

# **HEALTH SCIENCES**

## **FISCAL AND OPERATING POLICIES**

**2023-2024**

(For Board Approval – August 30, 2023)

<b>100 INTERNAL CONTROL POLICIES</b>	<b>4</b>
101 Introduction	4
<b>200 ORGANIZATIONAL CONFLICT OF INTEREST OR SELF-DEALING (RELATED PARTIES)</b>	<b>6</b>
201 Organizational Conflict Of Interest Or Self-Dealing (Related Parties) - continued	7
202 HSHMC School Board Authorities	7
208 Use Of School Credit Cards	8
<b>300 FINANCIAL MANAGEMENT POLICIES</b>	<b>9</b>
301 Basis Of Accounting	9
308 Grants Receivable Aging Criteria	10
309 Grant/Contract Invoicing	10
310 Budgets	10
314 Audit	12
<b>400 POLICIES RELATED TO ASSETS, LIABILITIES AND FUND EQUITY</b>	<b>12</b>
401 ASSETS	12
402 Bank Accounts	12
403 Petty Cash Payments	12
404 LIABILITIES and Fund equity	13
405 Accounts Payable	13
406 Accounts Payable Payment Policy	13
407 Accrued Liabilities	13
408 Liability For Compensated Absences	13
409 Debt	13
<b>500 REVENUE</b>	<b>14</b>
501 Revenue Recognition	14

<b>600 FACILITIES</b>	<b>14</b>
<b>700 PROCUREMENT POLICIES</b>	<b>14</b>
<b>800 TRAVEL POLICIES</b>	<b>15</b>
801 Employee Mileage Reimbursement	15
901 Consultant Utilization	15
902 Independent Contractors	15
Part II	16
1000 - GENERAL ACCOUNTING PROCEDURES	16
GENERAL LEDGER ACTIVITY	16
GENERAL LEDGER CLOSE-OUT	16
<b>1100 - CASH MANAGEMENT PROCEDURES</b>	<b>17</b>
CASH RECEIPTS	17
CASH DISBURSEMENTS	19
PETTY CASH FUNDS	20
PERSONNEL REQUIREMENTS	21
PERSONNEL DATA	Error! Bookmark not defined.
TIMEKEEPING	22
PREPARATION OF PAYROLL	22
PAYROLL PAYMENT	23
PAYROLL WITHHOLDINGS	23
1300 DEPRECIATION	24
1400 EXPENSE REIMBURSEMENT	25
ANNUAL BUDGET	24
FINANCIAL REPORTING	25
PAYROLL TAX COMPLIANCe	25

## **100 INTERNAL CONTROL POLICIES**

### *101 Introduction*

Internal control policies provide the Health Sciences High and Middle Charter School, hereafter known as 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. Additionally, as a publicly supported entity, the Charter School has additional responsibilities to ensure the public's confidence and the integrity of the Charter School's activities.

### *102 Compliance With Laws*

The Charter School will follow all the relevant laws and regulations that govern the Charter School. Additionally, any Federal 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. Political Contributions**

No funds or assets of the Charter School may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office. The direct or indirect use of any funds or other assets of the Charter School for political contributions in any form, whether in cash or other property, services, or the use of facilities, is strictly prohibited. The Charter School also cannot be involved with any committee or other organization that raises funds for political purposes.

Following are examples of prohibited activities

1. Contributions by an employee that are reimbursed through expense accounts or in other ways.
2. Purchase by the organization of tickets for political fundraising events.
3. Contributions in kind, such as lending employees to political parties or using the Charter School assets in political campaigns.

B. Record Keeping

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

Further, the Charter 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 Charter 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.

**200 Organizational Conflict Of Interest Or Self-Dealing (Related Parties)**

The Charter School will not be operated for the benefit of an affiliated or unaffiliated organization or an individual in his or her own private capacity or individuals related to the Charter School or members of its management, unless the private benefit is considered merely incidental. This private benefit preclusion will extend to:

- A. Sale or exchange, or leasing, of property between the agency and an affiliated or unaffiliated organization or a private or related individual.
- B. Lending of money or other extension of credit between an agency and an affiliated or unaffiliated organization or a private or related individual.
- C. Furnishing of goods, services or facilities between the agency and an affiliated or unaffiliated organization or a private or related individual.
- D. Payment of compensation, unless authorized by the HSHMC Board or its governing body, by the Charter School to an affiliated or unaffiliated organization or a private or related individual.
- E. Transfer to, use by, or for the benefit of a private or related individual of the income or assets of the Charter School.

201 *Organizational Conflict Of Interest Or Self-Dealing (Related Parties) - continued*

Thus, the Charter School will be guided by the principle of arms-length standards with all affiliated or unaffiliated organizations or with a private or related individual(s).

Related party transactions shall include transactions between the charter school and members of the board, management, contracted management organization, employees, related individuals and affiliated companies. Related individuals within the scope of this definition include spouses, parents, children, spouses of children, grandchildren, siblings, father in law, mother in law, sister in law and brother in law of a board member or charter school employee.

202 *HSHMC Board Authorities*

The HSHMC Board shall have the sole authority to approve and will incorporate into its own minutes such matters as (i) change of the Charter School's name, with SDUSD pre-approval (ii) adoption of the annual operating and capital budgets, (iii) selection or termination of key employees (iv) key employees salary and salary changes, (v) incurrence of debt, mortgages or other encumbrances and their covenants and restrictions, within the terms of the charter (vi) investment policies, (vii) depository and investment banks, (viii) purchase or sale of property (ix) opening up or closing checking or savings accounts, (x) selection of the Charter School's certified public accountants and (xi) other activities associated with the operations of the Charter School.

The HSHMC Board will meet quarterly to ensure that its fiduciary duty is maintained. The Board will review the following: prior meeting minutes, business items, educational items, and any applicable subcommittee reports.

203 *Signature Authorities*

To properly segregate duties within the Charter School, the President of the Board and the Charter Chief Education Officer are the only individuals with full signatory authority and are responsible for authorizing all other individuals with limited signatory authority.

204 *Government Access to Records*

The Principal or contracted business back office services provider will provide access to the organization's records to SDUSD and provide supporting records, as requested, in a timely manner.

205 *Security of Financial Data*

- A. The system's accounting data must be backed up daily by the business back office services provider to ensure the recoverability of financial information in case of hardware failure. The back up will 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 Principal or the business back office services provider from unauthorized access.

206 *Security of Charter School Documents*

Originals of the following corporate documents are maintained and their presence is verified on a periodic basis:

- A. Charter and all related amendments
- B. Minutes of the HSHMC Board and subcommittees
- C. Banking agreements
- D. Leases
- E. Insurance policies
- F. Vendor invoices
- G. Grant and contract agreements
- H. Fixed asset inventory list

207 *Use of Charter School Assets*

- A. No employee may use any of the Charter School property, equipment, material or supplies for personal use without the prior approval of the Principal or Chief Education Officer.

208 *Use Of Charter School Credit Cards*

- A. Charter School credit cards should only be issued with the formal approval of the Board of Trustees and with proper justification. The cost/benefit to the Charter School should be fully reviewed to ensure that no other method is appropriate. If credit cards are issued they should be assigned to certain Charter School employees and should be used only for charter school-related expenditures.

## **300 FINANCIAL MANAGEMENT POLICIES**

### *301 Basis Of Accounting*

The Charter School will maintain their accounting records and related financial reports using the accrual basis of accounting.

### *302 Accounting Policies*

The Charter School is a not-for-profit charter school approved under *Education Code* Section 47604 that operates as a nonprofit public benefit corporation pursuant to Section 501(c) (3) of the *Internal Revenue Code*. Accordingly, it uses the not-for-profit accounting model and the accrual basis of accounting. The authoritative source of GAAP for this model is the Financial Accounting Standards Board (FASB).

### *303 Basis of Presentation*

The Charter School uses a chart of accounts in compliance with the Standardized Account Code Structure or SACS. The operations of the Charter School are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, net assets, revenues and expenditures.

### *304 Revenues*

Under the accrual basis of accounting, revenues are recognized when earned.

### *305 Expenditures*

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



306 *Incurred Costs*

For the purpose of invoicing funding sources for allowable costs under cost reimbursement contracts, the term "costs incurred" is defined as follows:

- A. Costs related to items or services incurred directly for the contract and received at the time of the request for reimbursement and not specifically disallowed by the funding source.

307 *Cash Management*

- A. The Charter School maintains cash accounts at the following banks:
  - 1. U.S. Bank
  - 2. Citibank
  - 3. CalPrivate Bank
  - 4. San Diego County Treasury

308 *Accounts Receivable Aging Criteria*

Accounts receivable outstanding are aged on a thirty, sixty, ninety, and over-ninety day basis.

309 *Grant/Contract Invoicing*

- A. All invoices are submitted to the funding sources by dates specified in the grant or contract agreement.
- B. The invoicing format is that specified by the funding source.

310 *Budgets*

- A. In June of each year the back-office service provider prepares an annual operating budget of revenues and expenses, a cash flow projection, and a capital budget if applicable. These budgets and projections are reviewed and approved by the HSHMC Board at an annual meeting and modified as necessary.
- B. A profit and loss statement displaying budget vs. actual results is prepared monthly by the back office services provider and reviewed by the Chief Education Officer. Summary budget vs. actual reports are presented to the HSHMC Board at each quarterly board meeting.

311 *Insurance and Bonding*

- A. The Charter School maintains minimum levels of coverage as required per the MOU with San Diego Unified. The HSHMC Board may decide to carry higher levels of insurance by a vote:
  - 1. General liability-\$5,000,000 per occurrence
  - 2. Business & personal property (including auto/bus)-\$2,000,000 per occurrence
  - 3. Workers' Compensation-\$1,000,000 per occurrence
  - 4. Errors and Omissions-\$1,000,000/\$2,000,000 per claim/annual aggregate. \$5,000 deductible per claim.
  - 5. Employee Practice-\$1,000,000/\$2,000,000 per claim/annual aggregate. \$5,000 deductible per claim.
- B. The Charter School requires proof of adequate insurance coverage from all prospective contractors, as deemed applicable by the HSHMC Board.

312 *Record Retention And Disposal*

- A. Records are maintained for the following indicated minimum periods:
  - Books, records, documents and other supporting evidence including paid, canceled or voided checks, accounts payable records, vendors' invoices, payroll sheets and registers of salaries and wages, tax withholding statements, employees' timesheets and other public documents are retained for seven years after the original entry date.
- B. 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.
- C. All financial records are maintained in chronological order, organized by fiscal year.

313 *Financial Reporting*

The back-office services provider maintains supporting records in sufficient detail to prepare the Charter School's financial reports, including:

- A. Annually:
  - 1. Financial statements for audit
  - 2. Annual budget
  - 3. 1<sup>st</sup> and 2<sup>nd</sup> interims, and 3<sup>rd</sup> interim if needed
  - 4. Unaudited actuals
- B. Monthly:
  - 1. Trial balance

2. Internally generated budget vs. actual financial statements
3. Billing invoices to funding sources
4. Updating the cash flow projection

C. Periodically:

1. IRS Forms 941 and payroll tax returns and comparable state taxing authority returns
2. Other reports upon request

314 *Audit*

The HSHMC Board arranges annually for a qualified certified public accounting firm to conduct an audit of the Charter School's financial statements in accordance with *Government Auditing Standards* and the *Governmental Accounting Standards Board*.

The audit reports will be submitted to the granting agency, California Department of Education, County Superintendent of Schools, and State Controller's Office by December 15 of each year. (Education Code 47605(m))

315 *Audit/Finance Committee*

The HSHMC Board appoints an audit/finance subcommittee. This subcommittee will nominate the independent auditor and review the scope and results of the audit. The audit/finance subcommittee also receives notice of any consequential irregularities and management letter comments that the auditor noted during the engagement. Additionally, the subcommittee will develop a corrective action plan to address all relevant weaknesses noted by the auditor. The audit/finance subcommittee will also review all financial information of the Charter School and provide recommendations to the HSHMC Board.

**400 POLICIES RELATED TO ASSETS, LIABILITIES AND FUND EQUITY**

401 *ASSETS*

402 *Bank Accounts*

- A. Bank accounts for the indicated purpose and limitation(s) have been authorized by the HSHMC Board at the indicated Federal Deposit Insurance Corporation (FDIC)-insured banks:

*US Bank*

*Citibank*

*CalPrivate Bank*

403 *Petty Cash Payments*

- A. Petty cash payments are made from a fund not to exceed \$150, 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 \$75.

- B. The petty cash account is balanced on a monthly basis by the Principal. The replenishment check is made out to the Principal - *Petty Cash Custodian*” on an as needed basis.

404 *LIABILITIES AND FUND EQUITY*

405 *Accounts Payable*

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

406 *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.

407 *Accrued Liabilities*

Salaries, wages earned, and payroll taxes, together with professional fees, rent, and insurance costs incurred, but unpaid, are reflected as a liability when entitlement to payment occurs.

408 *Liability For Compensated Absences*

- A. Compensated absences arise when employees are absent from employment due to Personal Time Off leave. When the Charter School expects to pay an employee for such compensated absences, a liability for the estimated probable future payments is accrued if all of the following conditions are met:
  - 1. The employee's right to receive compensation for the future absences is attributable to services already performed by the employee.
  - 2. The employee's right to receive the compensation for future absences is vested or accumulates.
  - 3. It is probable that the compensation will be paid.
  - 4. The amount of compensation is reasonably estimable.
- B. Compensated absences not required to be paid upon employee termination are only recorded when paid.

409 *Debt*

- A. 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. Loan agreements approved by the HSHMC Board should be in writing and should specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule.

## **500 REVENUE**

### *501 Revenue Recognition*

The Charter School records revenue using the accrual basis of accounting, consistent with generally accepted accounting principles.

## **600 FACILITIES**

### *601 Disposal Of Property And Equipment*

- A. No property or equipment shall be removed from the premises without prior written approval from either the CEO, Chief Financial Officer, or Principal.
- B. The Charter School has adopted standard disposition procedures for Charter School staff to follow, which include an *Asset Disposal Form*, which identifies the asset, the reason for disposition, and signature of the requester. The form also allows for an identification of the asset's book value, condition of the asset, and supervisory approval or denial.
- C. When property is retired, the appropriate entry reflecting disposition of the asset and any associated depreciation will be recorded on the general ledger. Any gain or loss realized on the asset will be recorded as well.

## **700 PROCUREMENT POLICIES**

- A. The Charter 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. All purchases will be made in the best interests of the Charter School and its funding sources.
  - 3. Only quality supplies/services will be obtained, and delivery will be scheduled at the time and place required.
  - 4. Purchases will be made from responsible sources of supply.
  - 5. Maximum value for all expenditures will be obtained.
  - 6. Vendors will be dealt with fairly and impartially.
  - 7. Dependable sources of supply will be maintained.
  - 8. Be above suspicion of unethical behavior at all times; avoid any conflict of interest resulting from purchasing from related parties or even the appearance of a conflict of interest in the Charter School supplier relationships.
- B. All lease agreements and contracts in excess of \$50,000 will be evidenced by a written document approved by the HSHMC School Board and signed by the Chief

Education Officer. The document will identify all the terms and conditions of the lease/contract.

## **800 TRAVEL POLICIES**

### *801 Employee Mileage Reimbursement*

- A. All employees are reimbursed at the standard mileage rate per mile as determined by the Internal Revenue Service for use of their own vehicle for business related travel. In addition, parking fees and tolls paid are reimbursable if supported by receipts.
- B. All employees requesting such mileage reimbursement are required to furnish a *Travel Report* containing the destination of each trip, its purpose, the miles driven, and parking fees and tolls paid. The Travel Report will be submitted within one month after the travel date, supported by receipts if applicable.

## **900 CONSULTANTS AND CONTRACTORS**

### *901 Consultant Utilization*

The utilization of all consultants and contract personnel are sufficiently evidenced by:

- A. A contract outlining details of the agreement (e.g., work requirements/details of actual services to be performed, rate of compensation, and nature and amount of other reimbursable expenses, if any) with the individuals or organizations providing the services.
- B. Invoices or billings submitted by consultants, including sufficient detail of time expended and the actual services performed.
- C. The use of a management contract for educational and administrative services will clearly identify the contractor's performance requirements including students' academic achievement, contractor's compensation and the Charter School's rights to educational curricula and intellectual property developed.

### *902 Independent Contractors*

The use of Independent Contractors is closely monitored so as not to vary from the rules of the Internal Revenue Code. In particular, Independent Contractors will:

- A. Not be controlled as to what services will be performed and how these services will be performed. Consultants will not have set hours of work.
- B. Adhere to a precise contract scope of services, recomputed or at least adjusted annually. The consultant agreement will specify the obligation of the consultant to pay his or her own self-employment taxes, if applicable.
- C. Not receive any fringe benefits as such, although their fee may include provision for fringe benefits.
- D. Not be assigned a permanent workstation.
- E. Make their services available or work for a number of firms or persons at the same time.
- F. Use their own stationery or time sheet in billing for services.

## **PART II**

### **1000 - 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.

#### *1001 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 shows 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.) 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 a monthly basis.
5. All entries in the books of original entry (e.g., cash receipts journal and checkbook) are made soon after the accounting event from authorized forms, and are prepared and reviewed by qualified accounting personnel.

## 1002. GENERAL LEDGER CLOSE-OUT

### *Control Objective*

To ensure the accuracy of financial records and reports.

### *Major Controls*

#### A. **Trial Balance**

Monthly, a trial balance is prepared to ensure the accuracy of the General Ledger account balances.

#### B. **Reconciliation of General Ledger Control Accounts with Subsidiary Ledgers**

Reconciliations are prepared on a monthly basis.

### *Procedures*

- A. At the end of each month, a trial balance of all General Ledger accounts is prepared by the back office business services provider and given to the Chief Education Officer.
- B. Reconciliation between the General Ledger control accounts and the subsidiary ledgers are completed by the back office business services provider.
- C. At fiscal year end and after the annual audit, all income and expense accounts are closed out, and the general ledger balances are agreed to the unaudited actuals and audited financial statements.

## **1100 - CASH MANAGEMENT PROCEDURES**

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

### 1101. 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 monthly, 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. The Charter School also uses electronic fund transfers to accelerate deposits.

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



1. Opening of mail is assigned to an employee with responsibilities independent of access to files or documents pertaining to accounts receivable or cash accounts.
2. Listed receipts and credits compared to accounts receivable and bank deposits.
3. General Ledger control accounts reconciled with Accounts Receivable Subsidiary Ledger

### *Procedures*

#### *A. General*

1. Mail is reviewed by the Receptionist who sorts the checks and forwards them to the Business Manager or the appropriate recipient.
2. All checks are restrictively endorsed immediately.
3. The back office business services provider prepares journal entries.
4. The back office business services provider reviews and signs off on journal entries.
5. The back office business services provider inputs journal entries.
6. The Principal makes deposits on a regular basis. If deposits are made other than daily, deposits should be maintained in a secure area with limited access.
7. Reconciliation of cash receipts to deposit slips and bank statements are performed by the back office business services provider on a monthly basis.

## 1102. 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 available discounts if available.

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

1. Pre-numbered checks and special check protective paper.
2. Match disbursement records against accounts payable/open invoice files.
3. Bank statements reconciled to cash accounts and any outstanding checks verified by the back office business services provider.
4. Supporting documentation canceled to prevent resubmission for payment. Software does not allow the same invoice number to be entered twice.
5. Detailed comparison of actual vs. budget disbursements on a periodic basis.
6. Separation of duties to the extent possible for an organization the size of the HSHMC Charter School.

### *Procedures*

1. When the transaction is complete and payment is due, a pre-numbered check is prepared by the back office business services provider who attaches all supporting documentation: (e.g. vendor invoice, purchase order, purchase requisition, etc.).
2. All invoices submitted for signature will include approvals for payment and expense account charged. Check number and date of payment are added to the documentation once item is paid.
3. The Chief Education Officer or Principal approves invoices for payment, after examining the supporting documentation.
4. After having been approved and/or signed, the checks are mailed directly to the payee by the back office business services provider.
5. All supporting documents are canceled (i.e. stamped *PAID*) by the signatory and filed by back office business services provider.
6. On a periodic basis, cash disbursement records are matched against accounts payable/open invoice files for any discrepancies.
7. Bank statements are reconciled soon after receipt by the back office business services provider.

### 1103. *PETTY CASH FUNDS*

#### *Control Objective*

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

#### *Major Controls*

##### **Internal Accounting Controls**

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

#### *Procedures*

1. The Charter School will maintain an imprest petty cash system of \$150, which will be maintained and secured by the Chief Education Officer or their designee.
2. The Chief Education Officer or their designee maintains a log of all disbursements made from the petty cash fund and uses a *Petty Cash Voucher* for all petty cash disbursements. No disbursements will be for greater than \$75.
3. When the fund needs to be replenished, a check request is prepared by the Chief Education Officer or their designee, 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. Funds disbursements are entered into the General Ledger by expense category when the fund is replenished.

### 1104. *ASB FUNDS*

#### **Cash control procedures**

1. Pre-numbered receipt books for all receipt transactions
2. Separate receipt books used for separate events
3. Inventory control
4. Pre-numbered tickets for event sales
5. Cash boxes or locked drawers are used to keep received money secure

#### **Proper cash handling and physical chain of custody for all cash receipts**

1. No cash or checks will be accepted unless accompanied by the appropriate documents
2. Only employees or students designated by the Principal or Account Manager will accept cash
3. All students handling cash will be supervised by a designated staff member.

4. Dual cash counts performed as determined necessary by account manager or principal
5. Written receipts issued when cash is received
6. A vendor check request must be approved by account manager or principal in advance of any check or cash disbursement to any individual or company.
7. Checks are endorsed for deposit to the bank account
8. Deposits made to bank accounts at least weekly
9. Bank accounts are reconciled on a monthly basis

## **1200 - PAYROLL PROCEDURES**

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

### *1201. PERSONNEL REQUIREMENTS*

#### *Control Objective*

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

#### *Major Controls*

##### **A. New Employees**

1. Requests for new employees are initiated by the Chief Education Officer and compared with the approved annual personnel budget.
2. New employees complete an *Application for Employment*.
3. New employees complete all necessary paperwork for payroll.
4. Employee is fingerprinted for a security clearance and takes a TB test. Security clearance and a negative TB test result must be received by the charter school before any employee may start work.

##### **B. Personal Time Off Pay**

1. Employees accrue personal time off time based on personnel policy of the Charter School. (see employee handbook)
2. Employee is required to provide advanced notice to supervisors for a planned personal time off request.
3. Regular part-time employees will earn personal time off on a pro-rated basis based on personnel policy of the Charter School.
4. Employees' earned personal time off balances are adjusted monthly to reflect personal time off earned and taken and are reviewed by the Principal on a quarterly basis.
5. The Director of Human Resources monitors personal time off by maintaining a log for each individual in the HR software system.
6. Unused personal time off is based on personnel policy of the Charter School.

## 1202. 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 in 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 Accounting Controls**

Reconciliation of hours charged on electronic timesheets to attendance records are completed monthly.

### *Procedures*

#### **Time Recording Preparation**

1. Salaried employees ensure that their timesheets accurately reflect any time off requests on a semi-monthly basis.
2. Hourly employees prepare their timesheets on a semi-monthly basis.
3. Electronic timesheets are reviewed by the back office for accuracy and processed for payroll on a semi-monthly basis.

## 1203. PREPARATION OF PAYROLL

### *Control Objective*

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

### *Major Controls*

#### **A. Internal Accounting Controls**

Time records are reconciled with payroll records.

### *Procedures*

1. The total time recorded on electronic timesheets and the number of employees is calculated by the back office business services provider.
2. The payroll documents received from the Payroll Service (e.g., calculations, payrolls and payroll summaries) are compared with timesheets, pay rates, payroll deductions, compensated absences etc. by the back office business services provider or Director of Human Resources.

3. The back office business services provider verifies gross pay and payroll deductions.
4. The total hours and number of employees are compared with the totals in the Payroll Register by the back office business services provider.
5. The Payroll Service sends a copy of the Payroll Register directly to the Director of Human Resources for review.

#### 1204. 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*

- A. Employees are encouraged to participate in direct deposit.
- B. For those employees receiving a paper check, the check is mailed to the employee at their address of record.
- C. If an employee picks up a paper check from the office they will be required to present identification showing they are the person named on the check and to sign and date a log verifying receipt of the check.

#### 1205. PAYROLL WITHHOLDINGS

##### *Control Objective*

To ensure that payroll withholdings are correctly computed and paid to the appropriate third parties.

##### *Major Controls*

###### **A. Reconciliation of Payment and Payroll Withholdings**

Payroll withholdings are recorded in the appropriate General Ledger control accounts and reconciled with payments made to third parties.

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

The Payroll Service calculates payroll withholdings, which are reviewed and verified by the back office business services provider.

##### *Procedures*

1. The Payroll Service calculates payroll withholdings for each employee. These are summarized by pay period and recorded in General Ledger.
2. Payments for payroll withholdings are reconciled with the amounts recorded in the General Ledger control accounts by the back office business services provider.
3. The back office business services provider reviews the accuracy and timeliness of payments made to third parties for payroll withholdings.
4. Original withholding and benefit election forms, maintained in the employee file, are prepared by the employee and reviewed and approved on a periodic basis by the back office business services provider.

**1300 ASSET TRACKING AND DEPRECIATION**

*Procedures*

1. All assets with an acquisition cost of \$500 or more should be tracked through the use of an inventory list. This list should include:
  - a. Acquisition date
  - b. Value of the asset when acquired
  - c. Description of the asset
  - d. Vendor or donor from whom the asset was acquired
  - e. Location(room number) of the asset
  
2. Property acquired with an estimated useful life of greater than one fiscal year shall be capitalized and depreciated according to the capitalization thresholds and estimated useful lives assigned to each category of capital assets. Property, plant, and equipment shall be categorized by the following asset types and depreciated using straight line method and half year convention in accordance with the following capitalization thresholds and estimated useful lives.

Asset Type	Capitalization Threshold	Useful Life
Land	\$0	n/a
Land Improvements	\$10,000	10 years
Buildings	\$100,000	50 years
Building Improvements	\$50,000	10 years
Machinery, Equipment, Transportation	\$5,000	8 years
Furniture, Fixtures, and Office Equipment	\$5,000	8 years
Computers	\$5,000	5 years

3. Costs include the acquisition costs as well as any ancillary costs, such as freight, installation, and setup costs associated with preparing the asset for its intended use.
  
4. Expenditures incurred in construction, such as materials, labor, supervision, engineering, legal, insurance, and overhead, will be categorized as “construction in progress” until the project is completed and placed in service. No depreciation shall be taken on construction in progress.
  
5. Records will be maintained of the location, cost, and accumulated depreciation of all capital assets.
  
6. An inventory of assets will be performed annually, verifying the asset is still in the charter school's possession and updating any change in location.

## **1400 EXPENSE REIMBURSEMENT**

### *Control Objective*

To ensure the Charter School pays for only authorized business expenses.

### *Major Controls*

#### **A. Travel Policies**

The Charter School has adopted policies on travel reimbursement.

#### **A. Employee Expense Reimbursement Documentation**

Employees are required to obtain and furnish documentation for individual expenses of \$25 or over (provided they are not on a per diem basis) as well as documentation for any company credit card purchases.

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

1. Justification for travel is approved by the Chief Education Officer or Principal
2. Documentation for incurred employee expenses is required
3. Documentation for company credit card purchase is required

#### **C. Expense Advance or Reimbursement**

1. Soon after traveling, but not exceeding 30 days, an employee who seeks reimbursement for authorized expenses completes a *Travel Report* detailing the expenses incurred, attaching originals of supporting documentation.
2. All credit card purchases are supported by invoices or receipts in order to be reimbursed.
3. The employee's *Travel Report* and credit card purchases invoices are reviewed and approved by the Principal.

## **1500 - MANAGEMENT REPORTING PROCEDURES**

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

### *1501. ANNUAL BUDGET*

### *Control Objective*

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

### *Major Controls*

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

The Chief Education Officer works with the back office business services provider and prepares the annual operating and capital budgets and cash flow projection, with input



from HSHMC's community. The budgets and projections are submitted to the HSHMC Board for approval.

**B. Internal Accounting Controls**

Accuracy and completeness of the budget and projections

*Procedures*

1. In preparation of the annual operating and capital budget and cash flow projection, the back office business services provider prepares a preliminary budget and projection for review by the Chief Education Officer in consultation with the charter school staff.
2. To support budget and projection estimates, the back office business services provider prepares current year-to-date financial data with projections of year-end totals.
3. The back office business services provider and the Chief Education Officer review the budget and projection submitted for completeness and reasonableness.
4. The HSHMC Board approves and adopts the final budget and projection.
5. The adopted budget totals are entered in the General Ledger by the back office business services provider for the new fiscal year, in order to prepare budget to actual reports.

*1502. FINANCIAL REPORTING*

*Control Objective*

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

*Major Controls*

**A. Schedule**

Monthly managerial reports are prepared based on a schedule.

**B. Review and Approval**

Financial reports are reviewed for accuracy and completeness.

**C. Audit**

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

*Procedures*

1. The back office business services provider prepares monthly budget vs. actual financial reports and a cash flow projection for the Chief Education Officer to review. Quarterly reports are reviewed by the HSHMC Board.
2. The Charter School submits to an audit of its financial statements by a qualified certified public accounting firm, in accordance with *Governmental Auditing Standards*
3. The Charter School shall automatically submit all financial reports required under Education Code Section 47604.33 and 47605(m).

## 1503. PAYROLL TAX COMPLIANCE

### *Control Objective*

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

### *Procedures*

1. The Charter 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 940* - Employer's Federal Unemployment (FUTA) Tax Return.
  - (iv) *IRS Form 941* - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes.
  - (v) *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 back office business services provider for accuracy and completeness.