

# East Hollywood High School Fiscal Policies & Procedures Guide

## **PART I – RECOMMENDED POLICIES**

### **100 INTERNAL CONTROL POLICIES**

The Charter School, under the direction of the Board of Trustees, is required to establish and maintain adequate accounting records and internal control procedures. Internal control consists of five components: control environment, risk assessment, control activities, information and communication, and monitoring. The objectives of internal control relate to financial reporting, operations, and compliance.

The Charter School and all levels of management are responsible for preventing and detecting instances of fraud and related misconduct and for establishing and maintaining proper internal controls that provide security and accountability of the resources of the school. Management is also responsible for recognizing risks and exposures inherent to these areas of responsibility and for being aware of indications of fraud or related misconduct.

Any employee with reasonable basis for believing fraudulent or related misconduct has occurred should report such incidents to the designated authorities within the school or the State Office of Education.

Neither the chartering entity nor the state, including an agency of the state, is liable for the debts or financial obligations of the charter school or persons or entities that operate the charter school.

Internal control policies provide the Charter School with the foundation to properly safeguard its assets, implement management's internal policies, provide compliance with state and federal laws and regulations and produce timely and accurate financial information. The following policies will highlight some of the areas of internal control that the Charter School should consider:

#### **101 *Compliance with Laws***

The Charter School will follow all the relevant laws and regulations that govern Charter Schools within the State of Utah. Additionally, U.S. Government laws and regulations that relate to grant funding will be adopted as the grant funding is received. The following are specific policies of the Charter School:

##### **A. Record Keeping**

To provide an accurate and auditable record of all financial transactions, the school's books, records, and accounts are maintained in conformity with generally accepted accounting principles as required by state law applicable to Charter Schools.

Further, the school specifically requires that:

1. No funds or accounts may be established or maintained for purposes that are not fully and accurately described within the books and records of the school.
2. Receipts and disbursements must be fully and accurately described in the books and records.
3. No false entries may be made on the books or records nor any false or misleading reports issued.
4. Payments may be made only to the contracting party and only for the actual services rendered or products delivered. No false or fictitious invoices may be paid.

### **102 *Board of Trustees Authorities***

The Board of Trustees is responsible for the operation of the Charter School in accordance with state and federal laws. The Board of Trustees is also responsible for operating the school in accordance with the representations made in its charter.

The Board of Trustees will meet regularly to ensure that its fiduciary duty is maintained. The Board should review the following: prior meeting minutes, business items, educational items, new business and other items.

### **103 *Signature Authorities***

To properly segregate duties within the Charter School, the President, the Treasurer of the Board and the School Director/Director and/or business manager are the only individuals with signatory authority and are responsible for authorizing all cash transactions. Currently the signers on the East Hollywood general checking accounts are: **Eric Lindsey, Director/Principal. Nicole Broberg, SPED Director.**

### **104 *Security of Financial Data***

- A. The school's accounting software should be reviewed to ensure that general and application controls to unauthorized access to data is precluded (i.e., proper password protection and authorizations for inquiry or browse only functions.)
- B. The system's accounting data must be backed up regularly by the Business Manager to ensure the recoverability of financial information in case of hardware failure. The back up should be stored in a fire safe area and properly secured.
- C. All other financial data, petty cash box, unused checks and unclaimed checks will be secured by the Business Manager from unauthorized access.

**105 Use of School Assets**

School employees should not use any of the school's assets for personal use without prior approval of the Board of Trustees and with proper justification.

**106 Use Of School / Personal Credit Cards**

East Hollywood currently has one credit card issued to the Director. If the school wishes to issue additional credit cards this can be done with the approval of EHHS Board of Trustees. Additionally, the schools business manager also purchases items on behalf of the school on his personal credit card. EHHS then reimburses him monthly.

All charges must be supported by invoices or travel reports to be eligible for payment by the Charter School.

Monthly credit card statements are reconciled to invoices and travel reports and are approved by the Charter School Director or Business Manager.

**200 FINANCIAL MANAGEMENT POLICIES**

Charter school accounting policies and financial reporting adopted by the school should be consistent with a special purpose governmental entity that engages in business type activities. The Board of Trustees has oversight of the management of a charter school inclusive of establishing the governance structure and the financial management policies as set forth in the charter school application.

**201 Basis of Accounting**

The Charter School will maintain its accounting records and related financial reports on the modified accrual basis of accounting, with accrual taking place annually. The fiscal year of operation will be from July 1 – June 30

**202 Accounting Policies**

The accounting policies and financial reporting adopted are consistent with state law and generally accepted accounting practices.

**203 Revenues**

Under the modified accrual basis of accounting, revenues are recognized when earned, consistent with generally accepted accounting principles applicable to special purpose governmental units.

**204 Expenditures**

Under the modified accrual basis of accounting, expenses are recognized when services are incurred or goods are received.

**205 Cash Management**

- A. The school maintains cash accounts at the following bank
  - 1. Payroll /Operations – Wells Fargo Bank

**206 Budgets**

- A. The Charter School prepares an annual operating budget of revenues and expenses and a cash flow projection. These budgets and projections are reviewed and approved by the Board of Trustees and modified, as necessary.
- B. Financial statements displaying budget vs. actual results are prepared by the Business Manager and presented to the Board of Trustees at regularly scheduled board meeting.

**207 Insurance and Bonding**

- A. The school maintains minimum levels of coverage, as deemed appropriate by the Board of Trustees, for the follow policies:
  - 1. General liability
  - 2. Business & personal property (including auto/bus)
  - 3. Computer equipment
  - 4. Workers' compensation
  - 5. Unemployment
  - 6. Fidelity bond

**208 Employee Retirement Program**

The Charter School shall participate in a retirement program as determined by the Board of Trustees and administered by the Business Manager.

**209 Record Retention and Disposal**

- A. Records are maintained for the following minimum periods:
  - 1. Books, records, documents, and other supporting evidence including paid, cancelled, or voided checks, accounts payable records, vendors' invoices, payroll sheets and registers of salaries and wages, tax withholding statements, employee timesheets and other public documents are retained for seven years after the original entry date.
- B. The following records supporting federal contracts, as required by U.S. Office of Management and Budget, are retained for the indicated minimum periods:

1. For three years after submission of the final report of expenditures: general ledger, trial balance, accounts payable and accounts receivable ledger, payroll register, and petty cash book, check register and checks, invoices. Except for:
    - a) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.
    - b) Records for real property and equipment acquired with Federal funds shall be retained for 3 years after final disposition.
  2. Permanently: Audit reports, annual corporate reports, charter, board minutes, tax and legal correspondence, labor contracts, insurance claims and policies, and retirement and pension records.
- C. The disposal date determined under this policy is the end of the fiscal year, or the date of final payment of government grants.
- D. All records not supporting government grants or otherwise covered by rules of the Internal Revenue Service are retained for three years from the end of the fiscal year in which the records were originally prepared.
- E. All financial records are maintained in chronological order, organized by fiscal year.
- F. In connection with the disposal of any records, a memorandum of record disposal is prepared by the Business Manager listing the record or the class of records disposed of. The Board of Trustees certifies this memorandum of records disposal.

## **210 Financial Reporting**

The Business Manager maintains supporting records in sufficient detail to prepare the School's financial reports, including:

- A. Annually:
  1. Financial statements for audit
  2. Annual budget
- B. Monthly:
  1. Trial balance
  2. Internally generated budget vs. actual financial statements with explanations for significant variances

Updating of the cash flow projection

- C. Quarterly:

1. IRS Form 941 and payroll tax returns and comparable state taxing authority returns, unless outsourced
2. Other reports upon request

### **211 *Audit***

The Board of Trustees contracts annually with a qualified independent certified public accounting firm to conduct an audit of the Charter School's financial statements in accordance with auditing standards generally accepted in the United States of America.

## **300 POLICIES RELATED TO ASSETS, LIABILITIES, AND NET ASSETS**

### **301 *Assets***

Economic resources that are recognized and measured in conformity with generally accepted accounting principles. Assets also include certain deferred charges that are not resources, but are recognized and measured in conformity with generally accepted accounting principles. The following sections describe policies related to the recognition of assets.

### **302 *Petty Cash Payments***

- A. Petty cash payments are made from a fund not to exceed \$400, and should be for cash advances, local expense reimbursement, and small-dollar vendor purchases, provided proper documentation is furnished with each request. No individual payment shall be greater than \$100.
- B. The petty cash account is balanced by the Business Manager.

### **303 *Criteria for Capitalizing and Depreciating for Property and Equipment***

All tangible personal property with a useful life of more than one year and a unit acquisition cost of \$2,000 or more is capitalized and recorded in the statement of net assets. Depreciation associated with the fixed asset will be calculated based on its useful life and straight-line depreciation method.

### **304 *Impairment of Assets***

A recognized impairment of an asset is reflected when circumstances warrant. The appropriate adjustment is made for any impaired assets, accompanied by a description of the impaired asset and the measurement assumptions used in determining the impairment.

### **305 *Liabilities***

Economic obligations that are recognized and measured in conformity with generally accepted accounting principles. Liabilities also include certain deferred amounts that are

not obligated, but are recognized and measured in conformity with generally accepted accounting principles. The following sections describe policies related to the recognition of liabilities.

**306 *Accounts Payable***

Only valid accounts payable transactions based on documented vendor invoices, receiving reports, or other approved documentation are recorded as accounts payable.

**307 *Accounts Payable Payment Policy***

Vendors and suppliers are paid as their payment terms require, taking advantage of any discounts offered. If cash flow problems exist, payments are made on a greatest dependency/greatest need basis.

**308 *Accrued Liabilities***

Salaries, wages earned, payroll taxes, and health insurance costs incurred, but unpaid, are reflected as a liability when entitlement to payment occurs. Liabilities are accrued annually.

**309 *Accrued Teachers' Salary/ Health Insurance***

The portion of any teachers' salaries and health insurance paid for a school year that extends into the next fiscal year (e.g., a twelve-month salary schedule from September 1 to August 31 of the following year) should be accrued at the end of the fiscal year for which services were rendered.

**310 *Debt***

- A. When applicable, short-term debt consists of financing expected to be paid within one year of the date of the annual audited financial statements. Long-term debt consists of financing that is not expected to be repaid within one year.
- B. All short-term and long-term debt is approved by the Board of Trustees.
- C. Loan agreements approved by the Board of Trustees should be in writing and should specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule.

**400 *PROPERTY MANAGEMENT POLICIES***

**401 *Property and Equipment***

The Charter School maintains detailed records of all property and equipment.

**402    *Recording and Reporting of Property***

- A. The Charter School maintains a log identifying all property in its possession, as follows:
  - 1.    Name and description
  - 2.    Serial number, model number, or other identification.

**403    *Physical Inventories***

- A.    The Charter School performs a physical inventory of all property in its possession or control on an annual basis.
- B.    The physical inventory is reconciled to the detailed fixed asset subsidiary ledger, and differences, if any, are investigated and reconciled.

**404    *Disposal of Property and Equipment***

- A.    No item of property or equipment shall be removed from the premises without prior approval from the Business Manager and/or Principal, Exe. Director
- B.    When property is retired, the appropriate asset in the fixed asset subsidiary will be adjusted and properly reflected in the general ledger.

**500    **PROCUREMENT POLICIES****

**501    *Procurement – Goods and Services***

The Charter School procures only those items and services that are required to perform the mission and/or fill a bona fide need. Procurements are made using best value contracting which includes assessing the best value considering quality, performance and price. However, the school will use a competitive procurement process, which requires sound business practices. The school will follow the Utah Division of Purchasing recommended guidelines and flow chart which can be found at:

<http://www.purchasing.utah.gov/documents/purchasingpolicyflowchart.pdf>

In summary, purchases of less than \$1,000 can be purchased from the best source without seeking competitive bids. If the purchase is between \$1,001 - \$5,000 the charter school shall obtain three competitive bids. If the purchase is over \$5,000 the school has the option to submit a RQS with the Utah Division of Purchasing or obtain three competitive bids.

Quotations may be received by telephone, fax, or e-mail. These quotations must be documented and filed for auditing purposes. Since documentation is required, fax or e-mail is the preferred quotation medium,

- A.    The School adheres to the following objectives:

1. Procurements will be completely impartial based strictly on the merits of supplier and contractor proposals and applicable related considerations such as delivery, quantity, etc.
  2. Make all purchases in the best interests of the school and its funding sources.
  3. Obtain quality supplies/services needed for delivery at the time and place required.
  4. Buy from responsible and dependable sources of supply.
  5. Obtain maximum value for all expenditures.
  6. Deal fairly and impartially with all vendors.
  7. Be above suspicion of unethical behavior at all times; avoid any conflict of interest, related parties or even the appearance of a conflict of interest in the Charter School supplier relationships.
- A. All lease agreements will be evidenced by a lease or sublease agreement approved by the Board of Trustees and signed by the Board Chair. The agreement will identify all the terms and conditions of the lease.

## **502 *Emergency Purchases***

An “emergency purchase” is the purchase of goods or services that are so badly needed that the school will suffer financial or operational damage if they are not secured immediately. A decision to purchase may be declared in an emergency at the school’s discretion and “best value” procurement guidelines must be followed. In addition, the purchase must be authorized by the Treasurer or designee.

## **600 PAYROLL AND TRAVEL POLICIES**

### **601 *Payroll Policies***

- A. Employees are paid on a 12-month, monthly schedule from September 1 to the following August 31.
- B. Employee’s time is properly approved by both the individual and the supervisor and reported to the Business Office or designated representative.
- C. All employee payroll amounts are calculated based upon approved rates included in the individual’s employment agreement.
- D. Any changes to the pay rates or benefits are properly authorized.
- E. All payroll taxes and benefits are properly calculated and any deposits made in a timely manner.
- F. All payroll tax reports are prepared in a timely manner and reviewed by a designated individual for accuracy prior to filing.

## **602 Employee Mileage Reimbursement**

- A. All employees are reimbursed at the standard mileage rate per mile currently .48 cents per mile, for use of their own vehicle for business related travel. In addition, parking fees and tolls paid are reimbursable if properly supported.
- B. All employees requesting such mileage reimbursement are required to furnish a *Travel Report* containing the destination of each trip, its purpose and the miles driven, parking fees and tolls, within one month after the travel date. Each employee is responsible for detailing the travel and related expenses and including the required supporting documentation.

## **PART II – RECOMMENDED PROCEDURES**

The following section of the *Guide* will provide procedures, which will support the policies contained in Part I of the *Guide*.

### **700 GENERAL ACCOUNTING PROCEDURES**

In this section, procedures are described for the overall accounting system design, General Ledger activity and General Ledger closeout for the Charter School.

#### **701 Overall Accounting System Design**

##### *Control Objective*

To establish a coding structure that supports financial reporting and management’s decision-making.

##### *Major Controls*

#### **A. Business Manager Involved in Designing the Chart of Accounts/Coding Structure**

To support decision-making, the Business Manager, along with assistance from additional resources, including the Board of Trustees, management, and outside consultants, should be involved from the outset in setting the chart of accounts/coding structure. The coding generally follows a four-digit general ledger account number with classes designated for grants or other funding to be accounted for separately.

#### **B. Establishment of Control Accounts**

Control accounts for fixed assets, accounts receivable and accounts payable will be established with subsidiary detail listings and will be reconciled monthly to these control accounts.

## 702 General Ledger Activity

### *Control Objective*

To ensure that all General Ledger entries are current, accurate, and complete.

### *Major Controls*

#### **A. Timeliness of Entries**

All entries are made soon after the underlying accounting event to ensure the financial records and reporting is current.

#### **B. Support Documentation**

All entries are supported by adequate documentation that clearly indicates the justification and authorization for the transaction.

#### **C. Audit Trail**

A complete audit trail is maintained by the use of reference codes, from source documentation through the books of original entry and general ledger, to periodic reporting statements.

### *Procedures*

1. Financial data on source documentation is verified against original documents (e.g., invoice, purchase order, etc.) by the Business Manager before entering into the accounting system.
2. Each entry in the accounting system is reviewed and approved by the Business Manager.
3. Provision is made for using recurring General Journal entries for certain transactions, such as recording the monthly portion of prepaid insurance.
4. Non-recurring entries, such as for correcting entries, recording accruals, and recording non-cash transactions, are prepared as circumstances warrant and on an as needed basis.
5. All entries in the books of original entry (e.g., cash receipts journal and disbursements) are made soon after the accounting event from authorized forms, and are prepared and reviewed by qualified accounting personnel.

## 800 CASH MANAGEMENT PROCEDURES

In this section, procedures are described for cash receipts, cash disbursements, and petty cash funds and prepaid items.

### 801 *Cash Receipts*

#### *Control Objective*

To record cash receipts completely and accurately and to prevent the diversion of cash assets.

#### *Major Controls*

##### A. **Cash Flow Projection**

The Charter School annually prepares and updates regularly a cash flow projection for operations and capital cash needs to monitor and ensure adequate cash flow.

##### B. **Cash Receipts Policies**

The Charter School has internal control systems in place to monitor cash receipts, and ensure that deposits are made in a timely manner. **All checks must be made out to East Hollywood High School**

##### C. **Internal Accounting Controls**

- (i) Opening of mail is assigned to an employee with responsibilities independent of access to files or documents pertaining to accounts receivable or cash accounts.
- (ii) Listed receipts and credits are compared to accounts receivable and bank deposits.

#### *Procedures*

1. Mail is opened by the Receptionist who sorts the checks and forwards them to the Staff Accountant, if applicable, or Business Manager
2. All checks are restrictively endorsed immediately by the Staff Accountant, if applicable, or Receptionist.
3. The Staff Accountant, if applicable, or Business Manager prepares journal entries and deposit slips.
4. A copy of each check to be deposited is made and attached to a copy of the deposit slip and filed to provide support for all deposits.
5. The Business Manager reviews and signs off on journal entries.
6. The Staff Accountant, if applicable, or Business Manager inputs journal entries.
7. Either the Staff Accountant, if applicable, or the Business Manager makes deposits on a daily or no later than on a weekly basis. If deposits are made other than daily, the deposit should be maintained in a secure area with limited access.
8. Reconciliation of cash receipts to deposit slips and bank statements are performed by the Business Manager or Treasurer on a monthly basis.

## **900 Cash Disbursements**

### *Control Objective*

To disburse cash for authorized purposes and record cash disbursements completely and accurately.

### *Major Controls*

#### **A. Cash Disbursement Policies**

Check preparation and signatures are delayed until the due date, consistent with discounts, if available.

#### **B. Internal Accounting Controls**

- (i) Pre-numbered checks and special check protective paper.
- (ii) Match disbursement records against accounts payable/open invoice files.
- (iii) Bank statements reconciled to cash accounts and any outstanding checks verified by either the Business Manager or the Staff Accountant, if applicable.
- (iv) Supporting documentation canceled to prevent resubmission for payment.
- (v) Detailed comparison of actual vs. budget disbursements on a periodic basis.
- (vi) Separation of duties to the extent possible for an organization the size of the school.

### *Procedures*

1. When the transaction is complete and payment is due, a pre-numbered check is prepared by the Business Manager who attaches all supporting documentation: (e.g. vendor invoice, purchase order, purchase requisition, etc.) and submits the package to the School Director or the Treasurer for approval.
2. All invoices submitted for signature will include approvals for payment, expense account(s) charged, grant account(s) charged, if applicable, check number and date of payment.
3. The School Director or the Principal signs checks, after examining the supporting documentation.
4. After having been signed, the checks are mailed directly to the payee.
5. Bank statements are reconciled soon after receipt by either the Business Manager or the Staff Accountant, if applicable, and reviewed by the School Director.

## **1000 Petty Cash Funds**

### *Control Objective*

To control the use of petty cash funds for valid transactions.

## *Major Controls*

### **Internal Accounting Controls**

Reconciliation of petty cash funds by employees with responsibilities independent of cash receipts, disbursements, or custody.

### *Procedures*

1. The Charter School will maintain a petty cash fund with a balance of \$400, which will be maintained and secured by the Business Manager.
2. The Business Manager maintains a log of all disbursements made from the petty cash fund and uses a *Petty Cash Voucher* for all petty cash disbursements
3. When the fund needs to be replenished, a check request is prepared by the Business Manager, attaching the log of disbursements and the supporting vouchers. See cash disbursement procedure above for payment.
4. Any differences between the check request to bring the fund up to the petty cash amount and total disbursements made are reviewed and a justification is prepared.
5. Fund disbursements are entered into the general ledger by expense category when the fund is replenished.

## **1001 Prepaid Items**

### *Control Objective*

To ensure proper accounting for prepaid expenses.

### *Major Controls*

#### **Internal Accounting Controls**

- (i) Preparation and updating of an amortization schedule to reflect the incurring of expenses for prepaid items (e.g., prepaid insurance).
- (ii) Detailed prepaid expenses reconciled with the general ledger control account.

### *Procedures*

1. Vendor invoices are reviewed by the Business Manager to identify all required prepayments.
2. For payment of prepaid items, the transaction is coded to reflect the appropriate portion of the payment representing the prepaid portion.
3. An amortization schedule is prepared to reflect the incurring of an expense for prepaid items.
4. A standard journal entry is prepared by the Business Manager or Staff Accountant, if applicable to record the monthly expense.

5. A reconciliation is performed on a monthly basis between the subsidiary ledger and the prepaid expense General Ledger control account.

## **1100 PAYROLL PROCEDURES**

Payroll procedures are organized under six categories: personnel requirements, personnel data, timekeeping, preparation of payroll, payroll payment, and payroll withholdings.

### ***1101 Personnel Requirements***

#### *Control Objective*

To ensure that the School hires only those employees—full or part-time—that it absolutely needs and exerts tight control over hiring new employees.

#### *Major Controls*

##### **Payroll Policies**

The School has adopted payroll policies for installing new employees on the payroll system and removing terminated employees from the system, as well as monitoring vacation and sick pay.

#### *Procedures*

##### **New Employees**

1. Requests for new employees are initiated by the School Director and compared with the approved annual personnel budget.
2. A *Personnel Action Form* is initiated when hiring a new employee. Included on this form are the job description, approved pay rate, and grant funding, if any. Information on this form is reviewed by the Business Manager and communicated to the outside payroll service provider, if applicable, or entered into in-house payroll software.
3. New employees complete an *Application for Employment*.
4. New employees complete an *IRS W-4 Form* and *I-9*.
5. A criminal background check is conducted on new employees and their BCI reports are placed in their employment files. If the new employee is a teacher then the Utah State office of Education has already conducted a background check.

##### **Vacation and Sick Pay**

1. Employees accrue personal leave based on personnel policy of the Charter School.
2. Employees' earned personal leave balances are adjusted monthly to reflect vacation time earned and taken and reviewed by the School Director.

## **Terminations**

1. For each terminated employee, a *Termination Form* documenting the reasons for termination is completed and routed to the Business Manager for approval.
2. The approved *Termination Form* is communicated to the payroll service provider, including the effects on the fringe benefits including health, dental, pension, COBRA, etc.
3. The approved *Termination Form* is maintained in the terminated employee's personnel file.

## **1200 Personnel Data**

### *Control Objective*

To calculate and record payroll data accurately and completely for all employees.

### *Major Controls*

#### **Internal Accounting Controls**

- (i) A precise paper trail covering all transactions.
- (ii) Changes in personnel data approved by responsible officials.
- (iii) Separate payroll and personnel files periodically reviewed and reconciled.

### *Procedures*

1. Changes to personnel data are initiated with a *Employee Status Change Form* when making changes in new hires, terminations, pay rate changes, or payroll deductions.
2. The Business Manager or the School Director authorizes any change to payroll data.
3. Authorized changes are communicated to the payroll service provider or entered into in-house payroll software.
4. A copy of the *Employee Status Change Form* is retained in the employee's personnel file.

## **1201 Timekeeping**

### *Control Objective*

To ensure that payment for salaries and wages is made in accordance with documented time records.

### *Major Controls*

#### **A. Timekeeping Policies**

Employees are instructed on the proper charging of time to assure the accuracy of recorded time to cost objectives.

#### **B. Time Sheet**

Labor hours are accurately recorded and any corrections to timekeeping records, including the appropriate authorizations and approvals, are documented.

#### **C. Internal Reviews**

The School personnel monitor the overall integrity of timekeeping.

#### **D. Internal Accounting Controls**

Reconciliation of hours charged on time sheets to attendance records.

### *Procedures*

#### **Time Sheet Preparation**

1. Hourly and salary employees prepare time sheets on a bi-weekly basis.
2. In preparing time sheets, employees:
  - (i) Enter hours in ink and sign the completed timekeeping record
  - (ii) Make all corrections in ink by crossing out the error and initialing the change.
  - (iii) Submit the completed time sheet to the Administrative Assistant or Receptionist.

#### **Approval and Collection of Time Sheets**

1. Each employee's time sheet is collected by the Administrative Assistant or Office Manager on a monthly basis, which ensures all the timesheets are submitted in a timely manner. The Administrative Assistant or Office Manager forwards the timesheets to the School Director who reviews and approves them.
2. Authorized timesheets are collected by the Administrative Assistant or Receptionist and forwarded to the Business Office for processing.

## **1202 Preparation of Payroll**

### *Control Objective*

To ensure that payment of salaries and wages is accurately calculated.

### *Major Controls*

#### **Internal Accounting Controls**

##### *Procedures*

1. The total time recorded on time sheets and the number of employees is calculated by the Principal who then prepares a payroll spreadsheet and then forwards it to the Business Manager.
2. The Business Manager verifies the spreadsheet for the Principal and enters payroll into QuickBooks.
3. After payroll is processed it is reviewed and approved by the Business Manager prior to forwarding of the payroll checks for signature to the School Director.

## **1203 Payroll Payment**

### *Control Objective*

To ensure payment for salaries and wages by check, direct deposit, cash or other means is made only to employees entitled to receive payment.

### *Major Controls*

#### **Internal Accounting Controls**

- (i) Pre-numbered checks are used and all check numbers are accounted for.
- (ii) A complete audit trail on all payroll checks and direct deposit with authorizing signatures at each juncture is maintained.

##### *Procedures*

1. Checks and payroll register are forwarded to School Director or Principal for signature.
2. Payroll payments by check, direct deposit or cash are distributed by the School for forwarding to employees and payroll register is filed.
3. The Business Manager controls and monitors all undelivered and uncashed payroll checks, respectively.
4. The payroll bank account is reconciled monthly by the Staff Accountant or Business Manager and reviewed by the School Director.

## **1300 Recordkeeping Over Property & Equipment**

### *Control Objective*

To completely and accurately record fixed asset acquisitions, transfers, and dispositions on a current basis.

### *Major Controls*

#### **A. Capitalization Policies**

The School follows generally accepted accounting principles as applicable to special purpose business-type activity government entities. All fixed assets purchased are capitalized in the year of purchase, and recorded in the general ledger. The School follows the policy of capitalizing all fixed assets purchased greater than \$5,000 per unit.

#### **B. Fixed Asset Classification**

Fixed assets are accounted for by the following classifications: land, building, equipment, betterment, leasehold improvements, equipment, furniture, and computer hardware and software.

#### **C. Complete Record of P&E Acquisition Costs**

The fixed assets subsidiary ledger contains the full history of each capital asset acquired: original acquisition cost, and any costs incurred to prepare the asset for use.

### *Procedures*

1. Asset acquisitions, transfers, and dispositions are entered in the fixed assets subsidiary ledger on a periodic basis.
2. The fixed assets subsidiary ledger is reconciled with the control account in the general ledger on a monthly basis. Any differences are analyzed and resolved by the Business Manager.

## **1301 Depreciation**

### *Procedures*

The School capitalizes all fixed assets when acquired, and records the historical cost of these items in the general ledger. In accordance with generally accepted accounting principles as they relate to special purpose business-type activity, government entities, under GASB 34, depreciation expense must be recorded in the general ledger. The Charter School will use the straight-line method of depreciation over the assets useful life as determined as follow:

Computers	3 years
Office Equipment	5 years
Office Furniture	7 years
Leasehold Improvements	Useful life or life of lease, whichever is less
Building Improvements	20 years
Building	40 years

## **1400 Disposal of Property & Equipment**

### *Control Objective*

To ensure that assets no longer in use are disposed of in accordance with existing policies.

### *Major Controls*

#### **A. Disposal Policies**

The School has adopted policies on the disposition of property and equipment.

#### **B. Internal Accounting Controls**

- (i) Use of fixed asset disposal authorization forms.
- (ii) Disposal or transfer of fixed assets only with proper authorization.
- (iv) Periodic count of fixed assets that is reconciled with fixed assets recorded in the control account in the general ledger.

### *Procedures*

1. A determination is made by the school personnel as to the usefulness of a fixed asset.
2. An *Asset Disposal Form*, including a description of the asset, purpose for disposal and methodology of disposal is prepared with proper written authorization from the Business Manager.
3. The *Asset Disposal Form* is reviewed and signed by the School Director.

## **1500 ACCOUNTS PAYABLE PROCEDURES**

This section is organized into three major parts: accounts payable, purchasing, and expense reimbursement.

### **1501 Accounts Payable**

#### *Control Objective*

To ensure that invoices are accurately recorded on a timely basis for authorized purchases.

#### *Major Control*

##### **A. Reconciliation of Accounts Payable Records**

Reconciliation of source data, subsidiary ledger totals, and general ledger control accounts is performed periodically to ascertain the accuracy of accounts payable entries.

## *Procedures*

### **Voucher Preparation and Review of Voucher**

1. Invoices are received by the Administrative Assistant or Office Manager, who forwards them to the School Business Manager or designated personnel for approval.
2. Invoices are compared to the *Purchase Order* and the packing list.
3. The invoice is reviewed for:
  - (i) The nature, quality, and quantity of goods ordered and the related price
  - (ii) Accuracy of all arithmetic calculations and extensions
  - (iii) Allowability of expenditure
  - (iv) Proper general ledger account and department coding
4. The invoice is input into the general ledger by either the Staff Accountant or the Business Manager.
5. Checks are run on a bi-weekly basis.

## **1600 MANAGEMENT REPORTING PROCEDURES**

In this section, procedures are covered for supporting the annual budget, financial reporting, and tax compliance.

### **1601 Annual Budget**

#### *Control Objective*

To effectively support the preparation of the annual budget and its periodic review.

#### *Major Controls*

##### **A. Budget Process**

The Finance Committee works with the School Director and Business Manager to prepare the annual operating and capital budgets and cash flow projection, with input from the School Director. The budgets and projection are submitted to the Board of Trustees for approval.

##### **B. Internal Accounting Controls**

Accuracy and completeness of the budgets and projection

#### *Procedures*

1. In preparation of the annual operating and capital budgets and cash flow projection, the Business Manager prepares preliminary budgets and the projection for review by the School Director in consultation with the Finance Committee.

2. To support the budgets and projection estimates, the Business Manager prepares current year-to-date financial data with projections of year-end totals.
3. The School Director and the Finance Committee review the budgets and projection submitted for completeness and reasonableness.
4. The Board of Trustees approves and adopts the final budgets and projections.
5. The adopted budget totals are entered in the general ledger by the Business Manager for the new fiscal year, in order to prepare budget to actual reports.

## ***1602 Financial Reporting***

### *Control Objective*

To ensure the accuracy, completeness, and timeliness of financial reporting to support decision-making.

### *Major Controls*

#### **A. Schedule**

Financial reports are prepared based on a pre-determined schedule by the Board of Trustees.

#### **B. Review and Approval**

Financial reports are reviewed for accuracy and completeness.

#### **C. Audit**

The annual financial statements of the school are audited by a certified public accounting firm.

### *Procedures*

1. The Business Manager prepares monthly budget vs. actual financial reports and cash flow projection for the Board of Trustees meetings and for submission to the State Office of Education.
2. The school submits to an audit of its financial statements by a qualified certified public accounting firm.
3. The school shall submit the audited financial statements to the Office of the State Auditor and the State Office of Education October 1 statutory deadline.

## ***1603 Payroll Tax Compliance***

### *Control Objective*

To accurately prepare and file required tax documents on a timely basis.

### *Major Controls*

#### **A. Preparation**

Obtain a payroll service provider or in-house payroll software to assist in the preparation of periodic payroll tax filings.

#### **B. Approval of Tax Returns**

Payroll tax documents are reviewed and approved by the Business Manager.

### *Procedures*

1. The School maintains a schedule of required filing due dates for:
  - (i) *IRS Form W-2* - Wage and Tax Statement.
  - (ii) *IRS Form W-3* - Transmittal of Income and Tax Statements.(iii) *IRS Form 941* - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes.(iv) *IRS Form 1099 MISC* (also *1099-DIV*, *1099-INT*, *1099-OID*) - U.S. Annual Information Return for Recipients of Miscellaneous Income.
  - (i) Quarterly and annual state(s) unemployment tax return(s).
2. Before submission, all payroll tax documents and the supporting schedules are reviewed and approved by the Business Manager for accuracy and completeness.

## **APPENDIX B: SAMPLE FORMS**

**CHARTER SCHOOL PURCHASE ORDER**

<b>DATE</b>	<b>P.O. NO.</b>

<b>Vendor</b>
Name
Address
Attn:

<b>Ship To</b>
<i>Charter School</i>
Address
Attn:

<b>FOB</b>

<b>DESCRIPTION</b>	<b>QTY</b>	<b>RATE</b>	<b>ITEM #</b>	<b>AMOUNT</b>
			<b>Total</b>	\$0.00

The above purchase order number must appear on all correspondence, packing sheets and bills of lading. Send invoices Attn: Business Manager

**CHARTER SCHOOL PURCHASE REQUISITION FORM**

To:	Business Manager	Tel:		Fax:	
-----	------------------	------	--	------	--

FROM: \_\_\_\_\_

CLASSROOM : \_\_\_\_\_

**PLEASE ORDER THE FOLLOWING ITEMS FROM:**

Vendor Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone : \_\_\_\_\_ Fax : \_\_\_\_\_

Catalog No.	Page	Quantity	Description	Price	Total
			Shipping & Handling:		
					\$ _____

Charged to Account \_\_\_\_\_ Approved \_\_\_\_\_

School Director or Designee

Account Budget: \_\_\_\_\_ Approved \_\_\_\_\_

Business Manager

PO No.: \_\_\_\_\_

Note: Request for purchase less than \$1,000 requires verbal quote. Items greater than \$1,000, but less than \$5,000 requires written quote from three vendors. Items greater than \$5,000 requires formal bid form three vendors.

**CHARTER SCHOOL PETTY CASH VOUCHER**

Requested By: \_\_\_\_\_

Date: \_\_\_\_\_

Amount: \_\_\_\_\_

Reason: \_\_\_\_\_

***Business Manager Approval:*** \_\_\_\_\_

***Date:*** \_\_\_\_\_

***Account #:*** \_\_\_\_\_

***Amount:*** \_\_\_\_\_

Note: All petty cash transactions must be supported by receipts and no individual will be reimbursed more than \$100. If reimbursement is more than \$100, please complete a travel report.

**CHARTER SCHOOL CHECK VOUCHER**

Date \_\_\_\_\_  
Amount \_\_\_\_\_  
Due Date \_\_\_\_\_

**PERSON MAKING THIS REQUEST**

- 1. Name \_\_\_\_\_
- 2. School \_\_\_\_\_
- 3. Phone # \_\_\_\_\_ Ext. \_\_\_\_\_
- 4. Funding Instructions \_\_\_\_\_  
(example: Primary, Secondary, Extended Day, and Specific Grants)

**PAYEE INFORMATION**

- 1. Payee Name \_\_\_\_\_
- 2. Street \_\_\_\_\_ and/or P.O. Box # \_\_\_\_\_
- 3. City \_\_\_\_\_ 4. State \_\_\_\_\_ 5. Zip \_\_\_\_\_
- 6. Phone # ( ) \_\_\_\_\_ - \_\_\_\_\_

**OTHER INFORMATION**

- 1. Purpose \_\_\_\_\_  
\_\_\_\_\_
- 2. Special Instructions \_\_\_\_\_
- 3. Business Office Should \_\_\_\_\_ Mail Check to Payee of  
\_\_\_\_\_ Notify ( ) when ready

.....  
 FOR BUSINESS OFFICE USE ONLY  
 ACCOUNTS PAYABLE  
 ENTERING DATE \_\_\_\_\_

DISTRIBUTION  
 Acct. # \_\_\_\_\_ \$ \_\_\_\_\_  
 Acct. # \_\_\_\_\_ \$ \_\_\_\_\_  
 Acct. # \_\_\_\_\_ \$ \_\_\_\_\_

TOTAL \$ \_\_\_\_\_

VENDOR NO.: \_\_\_\_\_ CHECK NO.: \_\_\_\_\_ DATE: \_\_\_\_\_

**NOTE: All Vendor supporting documentation must be attached to this form to process the check request.**