



Board Agenda Item #	Agenda II N
Date:	12.08.2016
To:	MPS Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Oswaldo Diaz, Chief Financial Officer
RE:	Approval of Financial Policy Changes

Proposed Board Recommendation

I move that the MPS Board of Directors approves the revisions to the financial policies as presented in the board agenda item.

Background

The proposed revised changes to the financial policies have been drafted to provide clarification regarding approval authority, check signing authority, and on site emergency manual checks. The following policies have been updated to reflect the changes:

Financial Policy	Summary of Policy Change
CSH105 Check Signing Authority	The policy change will allow the Chief Executive Officer to assign additional individuals to have check signing authority as deemed necessary.
PUR104 Accounts Payable and Cash Disbursement	The changes will provide authority to the Site Director to approve expenses up to \$5,000. Revision will allow the Chief Executive Officer to assign approval authority to the Chief Academic Officer, Chief Operating Officer, Chief External Officer, and Regional Directors to approve expenditures up to \$10,000. Additional clarification is provided for mileage reimbursements. Permits the use of manual checks for termination and emergency payroll checks.

PUR106 Reimbursements	The policy change adds the Site Director with the responsibility to review and approve school site expenses up to \$5,000. Includes the Chief Operating Officer as approved authorizer of expenditures up to \$10,000. Gives authority to the Finance Committee to approve payments that exceed up to 10% of the board approved budget. Provides clarification that the Board is responsible for approving payments exceeding 10% of the board approved budget. Provides additional clarification regarding the functions provided by EdTec.
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Budget Implications

There are no budget implications.

Name of Staff Originator:

Oswaldo Diaz, Chief Financial Officer

Attachments

CSH105 Check Signing Authority

PUR104 Accounts Payable and Cash Disbursement

PUR106 Reimbursements

SOP # CSH105 Revision:
0 Effective Date: 12/08/16

Prepared by: Central Office
Approved by: BOD

Title: CSH105 CHECK SIGNING AUTHORITY

Policy: A limited number of employees will be authorized to sign checks but there shall be no fewer than three individuals at all times.

Purpose: To outline the check signing authority process.

Background: While a hired accountant, office manager, or accounting clerk may be responsible for entering bills, paying bills, and printing out checks, all printed checks and related documentation should be presented to a second individual for signing. No one person or employee should be allowed to enter invoices, select invoices for payment, then print and sign checks. At a minimum, this process requires at least two individuals to ensure the integrity of the accounting system remains intact.

Scope: This procedure applies to all regular bank checking accounts of the Organization.

Responsibilities:

Chief Executive Officer is responsible for adding and removing check signing authority.

Chief Financial Officer is responsible for managing the check signing authority process and alerting all individuals and banks of any changes to authority.

Procedure:

1.0 AUTHORIZED CHECK SIGNERS

- 1.1 The Board of Directors and the Chief Executive Officer should approve authorized check signers in writing. All approvals should be forwarded to the Chief Financial Officer for processing.
- 1.2 The Chief Executive Officer and Chief Financial Officer should have check signing authority. Additional individuals with or without dollar limitations may be authorized **by the Chief Executive Officer** as necessary.
- 1.3 For back-up purposes, it is advisable to have at least three check signers authorized for each checking account. One should be the Chief Financial Officer or primary signer and the other should be the Chief Executive Officer or secondary check signer. The third should be a back-up signer. The back-up signer should be a trusted individual but not necessarily an employee. It could be a board member or another principle in the Organization. A back-up signer will ensure continuing operations in case both the primary and secondary signers become incapacitated for any period of time.

1.4 If the check signer also authorizes purchase orders, their access to the QuickBooks accounting system should be limited to “read” access as to maintain proper segregation of duties.

2.0 CHANGING CHECK SIGNERS

2.1 The Chief Financial Officer receives all approval paperwork and should prepare and maintain a file record of all authorized check signers and CSH105 Ex1 CHECK SIGNING AUTHORITY LOG.

2.2 The CHECK SIGNING AUTHORITY LOG should be kept current of all individuals and their status to sign checks as soon as their status changes. The log should contain the following information:

- Recipient name / position or title
- Authority start date
- Authority end date
- Maximum expenditure authority level

2.2 Contact the bank that administers the checking account for details on adding, changing, or removing check signers from a checking account. Normally this is a simple process of presenting identification and signing a card to be placed on file at the bank.

Banks maintain an authorized check signer’s card for each checking account. Only those individuals listed on the authorized check signer’s card may sign checks.

2.3 The Chief Executive Officer or the Board of Directors may revoke check signing authority. Any person who is no longer entitled to sign Organization checks will be notified in writing. The Chief Financial Officer will oversee the proper notification of the Organization's banks whenever authorized signature changes are made.

Revision History:

Revision	Date	Description of changes	Requested By
0	2/14/13	Initial Release	
1	11/10/16	Authorized check signers	Oswaldo Diaz, CFO

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**SOP # PUR104 Revision:
4 Effective Date: 12/08/16**

**Prepared by: Central Office
Approved by: BOD**

Title: PUR104 ACCOUNTS PAYABLE AND CASH DISBURSEMENTS

Policy: Internal controls are required to ensure that only valid and authorized payables are recorded and paid. Accounting procedures should be implemented to ensure the accuracy of amounts, coding of General Ledger accounts and appropriate timing of payments. All accounts payable and cash disbursements will have documented pre-approval, and the authorization limits are stated in the below Responsibilities section.

Purpose: To explain the practices for documenting, recording and issuing payments for accounts payable transactions. (Note: Payments, disbursements, and expenditures result from accounts payable transactions)

Scope: This procedure applies to all purchases including, contractors, consultants, and merchandise and non-merchandise purchases.

Responsibilities:

The Principal or Site Director at each school site is responsible for reviewing and approving payments under \$5,000 in CoolSIS, in accordance with the approved budget.

The Chief Financial Officer is responsible for reviewing and approving payments up to \$10,000 in accordance with the approved budget. The Chief Executive Officer may assign the Chief Academic Officer, the Chief Operating Officer, the Chief External Officer or Regional Directors the authority to approve expenditures up to \$10,000.

The Chief Executive Officer is responsible for reviewing and approving payments over \$10,000 in accordance with the board approved budget, as well as up to \$10,000 for non-budgeted items.

The Finance Committee is responsible for reviewing and approving payments that exceed the board approved budget amount up to 10%.

The Board is responsible for approving payments that exceeds 10% of board approved budget.

EdTec is responsible for processing payment of invoices in a timely manner once they have been received.

Background: Properly recording liabilities is generally a three-step process, particularly, for merchandise purchases.

The first step is recording the liability upon receipt of merchandise, using the purchase order estimates or other documentation as a guideline. For

accuracy and timeliness of data, a liability should be recorded as soon as the Organization receives the purchased items.

Consultant projects are not recognized as a liability until the invoicing from the consultant is received unless an accrual has been recorded to recognize the total estimated cost of the consultant's services.

By necessity, this initial recording is usually an estimate or encumbrance and can be finalized when the actual invoice arrives. This is why a Purchase Order is so important for merchandise purchases. It documents the Organization's understanding of how much each item will cost, per the vendor's terms. This includes estimates for freight and any other charges.

The second step takes place when the vendor's invoice is received. At this point the actual liability is finalized, with any necessary adjustments to the item costs, freight, or other charges.

The third step involves the preparation, issuance of payment for the goods received, and subsequent filing of all paperwork for easy retrieval.

Procedure Overview:

Cash disbursements are generally made for:

1. Payments to vendors for goods and services
2. Taxes/license fees
3. Staff training and development
4. Memberships and subscriptions
5. Meeting expenses
6. Employee reimbursements
7. Marketing/promotional materials

Checks are processed throughout the week.

Requests for cash disbursements are submitted to Accounting through CoolSIS.

Documentation for CoolSIS requests can be in three ways:

1. Original invoice
2. Purchase request (submitted on approved form)
3. Employee expense report or reimbursement request

All invoices must be approved by the appropriate staff prior to being submitted to accounts payable. Accounts payable will determine the account code for each invoice.

Approvals for reimbursement requests must be obtained prior to the purchase. The Organization is not obligated to reimburse requests where prior approval was

not obtained; however this decision is made at the discretion of the Chief Financial Officer.

Every employee reimbursement or purchase request must be documented in CoolSIS. Please see PUR106 Reimbursements for more details.

Requests for payment are reviewed in CoolSIS by the Principal or Chief Financial Officer dependent on purchase amount. The appropriate personnel:

1. Verifies expenditure and amount
2. Approves for payment if in accordance with budget
3. Provides or verifies appropriate allocation information
4. Provides date of payment taking into account cash flow projections
5. Submits to the School Site Accountant for processing

EdTec processes all payments and:

1. Enters them into the Accounts Payable module within 5 business days
2. Prints checks according to allocation and payment date provided by the authorizing party
3. Submits an invoice approval report to the Chief Financial Officer, or officer designated by the Chief Executive Officer, for review and approval of checks to release
4. Once approval is received, checks are printed and signed via facsimile signature
5. Mails checks and appropriate backup documentation
6. Files all backup documentation electronically
7. Monitors accounts payable throughout the month

Procedure:

1.0 DOCUMENTING ACCOUNTS PAYABLE

1.1 The following documents will be forwarded to EdTec accounts payable as a pdf batch for temporary filing and subsequent matching to form an accounts payable voucher package:

- Purchase Order from CoolSIS
- Vendor invoice
- Vendor/Consultant contract

- 1.2 Once EdTec has received all of the above documents, the following steps will be performed to ensure proper authorization, validity of purchase, receipt of purchased items or services and accuracy of amounts.
- Review that all check request have been approved by authorize signers
 - Check requests include pertinent and required supporting documentation
 - Invoices have not been previously paid and are properly coded
 - Expenses are in accordance with policy and approved budget
 - ~~The purchase order should be evaluated for proper authorization and the nature of the purchase and pricing as shown on the invoice reviewed for validity.~~
 - ~~The quantities shown shipped or delivered on the invoice will be compared to the packing slip and/or receiving reports if items have been received. Any discrepancies must be followed up and resolved prior to commencing with the disbursement process.~~
 - ~~Calculations on the invoice will be recomputed such as quantities received multiplied by unit price and totals.~~
 - Purchases of items and service contracts shall not be made in small quantities (split bidding) for the purpose of circumventing the authorized approval limits assigned by the Board of Directors, or to avoid public bidding based on the policies and procedures.

2.0 RECORDING NON-MERCHANDISE PAYABLES

- 2.1 Non-merchandise expenditures like utilities, rent, insurance, taxes, repairs, professional fees, etc., are generally not recorded through the purchase order routine. However, there may be other documentation, like contracts, requisitions, and other agreements. These should be filed in the applicable vendor file as documentary support. Upon receipt of the invoice, the charges should be entered into the payable system and coded to the appropriate expense account.
- 2.2 Generally, once invoices (both merchandise and non-merchandise) have been entered, they can be filed in the respective vendor files, ordered by date. To guard against misfiling an un-entered invoice, consider stamping "entered" on each invoice when it's recorded in accounts payable. It is also helpful to note the entered date and initial the entry.

3.0 PAYMENT OF ACCOUNTS PAYABLE

- 3.1 Accounts payable systems generally provide an aged accounts payable report and list the open payables within the accounting system. Open payables are reviewed by the MPS' Accounts Payable team and the Chief Financial Officer. The Chief Financial Officer will select the bills to be paid based on the funds available and a projection of cash flow or receipts over the coming week. Once complete,

process the disbursements by either printing the check, electronic online bill pay, wire transfer, or ACH withdrawal for the selected bills to be paid.

Note: Accounts payable should normally be paid within seven days or sooner of their payment term unless otherwise determined by the Chief Financial Officer.

- 3.2 Any vendor credits which are amounts owed to the Organization should be applied to amounts currently owed to the vendor when determining payment. These are normally received in the form of a credit memo or adjusting invoice. These should be entered into the system like any other invoice and applied to the next payment being made. There is no reason to “age” a credit memo.
- 3.3 Pull all Invoices to be paid from the files and match them with the printed checks, wire transfer, electronic online bill pay, or ACH withdrawal documentation. Present the materials to the Chief Financial Officer for review and signing.
- 3.4 Immediately ensure that all printed checks, wire transfer, electronic online bill pay, or ACH withdrawal documentation are signed and approved and correctly recorded in the accounting system. ~~Stamp the invoices “paid” to document they've been paid.~~ Use only checks that incorporate a two stub plus check form in order to attach one stub to the paid invoice and the other to the remittance copy of the Invoice.
- 3.5 If one check or electronic online bill pay pays several Invoices then either photocopy the stub or print the electronic online bill pay screen print and attach a copy to each paid Invoice or consider attaching all paid Invoices to the one check stub or the electronic online bill pay document. File all resulting documentation according to check number sequentially in the checks paid binders.
- 3.6 Mail the checks as soon as possible once checks have been posted and "paid" by the system. It is not advisable to "hold" checks for additional days after posting. This practice usually occurs when there are insufficient cash flows. However holding checks increases the difficulty of projecting cash flow, reduces cash balance accuracy, and causes confusion when trying to reconcile accounts payable vendor balances. None of these balances will be accurate if printed checks are held back from mailing. If cash flow is insufficient to mail the checks, then it is advisable not to post and print checks in the first place.

4.0 MANUAL CHECKS

- 4.1 The Organization permits the use of manual checks for issuing payroll related payments, such as off-cycle paychecks, termination checks and emergency payroll checks.

Revision History:

Revision	Date	Description of changes	Requested By
0	2/14/13	Initial Release	
1	2/13/15	Revision of Purchase limits	Oswaldo Diaz, CFO
2	11/12/15	Inclusion of back-office service provider process	Oswaldo Diaz, CFO
3	06/06/16	Policy revision	Oswaldo Diaz, CFO
4	11/10/16	Update COO position approval authority; revision of approval limits	Oswaldo Diaz, CFO

SOP # PUR106 Revision: 1
Effective Date: 12/08/16

Prepared by: Central Office
Approved by: BOD

Title: PUR106 REIMBURSEMENTS

Policy: Internal controls are required to ensure that only valid and authorized reimbursements are recorded and paid. Accounting procedures should be implemented to ensure the accuracy of amounts, coding of General Ledger accounts and appropriate timing of payments.

Purpose: To explain the practices for documenting, recording and issuing payments for reimbursement transactions.

Scope: This procedure applies to all reimbursements.

Responsibilities:

The Principal at each school site or Home Office department head is responsible for reviewing and approving payments under \$5,000 in Coolsis, in accordance with the approved budget.

The Regional Director for school sites and Chief Operational Officer for Home Office, is responsible for reviewing and approving payments over \$5,000, up to \$10,000 in accordance with the approved budget.

The Chief Executive Officer is responsible for reviewing and approving payments over \$10,000 in accordance with the board approved budget, as well as up to \$10,000 for non-budgeted items.

School Site Accountant is responsible for payment of reimbursements in a timely manner. A timely manner is defined as within two weeks upon submission to the School Site Accountant.

Background: Properly recording reimbursements is generally a three-step process.

The first step is accurately submitting reimbursement receipts along with a reimbursement authorization form.

The second step is obtaining the appropriate authorization.

The third step involves the preparation, issuance of reimbursement payment in a timely manner, and subsequent filing of all paperwork for easy retrieval.

Procedure Overview:

Reimbursements are generally made for:

1. Travel and conferences
2. Mileage

3. Meals
4. School/classroom supplies
5. Allowable academic expenses
6. Student awards
7. Other expenses

Reimbursement checks are processed on two week cycles or sooner.

Requests for cash disbursements are submitted to Accounting through CoolSIS. Documentation for CoolSIS requests can be in three ways:

1. Original invoice
2. Purchase request (submitted on approved form)
3. Employee expense report or reimbursement request

All reimbursement requests must be approved by the appropriate staff prior to being submitted to accounts payable. Accounts payable will determine the account code for each invoice.

Approvals for reimbursement requests must be obtained prior to the purchase. The Organization is not obligated to reimburse requests where prior approval was not obtained.

Every employee reimbursement or purchase request must be documented in CoolSIS with travel authorization, receipts, nature of business, program allocation, and funding source (if applicable) before approving for reimbursement as follows:

Travel and Conferences - an itemized receipt from the hotel detailing all charges, the person(s) for whom the lodging was provided, and the specific business purpose. This includes itemized receipts for parking, tolls and bridges, car rentals, taxis, and conference receipts. (See G&A103, Travel and Entertainment policy for more detailed information.)

Car Rentals – When possible, advance approvals are recommended. The employee is required to make their own car rental arrangements. Vehicle selection will be based upon the most cost-effective class that satisfies requirements for the employee(s) and any demonstration equipment.

Supplemental auto insurance coverage offered by car rental agencies must be purchased and will be reimbursed.

Mileage/Personal Vehicles - An employee required to use their own automobile for business will be reimbursed in accordance with the current IRS mileage reimbursement rate. The employee must provide on the expense report, documentation including dates, miles traveled and purpose of each trip.

The Organization assumes no responsibility for personal automobiles used for business. Further, any parking or speeding violation is the sole responsibility of the employee.

Meals and Entertainment - a receipt must be provided showing the cost of food, beverage, and gratuities, including the names of every person for whom food or beverage was provided, and the specific business purpose. Entertainment expenses are disallowed.

Meal and Entertainment tips are limited to 15% (unless automatically assessed by the eating establishment) of the pre-tax meal total cost and any tip that is in excess of the pre-tax meal total cost will not be reimbursed. For example, a meal that costs \$10 may have an 8% sales tax bringing the total meal price before tip to \$10.80. Figure the tip on the \$10 amount at 15% or \$1.50 and that amount of tip or less is reimbursable. If you tipped more than a \$1.50, that difference is not reimbursable. You are always allowed to tip less than 15% should you choose to do so.

School/Classroom Supplies, Allowable Academic Expenses, and Student Awards – these expenditures are subject to the approval of the Principal. Gifts of any kind are never allowed. Student awards may only be paid from non-ADA and unrestricted sources. In other words, student awards may be paid from unrestricted fundraising or from other unrestricted sources of income, subject to approval of the Principal and/or Central Office.

Other Expenditures - a receipt from the vendor detailing all goods or services purchased (including the class of service for transportation) and the specific business purpose.

Non-Reimbursable Expenses - Some expenses are not considered valid business expenses by the Organization, yet may be incurred for the convenience of the traveling individual. Since these are not expenses for the business then they are not reimbursable. (The following can be used as a guide of expenses, which are not reimbursable)

Examples include:

- Airline or travel trip interruption insurance
- Airline or travel lounge clubs
- Shoe shine or Dry-cleaning (except for extended travel beyond 5 days)
- Movies or personal entertainment
- Books, magazines or newspapers
- Theft or loss of personal property
- Doctor bills, prescriptions, or other medical services

- Parking tickets, traffic tickets or Car towing if illegally parked
- Health club memberships
- Baby sitter or Pet care fees
- Barbers and Hairdressers

Requests for reimbursement payments are reviewed in CoolSIS by the Principal, Chief Financial Officer, or Chief Executive Officer, dependent on purchase amount. The appropriate personnel:

1. Verifies and matches expenditure and amount
2. Approves for payment if in accordance with budget
3. Provides or verifies appropriate allocation information
4. Provides date of payment taking into account cash flow projections
5. Submits to the School Site Accountant for processing

Accounts Payable processes all payments and:

1. Immediately enters them into the Accounts Payable module, unless paid upon receipt on the same day
2. Prints checks according to allocation and payment date provided by the approving party
3. Submits checks, with attached backup documentation, to Chief Financial Officer for approval and signature
4. Stamps invoice "paid"
5. Mails checks and appropriate backup documentation
6. Files all backup documentation in the appropriate file
7. Monitors accounts payable throughout the month

Procedure:

1.0 DOCUMENTING REIMBURSEMENTS

All business reimbursement expenditures incurred by employees of the Organization are reimbursed through CoolSIS. Reimbursement receipts must be submitted monthly and any receipt that is older than 60 days will not be reimbursed at the discretion of the Chief Financial Officer.

Expense report forms must be filled out completely. Required original receipts for items charged must accompany all reimbursement documentation as well as uploaded into CoolSIS. Any questions regarding completion of the report should be directed to the employee's supervisor or the accounting department.

Upon completion, the expense report along with all attachments should be submitted to the employee's appropriate supervisor in CoolSIS for approval. After approval, the expense report is submitted to the accounting department for processing and reimbursement. In order to expedite reimbursement, the employee should ensure that the report is completed properly, required documentation is attached, proper authorization is obtained, and any unusual items properly explained and documented.

Revision History:

Revision	Date	Description of changes	Requested By
0	2/14/13	Initial Release	
1	2/13/15	Amount limit changes. Mileage reimbursement rate.	Oswaldo Diaz, CFO
2	11/10/16	Addition of COO and Regional Directors in the approval process	Oswaldo Diaz, CFO

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