

---

**Subject:** Fund Raising Collections Using Digital Methods  
**Attachments:** Automated Receipt policy.pdf; 47-10-119 Filing Requirements.pdf

---

**From:** Jerry Durham <[Jerry.Durham@cot.tn.gov](mailto:Jerry.Durham@cot.tn.gov)>  
**Sent:** Tuesday, March 23, 2021 3:28 PM  
**Subject:** Fund Raising Collections Using Digital Methods

Dear Colleagues,

The Division of Local Government Audit (**Division**) is receiving questions about receipting collections using electronic applications. These questions have intensified since the Covid pandemic has encouraged school vendors/fundraisers to utilize as few exchanges of cash as is possible. Various companies are selling products and applications for this purpose. Many of these questions are coming from Schools who are attempting to operate normal school functions such as football and basketball games safely. There are no perfect answers concerning how to operate in a modern digital environment under normal circumstances, much less under pandemic conditions.

Tennessee Code is somewhat antiquated with regard to electronic receipting and disbursing even though electronic receipting and disbursing methods are being used currently in different ways in Counties and Cities as well as at the State level. The Division understands that many governments are already using digital collection methods. The Division has not forbidden the use of computerized accounting systems and digital collection methods. However, in the past most of these systems were utilized by offices and departments to manage daily accounting. Now digital collection methods are being utilized for collections at school cafeterias, parks and recreation, ballgames, concession stands, activity fund raising events, etc. and group funding methods are on the rise. Although this memo is rather broad in scope, the **memo is mainly intended to apply to digital collection methods utilized for fund raising by schools (e.g., using Square, Venmo, Paypal, or similar technology, etc.)**

The guidance in the Tennessee Internal School Uniform Accounting Policy Manual (TISUAPM) relative to issuing official prenumbered receipts and checks is outdated. Manual receipts and disbursements are no longer the only approved method of issuing receipts or disbursements. The new School Support Organization Manual recognizes this same reality.

### **Having said that, the Division is prescribing the following:**

**I have attached a Division of Local Government Policy that was issued several years ago with regard to automated receipts. It was issued with County Court accounting systems in mind, but has applicability to all automated receipting systems.**

**I have also attached a Tennessee Code cite that requires any local government that implements an electronic business system such as the online collection of credit cards or electronic checks to report certain information to the Comptroller's Office. That information should be sent to Penny Austin, Assistant Director for IS, [Penny.Austin@cot.tn.gov](mailto:Penny.Austin@cot.tn.gov).**

**Section 9-1-108 addresses using credit or debit cards and specifically deals with any processing fees that are charged. Section 9-2-103, TCA refers to the fact that the Comptroller's Office may approve current systems.**

**Sections 5-8-501-502, 8-4-111, 9-3-212(d), TCA (and other TCA Sections) give the Comptroller the authority to prescribe accounting methods and systems.**

**If a school uses digital system/software for collections, the following controls should be implemented at a minimum:**

1. The Division of Local Government Audit should approve the online collection or payment method in advance as required by 47-10-119, TCA.
2. Unless adequate internal controls can be established for the online collection methods, the collection method should not be used.
3. The Board of Education should approve the digital collection software applications as well as the online collection methods and more than one vendor should be considered.
4. The online collection method should provide a record that shows individual sequential transactions such that each individual transaction can be audited. For example, can auditors get a printed or electronic copy of daily transactions subsequent to the issuance of the receipts that includes every transaction and not just a total of the transactions.
5. The individual making the payment should receive an electronic receipt or printed receipt from the digital collection software application. The receipt may be in the form of an email or text message. However, if the digital collection software application is not capable of issuing a receipt, then a manual (i.e., handwritten) receipt must be issued.
6. There should be some method of reporting and reconciling the amounts received to the amounts charged/billed and deposited. Someone from the school department should reconcile the amounts presented on the reports to cash deposited.
7. The school should consider how protecting personally identifiable information will be managed and cyber security in general. Using digital collection software/applications involves significant liability if identity theft or cash thefts occur.
8. The number of digital collection software applications utilized and the number of people allowed to use the applications should be limited.
9. Obviously there should be segregation of duties. The person who operates the digital collection software application should not be the person who performs the report reconciliation.

**In addition to the above system/application features and controls, the following would be considered significant deficiencies or material weakness in internal control:**

1. *If the decline a receipt function is part of the system/application, and that function cannot be disabled, then the system should **not** be utilized except as follows. In-lieu of having the decline receipt function turned on, a manual receipt must be issued, such as a ticket at a ballgame.*
2. *If the system/application has a “void receipt” option and void receipt transactions are not recorded with relevant detail, then the system should **not** be utilized.*
3. *If the system/application does not provide the ability for auditors to audit individual transactions. For example, preferably each transaction would be dated, include a transaction sequential number, the payor, the amount received, the related activity (e.g., football), the vendor’s service fee, and the type of payment – debit or credit. The system should also record who (i.e., which school/government employee/or volunteer) issued the receipt.*
4. *If the system/application does not provide for a total of receipts for a given day.*

If a simple digital collection software application can be devised that does not allow funds to be easily stolen, and that allows auditors to perform an audit after the transactions have been completed, then schools may use that application. It may be that using a digital collection software application is more secure than simply collecting cash on site. **However, the Division of Local Government Audit’s main concern, is not ease of doing business. Our main concern is whether money can be easily stolen, and that transactions are capable of being audited.**

Please understand that this brief memo cannot contemplate every type of digital collection software application, therefore more and different controls may be necessary for a particular application depending on the circumstances. In addition, as problems or abuses arise over time, it is logical to expect that more detailed guidance will become necessary.

We have already seen similar online collection software applications used in various settings. The technology is available. Covid has just sped up the process.

One more consideration. Anytime a concession stand is operated, whether a digital collection software application is utilized or currency is collected, there are dangers for theft of cash and inventory. Therefore, it is important to reconcile cash and credit or debit sales with inventory at least weekly (more often is preferable). Cash should be reconciled with receipts and deposited daily. Cash should not be left in an unsecure location. It is best practice to use a Manual Cash Register to account for over the counter sales that are made by cash (i.e., with currency). It is also wise to know the background of any employee you have operating a concession stand.

Please provide this message to your clients, particularly school systems and individual schools that manage student activity funds perform fundraising events that utilize digital collection software applications.

Let me know if you have questions about the memo. Please contact Penny Austin if you have questions about the authorization statutes referenced above.

Thanks for everything you do. Jerry

**Jerry E. Durham**, CPA, CGFM, CFE  
*Assistant Director, Research, Compliance, and Contract Audit Review*  
Comptroller of the Treasury  
Division of Local Government Audit  
425 Rep. John Lewis Parkway N. | Nashville, TN 37243  
[Jerry.Durham@cot.tn.gov](mailto:Jerry.Durham@cot.tn.gov) | Direct Line 615.401.7951



**Mission: To Make Government Work Better**

**47-10-119. Filing of pre-implementation statement and post-implementation review. —**

(a) Any local governmental public official including, but not limited to, officials of counties, municipalities, utility districts, other local governmental entities and those offices enumerated under § 8-22-101, implementing an electronic business system that provides for the sending and receiving of electronic records that contain electronic signatures and/or authorizations shall file a statement with the comptroller of the treasury at least thirty (30) days prior to offering such service. The statement shall contain the following information:

- (1) A description of the computer hardware and software to be utilized;
- (2) A description of the policies and procedures related to the implementation of the system;
- (3) Documentation of the internal controls that will ensure the integrity of the system;
- (4) A description of the local governmental public official's personnel who will be responsible for the implementation of the system;
- (5) A description of the types of records and transactions to be electronically communicated, as well as a description of the transaction and/or record authorization process including a description of any electronic signatures to be used;
- (6) The estimated cost of the system including development and implementation costs; and
- (7) The expected benefits and/or the estimated cost savings, if any, of conducting business by electronic means.

(b) A local governmental public official who implements an electronic business system shall provide to the comptroller of the treasury a post-implementation review of the system between twelve (12) and eighteen (18) months after the date a statement described in this section has been filed with the comptroller. The review shall include:

- (1) An assessment of the system by the local governmental public official;
- (2) Responses from a survey of users of the system; and
- (3) Any recommendations for improvements to the electronic business system.

[Acts 2001, ch. 72, § 19.]

**Compiler's Notes.** Acts 2001, ch. 72, § 27, provides that the provisions of that act become effective

February 27, 1995

DIVISION OF COUNTY AUDIT POLICY REGARDING  
AUTOMATED RECEIPTS

If utilizing an automated receipting system, officials will no longer have to maintain stocks of pre-printed and pre-numbered receipts as long as the following criteria are met:

- The receipting software must assign a unique number to each receipt. These numbers must be physically printed on the receipt document. Officials should not have the capability to manipulate receipt numbers within the software system.
- As long as a logical record of a receipt is maintained by the system, a duplicate hard copy receipt will not have to be printed. However, receipt documents must be able to be issued to the payer upon request.
- Any receipt adjustment transactions must not effect the original receipt. Furthermore, receipts should not be able to be deleted. All receipt adjustment transactions must be maintained for audit purposes.
- Daily and monthly receipt registers should be printed and maintained for the auditors review. The daily receipt register should provide a detailed listing of receipt numbers generated for that day. At a minimum, this listing should include the following information:

Receipt number  
Receipt date  
Case number  
Name of payer  
Who issued receipt  
Type of payment (i.e.; cash, check, etc.)  
Receipt breakdown by account or fee  
Total for receipt  
Total receipts for the day  
Daily totals by general ledger account entries  
Total daily collections by employee

All receipt adjustment transactions should be reflected on this report. Voided receipts should also be displayed.

The monthly receipt register should provide a summary of daily receipting transactions. At a minimum, this listing should include the following information:

Date  
Daily summary by general ledger account entries  
Total receipts for the day  
Monthly totals by general ledger account entries