, which detail the cafeteria receipts. The secretary/bookkeeper's signature indicates agreement on the accuracy of the amount being deposited. If a discrepancy exists, the secretary/bookkeeper should contact the advisor and resolve the discrepancy. [SAM, AP 3.08]
3. The secretary/bookkeeper should (a) return the last copy of the completed Cash Receipt/cafeteria reports to the advisor, (b) file the second copy of the Cash Receipt/cafeteria form by the IFAS-SA account number, and (c) attach the top copy of the Cash Receipt/cafeteria form to the bank deposit receipt to use when posting financial information to IFAS-SA. [SAM]

Depositing the Funds

Purpose: To ensure that all funds are properly deposited.

4. All funds received should be secured in a locked environment, preferably a safe, but at least a locked cabinet or locked drawer in an area with limited access, such as the principal's office. Under no circumstances should funds be kept in desks, file cabinets, or any location in a classroom. [SAM, AP 3.08]
5. The secretary/bookkeeper should deposit funds at least on a weekly basis. [SAM, AP 3.08]
6. The secretary/bookkeeper should deposit all revenue received since the last deposit. No cash should be held back for any reason. [BBP]

Recording the Receipts and Retention of Records

Purpose: To ensure that receipts are properly recorded and that records are properly retained.

7. Each bank deposit slip should be supported by Cash Receipt forms included in that deposit. This group of documents should be filed chronologically. [SAM]
8. Whenever a deposit is made, the secretary/bookkeeper should record the deposit in the school's checkbook register along with the new running balance. [SAM, BBP]
9. The secretary/bookkeeper should update IFAS-SA at least monthly by entering the information from the original Cash Receipt or cafeteria report. Audit Services strongly recommends weekly updates

so that each student-activity fund balance is known throughout the month and deficit spending does not occur. Weekly entry will also require posting to IFAS-SA based upon the original Cash Receipt or cafeteria report and will ensure that a reconciliation is performed between the school's cash balance and the bank statement's balance. [BBP]

10. All copies of the Cash Receipt forms should be retained by the individuals responsible for the copies. [SAM]
11. Cash donations, gifts, and scholarships should be recorded and acknowledged by the Milwaukee Board of School Directors in accordance with district procedures. Scholarships, grants, and donations of \$5,000 or more should be remitted to Central Services for administration. [SAM]

Cash Disbursements

Purpose: To ensure that all expenditures are properly authorized and approved and that payments are adequately documented.

Payment Authorization and Processing

Approval

1. Original invoices and packing slips or other expenditure documentation should be submitted to the secretary/bookkeeper for Student Club account and General School expenditures to be paid by a school check. The only acceptable forms of documentation are original receipts and invoices — photocopies and duplicate invoices are not acceptable. Statements should not be used as documentation, as their purpose is only to list amounts owed. The secretary/bookkeeper should then prepare a check for the principal's signature. [SAM]
2. Prior to signing a check, the principal should ensure that (a) the expenditure is reasonable, relates to the activities of the account, and is allowable under MPS guidelines, and (b) sufficient funds are available in the club's account from which the expenditure will be drawn. [SAM]

Payment

3. The checkbook and any unused check stock should be safeguarded to protect against unauthorized use. [SAM]
4. On each check stub, schools should record date, payee, description, IFAS-SA account, IFAS budget code (Capital Cash reimbursement only), amount of check, and balance in the account after the check. [SAM]
5. Checks written to a vendor by the secretary/bookkeeper should be mailed directly to the vendor and not forwarded to the club's advisor. [BBP]

Documentation and CASH Entry

6. The secretary/bookkeeper should mark receipts and invoices "paid" and list the check number and date of issuance on the original invoice. This will avoid duplicate payments. [SAM]
7. The secretary/bookkeeper should enter expenditure transactions on IFAS-SA at least monthly. Audit Services strongly recommends weekly updates so that each student-activity fund balance is known throughout the month and deficit spending does not occur. Weekly entry will also require posting to IFAS-SA based upon the original invoice and will ensure that a reconciliation is performed between the school's cash balance and the bank statement's balance. [BBP]
8. Invoices paid with a school check should be filed alphabetically by the payee's name or by check number. If a school has many disbursements, a separate file may be set up for each vendor. [SAM]

9. The principal/secretary/bookkeeper should ensure that supporting documentation is retained. [SAM]

General

10. When writing a check to a business, always make the check payable to the business, never to an individual. [BBP]
11. New principals should ensure that a Depository Resolution is prepared and provided to the School Accounting Division to update the bank account's authorized signers. [SAM]
12. The principal should ensure that the school's checking account is never overdrawn. [SAM]
13. The principal should not sign blank checks or allow checks to be signed by use of a signature stamp. [SAM, FS #8, AP 3.06]
14. The principal should not approve checks payable to cash. [BBP]

Capital Cash/Budget Reimbursements

Purpose: To ensure that Board- and categorically-funded small purchases made with school checks are appropriately accounted for and processed efficiently.

1. Capital Cash should be used for small expenditures that can be reimbursed by Central Services and charged to a school's budget. Requests for reimbursement(s) should be submitted at least once a month. All receipts/documentation must be initialed and dated by the school administrator; including the check number and amount to be reimbursed. This will let the Accounts Payable staff know the invoice has been approved for payment. [SAM, FS #5, AP 3.06]
2. Capital Cash/Budget Reimbursement should not be used for (a) purchases greater than \$500; (b) payments to individuals (employees, contractors, or consultants); or (c) payment of travel expenses. [SAM]
3. The secretary/bookkeeper should ensure that all Capital Cash reimbursable expenditures are posted to the budget reimbursement account — xx20101 L201. When reimbursement checks are received, the secretary/bookkeeper should ensure that all items posted to account xx20101 L201 were included on the reimbursement check. Adjusting journal entries to xx20101 L201 should be done when items recorded in xx20101 L201 are not reimbursed (e.g. sales tax, gifts for staff). [SAM, BBP]
4. Expenditures that are submitted through Capital Cash/Budget Reimbursement and are charged to a grant must comply with the grant's requirements. [SAM]

Camp and Club Accounts

Purpose: To ensure that cash receipts and expenditures are accurately recorded and that district assets are safeguarded relating to Camp and Club account activities.

1. The following IFAS-SA accounts should be set up to properly account for before- and after-school day care programs:
 - Account xx20302 L203 should be used to post registration receipts, and account xx20401 L204 should be used to post parents' co-payments and other Camp receipts. [SAM]
 - Account xx20301 L205 should be used to record Camp expenditures to be reimbursed from the Camp budget (000-0-0-CMP-XX). Budget Reimbursement account xx20101 L201 may be used in lieu of account xx20301 L205. [SAM, AP]

2. All Camp funds received from parents and other sources must be remitted to Finance each month. The budget adjustment account 000-0-0-CMP-XX-EBAJ is to be used to record these funds in IFAS. [SAM]
3. Appropriate records should be maintained by the Camp Director to show that all Camp funds received from parents are recorded on attendance and payment logs and are remitted to the school secretary with a cash receipt form for bank deposit. [BBP]
4. The secretary/bookkeeper should provide staff advisors with IFAS-SA Detail Trial Balance/Query Accounts (QA) reports each month whenever there is club account activity. A reconciled copy of the CAMP QA IFAS-SA report must be provided to the school principal for review. [SAM]
5. Staff advisors should review their club account transactions and balances for accuracy, based on their retained Cash Receipt forms, invoices, and club records. The principal should ensure that staff is aware of their responsibility to review their account transactions and balances for accuracy. [SAM]

Fund Raising

Purpose: To ensure that fundraising events are adequately monitored, fundraising revenues are properly deposited, and expenditures are reasonable and appropriate. [AP 7.22]

1. The principal should provide prior approval for all fundraisers by signing fundraising request forms submitted by the staff advisor. [SAM]
2. The principal should obtain approval from their Regional Director of School Support for fundraisers anticipated to generate revenue of \$5,000 or greater. [SAM]
3. All fundraising transactions must be conducted through the school's checking account and reflected in the school's General Ledger. This includes every receipt and disbursement. No cash payments to vendors are allowed. [SAM]
4. Fundraising financial report forms should be completed by the staff advisor and submitted to the secretary/bookkeeper within one week after the completion of the fundraiser. The principal should ensure that properly completed Fundraising Request and Report forms are on file for all fundraising events. [SAM]
5. The school principal should review the completed fundraising form to ensure that [SAM]:
 - a. the fundraising activity was completed within the approved time frame;
 - b. actual revenue was similar to expected revenue;
 - c. profit was reasonable (fundraising profit margins are typically 35-50%);
 - d. the financial report was submitted by the staff advisor immediately following completion of the event; and
 - e. expenditures are reasonable and consistent with the purpose of the fundraiser.
6. If the school has a PTA/PTO that records its activity on IFAS-SA, all such fundraising activities must be in accordance with the same rules as are a school fundraiser. If the PTA/PTO is a recognized parent organization that maintains its own financial records [AP 7.22]:
 - a. all fundraising needs the approval of the principal before any activity may begin;
 - b. the treasurer should provide the principal with a financial report for each event;

- c. all monies collected should be deposited into the PTA/PTO's bank account on a regular basis and shall not be kept in an individual's bank account;
- d. the principal should ensure that two individuals authorize all expenditures;
- e. the principal should ensure that no members on the PTA/PTO receive a salary or any other type of compensation;
- f. financial statements should be prepared for fundraising activities upon completion of all financial transactions related to the fundraising activity;
- g. the treasurer should prepare and distribute a financial report to the parent group at least once each semester. The report should detail the receipts and expenditures for each respective period;
- h. the principal should meet with the PTA/PTO president or treasurer at least once a semester to review financial statements and bank statements and to discuss the PTA/PTO's financial activities; and
- i. copies of the PTA/PTO's annual financial reports and fundraising activity reports must be forwarded to the Department of Finance.

Other Expenditures and Controls

Purpose: To ensure that assets are adequately safeguarded and protected from risk of loss.

1. To the extent possible, different employees should be assigned to [SAM, FS #6, AP 3.06]:
 - counting cash;
 - depositing cash;
 - recording receipts/expenditures;
 - reconciling IFAS-SA balance sheet and checkbook to bank statements;
 - authorizing payments/reimbursements to principal; and
 - receiving fixed assets and recording fixed assets in IFAS.
2. No staff at any school should have a credit card or debit card in the school's name. [SAM]
3. The principal should avoid conflicts of interest, e.g., hiring a friend or family member to work for the school. [FS #3, AP 3.06]
4. Paramount to a strong internal control environment is staff knowledge of the MPS School Accounting Manual (SAM), MPS Financial Standards (FS), and administrative policies and procedures. These documents are available on the MPS portal for schools to use as a reference and to assist schools when conducting financial transactions. The Office of the Chief Financial Officer provides training classes pertaining to the conduct of school financial operations, which should be attended by school leaders, secretaries, and bookkeepers. [BBP]
5. Whenever a theft occurs, the principal should report it immediately to his or her Administrative Specialist. The Administrative Specialist can help determine if it is necessary to (a) report the theft to the police and (b) relieve the employee of his/her responsibilities. [SAM]
6. The principal should ensure that all travel outside the Milwaukee metropolitan area is entered on IFAS and reconciled within 15 days of the completion of the trip. No trips for a school or department

will be approved if that school or department has any trips that have not been reconciled on IFAS. [SAM, TPPM]

7. The principal should ensure that all open encumbrances are reviewed and monitored. Open encumbrances that are no longer needed should be reversed by contacting the Department of Finance.
8. School budgets should be managed and controlled to maximize benefits allowed under the financial standards. Principals are responsible for:
 - a. determining that expenditures are necessary, reasonable, and ordinary;
 - b. determining that payments are timely to take advantage of discounts and to avoid finance charges;
 - c. determining that appropriate account codes have been used;
 - d. establishing and authorizing purchasing procedures;
 - e. retaining adequate funding levels throughout the fiscal year; and
 - f. aligning budget preparation with the school's educational plan.

The principal should monitor the monthly responsibility reports to ensure sufficient funds are available for operating expenses. Schools should seek higher rates of return by investing in Certificates of Deposit when appropriate. [SAM, FS #1, AP 7.30, BBP]

9. The principal should meet with the Department of Finance to discuss strategies to eliminate deficits and, if required, to develop a multi-year plan to reduce and eventually to eliminate the deficit. [BBP]
10. When goods and services have been negotiated by Purchasing under blanket contracts, ordering from the blanket contract's vendor is mandatory. If a blanket agreement does not exist, IFAS Dashboard procedures, including applicable Quick Quote and Purchase Requisition (PR), must be followed. Ordering goods from a blanket contract not on Punch Out is done by entering a PR in IFAS, printing out the resulting Purchase Order (PO), and sending the PO to the vendor. When items from vendors are physically received at schools, staff must electronically "receive" them in IFAS (POUPRC). Services should not begin prior to the signing of the contract. [SAM, FS #4, BBP]

II. FIXED-ASSET MANAGEMENT

Purpose: To ensure that district assets are recorded, safeguarded, and protected from risk of loss.

1. The principal should ensure that all new fixed assets are recorded on IFAS, tagged, and secured within 30 days of receipt. [FS #10, AP 3.06]
2. A separate file should be maintained that contains all documents relating to the acquisition and disposal of fixed assets. [AP 3.06]
3. Periodically during the school year, random audits should be made to determine if assets are still in use or if they should be removed from the IFAS fixed-asset register. A physical inventory of all fixed assets must be completed prior to the end of each school year. [FS #10, AP 3.06]
4. Equipment loan forms should be used and properly completed for all district assets loaned to staff. [SAM]

III. PAYROLL EXCEPTION REPORTING

Purpose: To ensure that employee pay is accurate and appropriate and that district assets are safeguarded.

1. The principal should establish site security, designating the principal as the only person with online access to the payroll system to approve the payroll. Passwords must not be shared. [SAM, FS #2, AP 3.06]
2. The principal must approve bi-weekly payroll for all personnel under his/her authority in the district's PeopleSoft system. [Thursday Updates 8/28/14]
3. The principal must validate non-hourly employees in PeopleSoft each Monday following a payday Friday. If there are employees on the PeopleSoft list who do not work at your site, you will need to identify them by selecting the Do Not Pay box so they can be removed from your staff roster. Print and attach the confirmation email to the corresponding payroll as proof that the validation of non-hourly employees has been completed. [Thursday Updates 8/28/14 and 2/12/15, FS#2]
4. Other compensation, such as overtime and extra pay, must be documented properly, reviewed, and signed by the principal. Timesheets should list the employee's name, pay period, dates worked, tasks completed, time worked, and number of hours worked. Time-and-Effort reports for grant-funded positions must be prepared and submitted to the Department of Finance. [SAM, BBP]
5. Principals should review payroll accounts each pay period to verify that (a) personnel being paid are school employees, (b) personnel are being paid only for hours worked, and (c) personnel are being paid at the correct rate. [SAM]

IV. FIRE DRILLS

Purpose: To ensure that advance planning for emergencies and disasters occurs.

1. State Statute requires that schools conduct fire drills to instruct pupils in the proper method of departure in case of an emergency.
2. There should be a minimum of one fire drill for each month that school is in session, including any summer school programs, unless the health of students may be endangered by inclement weather conditions. The reason for not holding the drill should be documented on form SBD-11.
3. Two fire drills must be held in the first two weeks of school. Two drills must be observed by the Milwaukee Fire Department. [AP 4.01, State Statute 118.07, BBP]

V. STUDENT ATTENDANCE

Purpose: To ensure that student attendance is accurately recorded and that parents are properly notified when students do not attend school.

1. State Statute requires that any person having under his/her control a student who is between the ages of six and eighteen years shall cause the student to attend school regularly.
2. All teachers are required to submit daily attendance reports.
3. All schools are required to contact the parents or guardians of truant students within two days of an unexcused absence. In addition, the school shall mail a habitual truancy letter to the parent or guardian of a student who is a habitual truant when the child has accumulated five (5) unexcused absences within the school semester. The letter shall be sent by registered or certified mail or first-

class mail. The parent/guardian may also be simultaneously notified by an electronic communication. [AP 8.07, 8.13 and 8.14, State Statute 118.15 & 118.16]

VI. TEXTBOOK MANAGEMENT

Purpose: To ensure the proper maintenance and control of textbooks/instructional materials.

1. To the extent possible, materials provided to individual teachers and students are to be recorded in the district-wide electronic textbook-management system. [AP 7.27]
2. Principals shall appoint school textbook coordinators who will be responsible for distributing, collecting, and conducting an inventory and for accounting for at least 90% of all textbooks/instructional materials at the school level through the use of a district-wide textbook-management system. [AP 7.27, EMIVMP]
3. All extra textbooks are to be kept in a controlled secured storage room that only the principal and school textbook coordinator can access, or are to be stored in a locked cabinet or locked desk drawer in the classroom. [EMIVMP]