

Sample Allocation Methodologies
Scholarships for Educational Excellence Program (SSEEP)

GOAL: To provide examples of acceptable methodologies or accounting procedures that will allow for thorough auditing of the receipt and expenditure of SSEEP funds.

I. Separate Bank Account:

1. Tuition and other income from private sources is deposited in the main operating account(s) for the school
2. Tuition for SSEEP students is deposited in a separate account upon receipt
3. Invoices, payroll, and other obligations are paid as due from the main operating account
4. Either on a by disbursement basis or on some regular basis (weekly, bi-weekly, monthly) funds are transferred from the SSEEP account to the main operating account(s) to cover the expenses paid on behalf of the SSEEP students
5. The transfer must be based on a reasonable allocation methodology such as the proportion of SSEEP students to the total student population

Allocation Example A:

- Based on proportionate share of Total Population
 - Total Population = 100
 - Private pay students = 60
 - SSEEP students = 40
 - Proportion of SSEEP students of total students = 40%
- Disbursements are made for payroll, rent and utilities
- Disbursements are paid from the operating account for rent and utilities expenses
- Disbursements are paid from the payroll account for salaries and related benefits expenses
- Reimbursement is made from the SSEEP account to the operating account for 40% of the expenses for rent and utilities
- Reimbursement is made from the SSEEP account to the payroll account for 40% of the expenses for salaries and related benefits
- **Expenses** that exist solely because SSEEP students are enrolled are charged 100% to the SSEEP program
 - Example: A new position was created specifically to provide support to the Scholarship Program, its students, and parents – this position could be charged at 100% to SSEEP because the sole purpose is to support the Scholarship program **and** the position did not exist prior to the acceptance of SSEEP students and would not exist if the program were no longer in operation

Allocation Example B:

- **Operational Costs** such as rent, utilities, and maintenance are charged based on the proportionate share of SSEE students to total student population
- **Overhead Costs** such as Central Office expenses are charged based on the proportionate share of SSEE students to the total student population
 - Total Population = 100
 - Private pay students = 60
 - SSEE students = 40
 - Proportion of SSEE students of total students = 40%
- Disbursements are made from the operating account for rent, utilities and maintenance expenses
- Disbursements are made from the operating account for overhead expenses
- Reimbursement is made from the SSEE account to the operating account for 40% of the rent, utilities and maintenance expenses
- Reimbursement is made from the SSEE account to the operating account for 40% of the overhead expenses
- **Salaries and related benefits** are charged based on the proportion of students in each grade
 - Grade K = 10 SSEE students of 40 students total = 25%
 - Grade 1 = 25 SSEE students of 50 students total = 50%
 - Grade 2 = 40 SSEE students of 80 students total = 50%
 - Grade 3 = 45 SSEE students of 90 total students = 50%
 - Grade 4 = 32 SSEE students of 80 total students = 40%
 - Grade 5 = 36 SSEE students of 80 total students = 45%
 - Grade 6 = 0 SSEE students of 80 total students = 0%
- Disbursements are made from the payroll account for salaries and related benefits
- Reimbursement is made from the SSEE account to payroll account to cover:
 - 25% of the costs for Grade K teachers
 - 50% of the costs for Grade 1 teachers
 - 50% of the costs for Grade 2 teachers
 - 50% of the costs for Grade 3 teachers
 - 40% of the costs for Grade 4 teachers
 - 45% of the costs for Grade 5 teachers
 - 0% of the costs for Grade 6 teachers
- **Other Expenses** such as textbooks and classroom specific supplies are charged based on the grade-level proportion, paid out of the operating account and reimbursed from the SSEE account based on grade-level proportions of SSEE students.
- **Expenses** that exist solely because SSEE students are enrolled are charged 100% to the SSEE program
 - Example: A new position was created specifically to provide support to the Scholarship Program, its students, and parents – this position could be charged at 100% to SSEE because the sole purpose is to support the Scholarship program **and** the position did not

exist prior to the acceptance of SSEE students and would not exist if the program were no longer in operation.

II. Use of Unique Coding in the Accounting System:

1. Tuition and other income from private sources is recorded with unique revenue coding or identifiers in the accounting system and deposited in the main operating account(s) for the school.
2. Tuition for SSEE students is recorded with unique revenue coding and identifiers in the accounting system and deposited in the main operating account(s) for the school.
3. Invoices, payroll, and other obligations are paid as due from the main operating account.
4. A reasonable allocation methodology is used to determine the proportion of each expense that is eligible to be paid from the SSEE tuition revenue.
5. For each expense, the proportionate share allocable to SSEE students is determined and coded with unique expenditure codes in the accounting system.

Note: For allocation methodologies, see Example A and B above.

III. Substitutionary System - Allocation Template:

1. The allocation template may be used as a substitutionary system of demonstrating the segregation of funds through an allocation of expenditures based on the percent of scholarship student population to the total student population by classroom, grade or school.
2. The allocation template will provide data relative to scholarship expenditures in the areas of salaries, benefits and other charges.
3. The allocation template must provide enough detail to allow a sample to be pulled for expenditure testing.

Note: For allocation methodologies, see Example A and B above.

III. Audit Documentation

For each disbursement from the SSEE account to a regular operating or payroll account, a record of transactions related to each disbursement (payment) from the SSEE account to a regular account should be on file. The auditors will select a sample of transactions to test from each disbursement.

EXAMPLE:

- October- disbursement is made from SSEE account to payroll account to cover the following expenses
 - Salaries and related benefits for August and September salaries
 - Documentation: copy of payroll register or other report from accounting system to evidence employee salary and benefit expenses
 - Utilities – August and September
 - Documentation: copy of invoice

- Textbooks Order
 - Documentation: copy of invoice
- Grounds Maintenance Contract – August and September payments
 - Documentation: copy of contract identifying costs
- Other Documentation: Allocation Methodology
 - Provide evidence of full cost of each expense and the methodology by which that cost was allocated

Note: These are examples of the types of documentation that will be requested from the auditors. This is not a finite list of documentation that may be requested or that will be considered acceptable.