SPARKROCK

Managing School Generated Funds: Automation and Compliance

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Primer

This document details strategies for managing the automation of School Generated Funds (SGF) within Canadian school districts. It is presented as a series of recommendations only and is not intended to represent or replace Ministry or District policy.

Introduction

School districts face challenges in the collection, management, and reporting of School Generated Funds (SGF). Districts need to balance Ministry regulations, maintaining accounting standards across a diverse set of users, and the expectations of parents, all while delivering on their primary mandate of providing educational activities for students.

The requirements associated with SGF can be met efficiently by taking advantage of software solutions that help automate ***process***. Districts need to consider which software products can help them manage their diverse needs effectively. A good software solution can save money, increase accuracy and auditability, and give time back to educators to focus on students, while a poorly designed one may end up increasing time spent on activities and their associated costs.

The balance of this document will highlight important considerations for any district looking to improve and enhance their SGF processes through software automation.

Definitions

For the purposes of this document, the following terms are used with their provided meanings:

School Generated Funds (SGF)

"SGF" generally refers to non-governmental funds raised and spent within a district. This most often includes:

- Hot lunches, activity payments, and special opportunity funds
- Fundraising for school purposes
- Fundraising for external charities

Batch

- A Batch is a series of online transactions bundled together for deposit to a bank
- The equivalent in cash is a bank deposit (i.e. a set of cash receipts bundled together for deposit)

Ministry Report

- "Ministry report" is used to indicate the year-end submission created by the district rather than a single specific report
- Provinces have varying requirements for the format of the report, but all share general principles and are formed from similar data sets

Preparation and Planning

Identifying the Source and Purpose of Funds

Ministries provide clear guidelines for School Districts concerning which funds qualify as SGF. One of the first elements for a district to consider is how to clearly separate and label these funds. This means, in practice, having the ability to:

- Clearly delineate the purpose for which all funds have been collected
- Report on funds received at the item, class, fund, school, and district levels
- Ensure the funds designated as SGF are receipted properly into the correct ledger account

Chart of Account Tracking

Districts should ensure their SGF system can maintain a series of ledger accounts specific to SGF that is synced to their General Ledger (GL) at the district level. A system that can separate expense and revenue sub-ledgers further enhances districts' ability to identify and track funds.

A good system should enforce rules that ensure all funds (received and spent) are tied to a ledger code. Further automation—for example, auto-receipting funds at the moment of transaction—can ensure no funds go unlogged and eliminate human error that may happen with manual receipting. Having a system that enforces accounting rules can ensure compliance and help all users do their part in creating accurate, auditable records.

Additional consideration should be given to mapping the relationships between accounts used at the school level and those used at the district level. Schools may have tens or hundreds of individual accounts at the school level that need to be reported at end-of-year. They may organize these as just a few categories (and potentially only one category) showing SGF as a total across all locations. This large amount of information can be a significant task for finance departments to compile. Districts should look for a system that can assist in automating these processes by mapping:

1. Codes used at the school level, to;
2. Intermediate or umbrella groupings, to;
3. Codes and descriptions required for district-level Ministry reporting.

A system that can accurately and automatically log these relationships can provide better and more accurate records and assist a district in compiling month- and year-end reports in a timely manner.

Access and Accountability

Access to funds and financial information is a central consideration for SGF management. Having clear control and auditability over who can access funds, authorize payments, and view financial details is a central requirement of any SGF system. A good solution should:

- Allow for integration with staff and student information systems to ensure accuracy of class, student, and teacher relationships
- Provide a district with real-time add\edit\delete functionality over their users

- Ensure all payments and user access is recorded and auditable

When considering expense management and cheque or other payment authorizations, districts should ensure their system maintains records of item creation, authorization, and printing. Systems should be able to track misprints and damaged cheques by managing cheque numbers and layout, ensuring schools are able to limit payments and financial access while maintaining auditability of all activity within the system.

Payment Options

Collecting SGF may require facilitating multiple payment methods. This could include options for credit cards, direct bank payments, and collection of physical cash and cheques. If a district is logging cash and cheques, the SGF system should contain an integrated bank deposit form feature to track those payments from receipt to deposit.

SGF programs should have the flexibility to facilitate in-person and online payments through the same module. Ensuring all income is received within the same system ensures schools don't have multiple programs to track, and provides districts with a single, centralized source of revenue.

A good SGF program should also make allowances for parents that don't have access to credit cards and may need a bank-to-bank payment option like EFT. Providing the flexibility for parents to pay larger amounts over time and for certain portions to be subsidized are also factors a district may want to consider.

Councils, Associations, and Organizations

School Districts often rely on organizations like Parent Councils to assist with collecting SGF. A good automation system should allow these types of groups to be involved so that schools can continue to benefit from the help they provide. In practice, this means a system needs to support non-standard users that may not be part of the Student Information System (SIS) or other staff databases. This could include the ability to create and manage users manually, or through the creation of users by data upload. Ideally, schools and districts should be able to create and manage these users themselves without the need for special requests or additional costs.

Actively Managing SGF

Collecting and Receipting Funds

Any item that generates SGF needs to capture details of:

- Parent (purchaser) name and email
- Student name and class
- Date, time, IP address
- General Ledger Account
- Item information and description (i.e. pizza lunch, pepperoni slice)

These details are critical in monitoring activity responses and producing required compliance reports.

To ensure these details are captured accurately and efficiently, as many portions as possible should be automated. Capturing details at the moment of purchase while auto-receipting the funds into the correct ledger account saves time for users and eliminates human error. It also facilitates automation of reports, as the consistent and timely delivery of purchase data can be relied upon.

Online payments specifically are the most efficient method of automating funds collection, particularly where they are deposited on a daily basis to the school. Districts may want to consider programs that encourage online payments without limiting in-person options.

Managing Activities and Forms

Much of SGF management includes activities, products, and other events for the student body and school community. If an SGF management program does not include features for managing these activities, schools may find themselves in the position of running multiple programs to generate payments.

For example, if payments are handled through one system, parent communications though another, and form creation and completion through yet another, schools and parents both will find it difficult and prohibitively time-consuming to manage.

There is an unbreakable relationship between SGF and the activity and forms associated with them. A field trip event needs to provide all relevant date, time, and activity details, may include one or more waivers to be signed, has an associated ledger code for tracking the revenue, potentially another ledger code for tracking the associated expense, and may also include optional forms for volunteers or drivers. Without functionality to manage all this activity and the payment within a single SGF program, schools will inevitably increase their workload and make it difficult for teachers and coaches to make sure they've completed their tasks.

A program with integrated forms and payments—and the associated business controls to manage policies surrounding them—helps ensure compliance, adoption, and time savings.

Reporting and Reconciliation

Reports from an SGF management system should be flexible enough to manage multiple queries. Financial reports need to be available at the item, school, category, and Ministry levels, and management reports for order forms, waivers, volunteer requests and more should all be easily accessible within the system. This access should include all relevant stakeholder groups where applicable.

For example, teachers and coaches should have access to their own class and team events to view payments and form completion. The system should also allow for admin-only access to financial reports or surveys. If a system is overly reliant on single users, or makes it too difficult for teachers, supervisors and council groups to access relevant information, districts may struggle with efficient SGF activity management.

When assessing financial reports, districts should consider at minimum how to generate reports for:

- **Deposits**
  - A Deposit Report should show the amount and dates of batch deposits from the program to the school bank account. This report should help users identify and account for line items on the bank statement. A report like this helps automate month-end and year-end activities.
- **Trial and Ledger Balances**
  - A Trial Balance report should display all relative activity in the ledgers to match activity seen in the deposit report. Ensuring ledger and bank or asset balances are equal is a critical component of SGF compliance.
- **Export of Results**
  - Districts may wish to export reconciled information from an SGF management program to another finance system. To facilitate these exports, a good program should be able to create a custom file for direct upload based on reconciled data and be able to include additional details like student and item descriptions.

Districts may require integrated month-end or bank reconciliation functionality. In these cases, an SGF management program should be able to accommodate matching bank statement data to SGF activity. This can mean allowing for the upload and integration of bank data to the SGF system, and controls to ensure month-end policies and procedures are followed.

Managing Expenses

Districts may wish to manage the expense portion of SGF within the same system they manage revenue collection. Where this is the case, an SGF management system should accommodate by providing features that allow for:

- Creating and tracking vendors
- Creating and tracking invoices, including tracking amounts eligible for tax rebates
- Creating and tracking cheques or other payment methods, including specific approval features for any payment type, and the ability to print cheques where needed
- Business controls to ensure all cheques are associated to invoices, and invoices are associated to vendors
- Controls to ensure all expenses are associated to ledger accounts

Any expenses paid through the system must be included in month-end or reconciliation features to ensure accuracy. Districts may also wish to consider if they need to run separate ledgers for revenue, expenses, and petty cash, and should look for features to meet these needs in their chosen SGF program.

Reporting on expenses is another area districts can automate. Centralized vendor management, automated policy enforcement, and enforced ledger tracking all help to automate consolidating data and creating reports at the district level. With central access to

information, districts can save schools time and potential errors with submission processes, and themselves time in compiling and formatting expense data.

Year-End, Data Retention, Additional Considerations

Ministry Reporting

In almost all cases, districts need to provide a year-end SGF report to the Ministry of Education within their province. While the report format varies province-to-province, districts are expected to categorize and sum all SGF activity at their schools for the year. This requires reviewing a large amount of data; which, if not properly organized and assembled, can take significant time and effort to complete.

While it may not be possible to completely automate all portions of year-end and Ministry reports, a good SGF program should create significant time savings by consolidating data and producing report content for review and submission. This must include the ability to balance bank statements with ledger balances either within the program, or through properly formatted data exports to district-level finance systems. Programs with flexible data exports can even help automate Ministry submissions by formatting SGF data to specific provincial standards—for example, an EFIS report in Ontario.

Audits and Reviews

Ensuring all financial and permission-based data can be audited and mapped should be a significant consideration when looking at an SGF program. While audit-specific dashboards and features are not strictly necessary, any program should be built in such a way that an auditor can gain access to the full lifecycle of all reported finances. This should at minimum include access to:

- Creation, approval, and printing records for cheques or other payment types
- Individual order tracking for purchases, including date, time, student and class, purchaser, item specifics, IP address, and ledger details
- Tracking for all payments, refunds, and cheques within the same program
- At least C+6 years of financial data, segmented by fiscal year
- Redundant tracking of transactions and batch deposits

SGF programs should make this information easily accessible to school districts without significant effort or additional cost.

Data Retention

In addition to Canada Revenue Agency (CRA) guides and regulations concerning the maintenance of financial data, districts may have their own policies regarding the storage of forms, waivers, and other data related to SGF activities.

To help with automating these activities, districts should look for a program that can (at minimum) store and segment the financial data as needed by the CRA and also meet district policy for the retention of form or items data. An SGF provider should help districts create policy and best practices around the retention of data, conform to all relevant policy and regulations, and be able to quickly respond to data requests and concerns.

Additional Functionality and Room to Grow

Many of the processes associated with SGF management can apply to fund collection and reporting in other areas of a school district. Continuing Education, Before- and After-School programs, alumni events, donation drives, and summer programs all tend to have process overlap with SGF. Districts may wish to consider if their chosen SGF provider has features to provide automation to other programs in the district.

Conclusions

Implementing an SGF solution within a district means considering a variety of factors. Stakeholder groups as diverse as parents and district finance representatives need to use the program effectively, while still ensuring compliance factors from the Canadian Anti-Spam Legislation (CASL) to CRA retention policies are considered. Critical details need to be captured efficiently and accurately, without forcing users through burdensome receipting process, or limiting the access so severely that the solution becomes ineffective.

This document has presented topics to consider when analyzing what type of SGF solution to implement. By considering at least the factors presented here, we believe schools can more effectively manage this challenge, and ensure automation is making SGF simpler and less time-consuming, without skipping critical compliance elements.

If you'd like to discuss solutions for automating your SGF management, we encourage you to contact providers in your area, and ensure these areas are considered.

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