

STEM School Highlands Ranch Financial Controls

Updated June 28, 2022

In addition to providing sound financial controls for STEM School, this Financial Controls Policy is designed to fulfill STEM's obligations under the Charter School Contract between STEM and the Douglas County School System (DCSD) dated July 1, 2020 ("Charter Contract"), see e.g., Charter Contract Section 3, as well as be consistent with STEM's Bylaws.

1. Process and Management of Budget

STEM School (STEM) is an organization that annually manages government and private sums of money. The Board of Directors (the Board), Executive Director, Principal's, Chief Financial Officer, STEM Finance Committee, independent auditor, and various members of the STEM staff and contractors all have roles and accountabilities in the exercise of fiscal due diligence and prudence in operating and managing STEM. This document sets out these responsibilities in more explicit terms, to ensure that all involved understand the scope (and limitations) of their individual and collective responsibilities. Once enacted by the Board, it serves as binding policy for financial operations at STEM.

- Summary of Accountabilities:
 - a) *The Board* - It is the Board's fiduciary responsibility to provide corporate financial oversight and financial direction (including short-term and long-term fiscal goals and targets) to the Executive Director and for the whole of STEM School. The Board approves the annual operating budget and shall oversee the school's financial performance and compliance with legal requirements, operating budgets, and financial plans.
 - b) *The Finance Committee* – This Board committee reviews monthly financial activities and assists the Board in its fiduciary duty of financial oversight. The Finance Committee shall have at least one but not more than two Board members on it at all times. The Finance Committee will have non board members as part of the committee to ensure that all areas of responsibilities are covered, i.e. Special Education, NCLB issues.
 - c) *The Executive Director* - Ultimate staff accountability for executing the financial plans of the organization is vested in the Executive Director. The Executive Director is supported in this task by consulting with the Finance Committee as needed and by the Chief Financial Officer and their Assistant(s) who is directly responsible for ensuring that financial operations are within the boundaries of the Board-approved budget.
 - d) Every STEM staff member is required to follow leadership direction and guidelines and to exercise financial prudence and conservatism in every action and decision made on behalf of STEM.

- Budget Control:
 - a) Budget - The Board will receive a working draft of the annual budget for the upcoming year by March 1. This preliminary draft will be submitted to the Board for its approval and forwarded to DCSD on or before June 1. See Charter Contract Section 3.3.
 - b) Budget Flexibility – Actual totals for any expense line item will usually not match the budget exactly. Any changes will be tracked in a “Projected Year-End” column next to the “Board Approved Budget” in the monthly income statements. This way, the “Projected Year-End” numbers become the “Working Budget” and the comparison of monthly and year-to-date totals to the (Projected Year-End) budget does not lose its effectiveness as a management tool.

At the end of the year, any variance between the Board-approved budget and the actual June 30 numbers must be explained to the Board and to the independent financial auditors so that any necessary explanations can be included in the financial audited reports.

This flexibility is granted to the Executive Director and Chief Financial Officer because the purpose of the budget is to provide an effective management tool that will allow for the successful completion of planned programs and activities within the financial framework established by the Board-approved operating budget.

- c) Budget Revisions - If a change in circumstances or an unforeseen event causes the Executive Director to believe that the current budget has become unrealistic and that it is no longer possible for STEM to operate within the boundaries of the budget, the Executive Director will give a full report of the circumstances to the Board along with a recommendation for a new course of action. The Board may approve a revised budget or give the Executive Director other direction.

- Cost & Commitment Control:
Staff – starting with the Executive Director and extending throughout STEM– is responsible and accountable for budget compliance.

The Executive Director has full accountability for delivering the revenue stream projected and maintaining expenses at or below those outlined in the Board-approved budget.

Annually, the Chief Financial Officer will be asked to prepare budget detail schedules for specific expense accounts for the Executive Director. These schedules will be an itemization of the intended uses of budgeted funds. The expense accounts will include categories such as: Technology, Professional Development and Extra Duty Stipends. This is an illustrative list only; it is not exhaustive.

Even after the budget has been approved, the Executive Director or Chief Financial Officer must pre-approve financial commitments and purchases initiated by the STEM staff. This pre-approval process usually takes place by means of the Accounts Payable process (*described below*).

- Reporting:
Monthly financial statements will be distributed to the Executive Director, the Finance Committee and the Board, all of whom are expected to review the monthly statements in a timely manner. Quarterly financial reports will be sent to DCSD “within thirty days

following the end of each quarter and end of each fiscal year.” See Charter Contract Section 3.5.

The schools web site shall be used to comply with the Financial Transparency requirements and all required materials will be posted within 45 days of all reconciliation. All bank statements and other investment statements will be posted with 30 days of receipt and reconciliation.

The school shall maintain the following items on their web site in a searchable PDF format

1. Approved budgets by fiscal year
2. Revised budgets by fiscal year
3. All bank statements
4. All other statements that reflect any investments by the school.

It is imperative that staff is proactive rather than reactive in managing budget variances.

Summary of Financial Report Distribution

Monthly:	Board of Directors Finance Committee Executive Director
Quarterly:	Board of Directors Finance Committee Executive Director DCSD
Annual Audited Report:	Board of Directors Finance Committee Executive Director Enrichment/Academy Board of Directors DCSD Colorado Department of Education (CDE) CO State Auditor for Local Governments EMMA (Bond Required)

2. Asset Protection Policies

STEM staff may not allow assets to be unprotected, inadequately maintained nor unnecessarily risked. Accordingly, they may not:

1. Fail to insure against theft and casualty losses and against liability losses to Board members, staff or the organization itself to beyond the minimally acceptable prudent level.
2. Allow unbonded personnel access to material amounts of funds.
3. Subject facilities and equipment to improper wear and tear caused by insufficient maintenance.
4. Unnecessarily expose the organization, the Board or staff to claims of liability.

5. Make any purchase without consideration being given to securing a competitive price.
6. Make any purchase wherein normally prudent protection has not been given against conflict of interest.

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7. Make any purchase in excess of \$25,000 without obtaining a minimum of (3) bids unless specifically waived by the Executive Director. Exceptions may be granted in the case of required curriculum that is only available through one vendor. Generally, the term of any contractual relationships shall not exceed one (1) year, at which time it will be re-bid.
8. Make any purchase in excess of \$25,000 without Board approval unless it is specifically included in the current budget.
9. All employees are required to read and acknowledge by signing the Equipment Responsibility. See Addendum (A)
9. STEM is to maintain at least the following insurance coverages:
 1. General Liability
 2. Non-Owned and Hired Automobile
 3. Directors and Officers Liability
 4. Worker's Compensation Insurance

Each year the Executive Director and Chief Financial Officer will take the appropriate actions to ensure that quality coverages are secured at the most favorable premiums available.

See also Charter Contract Section 3.6 (stating that STEM“ shall implement the plan to meet applicable insurance coverage requirements set forth in the Application”); and Bylaws Section 8.2 (“Insurance”).

3. Management Policies

Contractual Commitments – The Executive Director is the only person authorized to sign contracts on behalf of STEM. This policy includes, but is not limited to, contracts for goods as well as contracts for services.

STEM’s policy is to schedule/make payments after goods and/or services have been successfully received unless the Executive Director has given his or her approval to ‘pre-pay’ an expense. The Operations Director / Chief Financial Officer should review contracts that include scheduled payments before execution to ensure the availability of sufficient cash.

Value-In-Kind (VIK) Donations – Value-In-Kind (VIK) donations to STEM are only to be accepted with Executive Director approval. *See also* Bylaws Section 9.3 (“Designated Contributions”).

Check Signature Policy – Checks may be signed by the Executive Director, or Principal/Director, or Board’s President or Treasurer.

Checks in Excess of \$10,000 – Payments in excess of \$10,000 must be authorized by President of Board of Directors or assigned board member. Typically, this means that two signatures are required on checks in excess of \$10,000 as well as approval by Board President or assigned board member. If STEM makes payments in excess of \$10,000 by some other means besides a check, then the President still must authorize. Pre-approved continuous purchases that exceed \$10,000 (e.g.UHC, Xcel Energy) will have pre-approved documentation by the Board President or assigned board member and kept in the current year audit file.

Reimbursement to Member of the Board of Directors - Members will be reimbursed for their expenses as dictated by the approved budget. *See also* Bylaws Section 3.17 (stating that members of the Board “may be paid their reasonable expenses incurred in connection with attendance at Board or Committee meetings or to fulfill Board responsibilities, but only upon Board approval”).

Minimum Fund Balance – STEM will work towards maintaining a minimum fund balance equal to the greater of \$500,000 or 20% of current budgeted revenue, or amounts dictated by current debt obligations plus TABOR.

4. Accounting Policies and Procedures

Purchases – All purchases must be pre-approved by the Executive Director, Chief Financial Officer or Principal/Director before STEM will be financially obligated.

The Executive Director will submit to the board of directors periodically a list of all items in excess of \$10,000 that should be pre-approved. These include but are not limited to payroll, benefits, taxes payable, and rent/lease or bond payments, utilities, re-occurring insurance payments. This list should be updated as new items are identified.

Orders for all supplies should be delivered to the Business office or the purchasing assistant. The request for these materials should be accomplished by using the Purchase Request form (Addendum B). The school Principal/Director or their assistant will approve all requests for classroom or instructional supplies.

The Executive Director or Chief Financial Officer will approve all requests outside of those needed to support the instructional program of the school.

Accounts Payable – STEM will only pay expenses upon receipt of an invoice, purchase order and packaging slip. STEM will not pay in response to a statement of account. Invoices will be paid when due, and discounts offered for prompt payment will be taken if available. Copies of checks written will be stapled to the supporting documentation and filed alphabetically by vendor. Recurring monthly purchases will have a letter at the front of the vendor folder signed by the Executive Director and CFO stating approval. (eg. Xcel, Comcast, Safe Systems etc)

Check Requests – A purchase order form is to be used to initiate a pre-payment of expense reimbursement. Generally, reimbursements are rarely done, however if one has received pre-approval to purchase something and an employee personally paid for the purchase, the invoice should be forwarded to the Business Office and the purchase order

STEM Debit Card Receipts – The use of a STEM debit card is a privilege and is limited to the Executive Director, Chief Financial Officer, Principal/Director and the Purchasing Assistant.

Any use of a STEM debit card for personal charges will not be tolerated. It is the cardholder's responsibility to use safeguards with the card and to turn in receipts to the Business office as soon as possible. Violations of these requirements may result in the loss of this privilege. Debit card purchases must still be pre-approved by purchase order.

Charge receipts and the itemized sales/food slip must be attached to a purchase order form and forwarded to the Business Office at the earliest time possible. The form must include a detailed description of the expense (covering the why, where, when, how much and for whom) as well as the expense account to be charged. The staff member with budget authority should sign the form before it is submitted to administration.

Outgoing Mail – Postage and other expenses related to outgoing mail should be properly recorded. If someone has more than 200 letters to go out and they have the exact same contents, STEM should look into bulk mail. Please let an administrator know in advance that there is a bulk mailing and they will direct the best way to expedite the process.

Incoming Mail – All mail is to be opened by a receptionist to ensure any checks received by mail are documented in a read only excel file. Once all checks have been recorded checks should immediately be delivered to the Business office for immediate deposit.

Bank Deposits – When cash and checks are collected a receipt should be given to the person who paid the money. Checks should immediately be endorsed with the bank stamp. Cash and checks should be stored in a safe or locked filing cabinet until deposited by the Business office at least once a week.

Cash Collection- STEM engages in fund raising (i.e. bake sale, school store, gift card sales etc.) Although collection of cash is not desirable it at times can be unavoidable, and the following procedures need to be in place for collection of cash.

- Activities where cash is collected there should be two people present during sales and collection of fundraisers.
- At the end of fundraiser two people should count cash & coins, record amount collected and print and sign amount collected on fundraiser document.
- Cash should immediately go to the Business office to be counted by the Business office and two signatures should be added to the deposit slip (bookkeepers' signature and person delivery the cash). This procedure again ensures cash was counted correctly and all parties agree on amount to be deposited to the bank.

Bank Transfer – Each month the PPR revenue comes into the Colorado Trust Account on the 25th of each month. The transfer of funds is requested by the Chief Financial Officer to move from Colorado Trust account into the First Bank operating account. The transaction is initiated by the Chief Financial Officer and the Executive Director reviews and approves prior to the transfer.

Month-End Procedures – Financial statements are produced and distributed each month. In order for the reports to be accurate and timely, it is imperative that all personnel recognize the importance of submitting outstanding packaging slips and invoices to the Business office no later than the last day of each month. For financial reporting processes the following month end procedures are completed:

Payroll

- Book Bi-monthly payroll, book bonuses, vacation payouts, travel expenses, other misc. items
- Record PERA accrual
- Record payroll liabilities including 401K and 403B

Banking

- Confirm that all bank transfers have been recorded and coded accurately
- Book cash account reconciliation items
- Account for bank fees and interest rates
- Reconcile all bank accounts to the bank statements

Revenue

- Record PPR Revenue and adjust for state intercept payment
- Reconcile the general ledger to detail
- Check and update accounts receivable records
- Run accounts receivable aging to estimate bad debts
- Reconcile accounts receivable in books to detail
- Ensure all records are made properly & accurately

Expenses

- Review and book prepaid invoices
- Adjust records on all invoices which are due by the end of current month
- Monitor and arrange records on deferred rent
- Make reversing entries (if any) from previous month(s)
- Categorize expenses as required to various classes in the general ledger
- General Ledger review including all Balance sheet and Income statement accounts
- Book Depreciation and Amortization entries as applicable
- Check the trial balance (revenue and capital accounts in the general ledger)
- Run profit & loss account analysis
- Compare financial actuals to budget

Equity Account Classification – STEM operates under two major fund types

Restricted-assigned: funds that have designated for a specific purpose which can be directed by state, donor or the board of directors of STEM.

Unrestricted-unassigned: funds that have not been designated for a specific purpose and are used for the general operation of the school.

Petty Cash – The school Administrative Assistant **can** maintain petty cash that may be used when staff needs to make an impromptu, routine purchase for an operating expense that will cost less than \$50.00.

1. The amount in petty cash is not to exceed \$150.
2. There will be **no** cash advances of any sort from petty cash.
3. Reimbursement from petty cash requires the submission of the original receipt and the staff member receiving petty cash must sign a petty cash voucher.
4. The petty cash fund will be audited monthly by Chief Financial Officer
5. The Petty Cash fund should be audited on a semi-annual basis by a member of the school Board of Directors.

Returned Checks – STEM will charge \$25.00 for each check that is returned by the bank due to insufficient funds.

Fixed Assets – Purchased fixed assets are recorded at historical cost => than \$5,000.00 for any one individual item. Depreciation is recorded based on the straight-line method using actual month convention and depreciated down to zero. The following is a schedule for fixed assets: Furniture and Fixtures 5 years, Technology 2 years, Building 40 years, Building improvements 10 years, large Capital Construction/Remodel 15 years or the life of the lease whichever is shorter.

5. Internal Control

STEM proactively implements internal control procedures in order to:

- a) Encourage adherence to prescribed managerial policies
- b) Promote operational efficiencies
- c) Safeguard business assets from misuse, fraud and theft
- d) Ensure accurate and reliable accounting data

Basic principles considered in the development of STEM's system of internal control are:

- a) Responsibilities should be clearly established
- b) Adequate records should be maintained
- c) Assets should be insured
- d) Record keeping and custody should be separated
- e) Responsibility for related transactions should be divided
- f) Personnel should be rotated (when feasible)
- g) Employees should be informed
- h) The system should be under constant review
- i) Appropriate documentation should exist
- j) Prescribed policies and procedures should be consistently applied
- k) Confidentiality of information

Maintenance of files

The school as the fiscal agent for all state and federal educational funds must develop and maintain a viable system to process and store all payment and backup materials. The school will follow all applicable federal and state financial laws and in accordance with GAAP.

The school must go through an independent financial audit on an annual basis to in effect prove that we are using the funds in a legal and fiscally prudent manner. In addition, all materials must be made available for public inspection as part of the state's financial transparency laws.

In order to accomplish these goals and requirements the school must develop a system of process and retaining records. The following outline the process whereby STEM School will comply with these requirements. These records will be maintained in a paper format for two years and electronic for seven years.

1. The school will maintain both a paper and electronic copy of all financial materials.
 - i. Procedures for processing all payments:
 1. Once the invoice or request for payment is received it will be sent to the Chief Financial Officer or their assistant for processing.
 2. Obtain approval for payment from the Executive Director and / or Chief Financial Officer.
 3. Prepare the check for payment and present both the authorized check approver and backup paperwork.
 4. After the check is cut and signed all material will be scanned into the electronic file cabinet saving it as a PDF file.
 - a. Only scan in complete document sets:
 - b. The invoice
 - c. The check stub
 - d. Any other support documentation
 5. Take the document and scan it in and it will be saved to the PDF shortcut on the desktop
 - a. Rename the document and save it to the proper vendor in the File Cabinet located on the desktop.
 - b. Label the document in an easy format i.e.
 - c. Vendor name/ invoice number /what is it for/ date if different from process date
 - i. Example: Washington, George/ computer Jan 26, 2012
 6. All paper copies of the same transaction will be filed in accordance with the instruction below.
 - ii. Paper records:
 1. Bank records:
 - a. All bank records and associated school financial reports will be maintained in monthly folders.
 2. Vendor / Employee Reimbursement Records
 - a. These will be maintained in an individual folder by vendor or employee.

- b. These records must be reviewed on a monthly basis to ensure that all items listed on the bank statement have backup to support the transaction and approval.
 3. The paper copies will be maintained in one location under the control of the schools Chief Financial Officer and/ or Administrative Director.
- iii. All records will also be maintained in the electronic file cabinet located on the Chief Financial Officer's computer and backed up on the main server.

Operating Controls - Some specific controls that have been implemented: a segregation of duties in regard to cash disbursements, bank statements, bank account reconciliation and signing authority; locked cabinets for payroll, personnel records and monies to be deposited; checks are stamped for deposit upon receipt; the purchase order system; and a line of authority has been established for all check requests.

All financial documents will be maintained in electronic form for a period seven (7) years and two years in a paper format.

Internal controls are regularly reviewed by the Executive Director with the assistance of the Finance Committee and Chief Financial Officer as well as by independent auditors during financial audits.

Legal Contracts - Contracts will be reviewed by the Chief Financial Officer and a copy of the finalized contract will be given to the Executive Director or his/her appointee.

Cash Advances – When staff is required to go out of the office on business, whether in-state or out-of-state, they may request a cash advance to cover anticipated expenses. A purchase order will must be preplanned and have been pre-approved by the Executive Director or his or her designee. Once the event or travel is over, an expense report should be completed with itemized receipts and turned into one of the administrators. Employees can be held liable for cash advances until their expense report with attached itemized receipts have been turned and received final approval but Executive Director and the Business office.

Expense Reports – Expenses reports requiring reimbursement are very rare and require a purchase order and, in most cases, requires pre-approval. The forms are available from the web site or from the Business. Personal expenses will never be reimbursed. Travel will be reimbursed based on current Internal Revenue Service mileage reimbursement rate.

Per Diem – Per-Diem may be approved for staff meal expenses for out-of-town trips on behalf of STEM (see the Per Diem Worksheet). The per diem rate will depend on the location of the event, but will normally be calculated as follows: \$7 for breakfast; \$10 for lunch; \$18 for dinner for a total of \$35 per day. When you receive per-diem for your meals, you are not required to submit an expense report or receipts. If you are aware of meals that will be provided by your host, that meal should not be calculated into your per-diem. You may request per-diem by submitting a pre- approved purchase order to the business office for proper approval signatures.

Money Collection from students – Any event (field trip/class fund raising/etc.) in which the teacher is collecting money from students shall be documented on a class/club roster. All monies must be turned into the Chief Financial Officer one week in advance of the trip or event.

Personal funds/checks by staff are not acceptable. Checks must be made out to STEM. If you need a check or a credit card for the event, arrangements must be made five days in advance to ensure the check will be prepared and signed.

6. Conflicts of Interest

Each year members of the Board of Directors are required to review and sign the “Board of Directors Code of Conduct Agreement” (located at the end of the Bylaws). The signed Code of Conduct Agreements should be delivered to the Chief Financial Officer for safekeeping. At all times the Board and officers of STEM must follow the conflict of interest policy contained in Article VI of the Bylaws.

Addendum A

STEM School Highlands Ranch

Equipment Responsibility

As a STEM School Highlands Ranch employee I understand that in order to successfully perform my job duties that I will need to utilize equipment that will be furnished to me by STEM. By accepting this equipment, I agree that I will take all necessary precautions to keep this equipment save and in good working condition. I also acknowledge that I will be responsible for the full replacement or repair cost of any equipment that is lost/stolen or damaged due to abuse or neglect while it is in my care.

USAGE GUIDELINES

- Do not loan STEM School Highlands Ranch FURNISHED EQUIPMENT to anyone.
- Do not install personal software unless authorized to do so.
- Secure and store STEM FURNISHED EQUIPMENT when not in use.
- Do not check STEM FURNISHED EQUIPMENT as checked luggage when traveling.
- Do not modify the configuration of the STEM FURNISHED EQUIPMENT.

USER RESPONSIBILITIES

- I understand this equipment is provided for official use only.
- I am required by my supervisor to utilize this equipment to perform the duties of my job.
- I accept responsibility for the equipment issued to me by STEM School Highlands Ranch.
- I fully understand that I will be billed for the replacement/repair cost for any damage or loss occurring as a result of abuse or negligence.
- I understand that I will be billed for any unauthorized use i.e. Third Party Billing which may include, directory assistance, ring tone downloads, texted news alerts or other services which incur additional charge to STEM School. Such payment is due to STEM School Highlands Ranch upon request and if payment is not forthcoming, I authorize STEM School Highlands Ranch to deduct such payment from my monthly pay check.
- I will care for and protect equipment from loss or damage and will notify IT staff of any damage or operational failures incurred.
- I understand that it is my responsibility to periodically return the equipment for routine maintenance.

By signing this document, I acknowledge that I have read and fully understand my responsibilities concerning STEM School Highlands Ranch furnished equipment and agree to the terms, guidelines, and responsibilities set forth in this document.

Name: _____ Date: _____

Signed: _____

Addendum B

STEM School Highlands Ranch

Purchase Order Directions

Purchase Order link: DropBox/STEM(1)/Policies/Addendum B-2, STEM Purchase Request ver 2.xlsx

1. This form is to be used for all purchase requests no matter if you are using a STEM debit/ credit card or requesting a check/ wire transfer to affect the transaction.
2. Please ensure that the form is filled out and forwarded to the approving authority prior to submission to the Business office.
3. This form is designed to be used in Excel as it will allow use of the drop-down menus and for automatic calculation in all fields.
4. If the amount is in excess of \$10,000 and is not recurring or not intended in the budget it will require the approval of the Board of Directors
5. If this purchase is under a grant of any type the Grant Writers approval is needed.
6. Please ensure you prepare the request in a timely manner so it can be processed in the time allotted.
7. There are drop down menus on several fields: Please use them to help your department to categorize things correctly. You are the end user and will probably have a better understanding of what it is being purchased for.
8. **Method of payment** is requesting which form you or the vendor needs, check, wire or debit/ credit card
9. **Department:** This is where you work and also the area where the material will be used.
10. **Grant / General Operating Fund:** This field is to identify if it is being purchased from our regular funds or under a grant. We have listed a majority of the grants that STEM receives, and we will update it as necessary. If you have any questions or you are unsure where to categorize your purchase, please contact the Business office
11. **Instructional / Support:** The block next to each is a drop down that is for yes or no.
Instructional: Will the material that will be purchased used to directly support the education of the students i.e. computers, curriculum, pencils, etc
Support: Will the purchased materials be used in a supportive role i.e. to support administration and facilities.
12. **Purchase Code:** These are the major categories from which we need to identify where all items are assigned for reporting to DCSD, State, Federal and private agencies. Most are self explanatory but if you have any questions please contact the Business office for assistance. It is easier to identify it when you make the purchase than trying to remember months later.