



Fiscal Management / Control Policy

Adopted March 31, 2014

Updated and adopted August 22, 2019

Description: Internal fiscal control policies and procedures meeting GAAP, including procedures for receipt and disbursement of funds, reconciliation of accounts, contracting, budget preparation, and protection of assets

It is the intent of these Financial Policies and Procedures to implement both the letter and spirit of all applicable State and Federal regulations regarding the expenditure of and accounting for public funds. These Policies and Procedures may need to be modified as the School develops and regulations change. The Board of Directors ("Board") should approve these financial policies, and revisit them periodically.

I. PURCHASES

- A. Authorization of Expenditures: All purchases of goods and services shall be consistent with the Board approved budget. These purchases shall not require Board approved/executed contracts, with the exception of expenditures in total annual amounts greater than \$10,000. All other proposed expenditures must be approved by the Head of School who will review the proposed expenditure to determine whether it is consistent with the Board adopted budget and sign the check request and purchase order forms (if applicable).
- B. Contracts
 1. All professional consulting services shall be provided for under a contract.
 2. Contracts for other services exceeding \$10,000 on an annual basis shall be presented to the Board for approval prior to signing. Length of contracts shall be at the discretion of the Board. In general, contracts exceeding \$10,000 shall be let after a bidding process of sufficient duration to ensure competition. However, the Head of School may make a finding to the Board for sole sourcing a contract exceeding \$10,000; in this case, the Board may approve the contract in arrears at the time of contract execution. (The basis for such a finding may include: time/urgency issues; the absence of competitors; high service/quality from a particular contractor).
 3. Bid tabulations shall be presented to the Board along with a recommendation for action. The Board reserves the right to select whichever vendor it deems most prepared to provide the required services without regard to the low bidder being the automatic selection.
- C. Commitments and Purchase Orders
 1. Purchase orders under \$10,000 must be approved by one of the following authorized positions: Head of School or Board Chair.

2. Purchase orders of \$10,000 or more must be approved by the Head of School or designee and one of the following authorized positions: Board Chair, Board Treasurer, or Board Secretary.

D. Invoices

1. Invoices under \$10,000 must be approved by one of the following authorized positions: Head of School, designee or Board Chair.
2. Invoices for \$10,000 or more must be approved by the Head of School or designee and one of the following authorized positions: Board Chair, Board Treasurer, or Board Secretary.

- E. Accounts Payable: All invoices are submitted to the Operations Manager or their designee. Invoices are marked with the date received and object code. Invoices are sent to the EdTec Accounts Payable Representative once per week or as needed. The Accounts Payable Representative emails an Invoice & Check Approval Report showing all invoices that need to be paid to the Head of School, Operations Manager and Board Treasurer of the Board of Directors.

Upon receiving the approval of the Invoice and Check Approval Report, The EdTec Account Payable Representative will process the checks, stamp the signature(s) on the checks and mail the checks to the vendors. The EdTec Account Payable Representative will email the Head of School, Operations Manager and Board Treasurer of the Board of Directors the Check Register Report, which lists checks by check number.

- F. Credit and Debit Card Usage: Unless otherwise specified by the Board of Directors and/or school management, the use of School credit and debit cards shall not be allowed for any School purchase.
- G. Other Electronic Payments: Other electronic methods (wire, ACH, transfer between bank accounts, etc.) shall not be permitted for payment of any expenses or reimbursements without the express written consent of the Head of School and one of the following authorized positions: Operations Manager, Board Chair, Board Treasurer, or Board Secretary.
- H. Employee Reimbursements: Business use of telephones or cell phones shall be reimbursed. Business meals shall be reimbursed using standard applicable IRS guidelines. Under no circumstances shall alcohol be reimbursed. The Head of School must obtain a Board member's or the Operations Manager's authorization on reimbursement requests payable to the Head of School.
- I. Petty Cash – Purpose and Usage
1. The purpose of the Petty Cash Checking Account is for payment of incidental expenses when there is insufficient time for processing through the General Checking Account. Examples of proper expenses include, but are not limited to, food/meals for teachers doing curriculum work and emergency plumbing repairs. Petty cash shall not be used for teacher reimbursements, employee expense reimbursements or independent contractor payments.
 2. The Head of School and Operations Manager shall have access to petty cash not to exceed \$2000. Such funds shall be used at the discretion of the Head of School or

Operations Manager, subject to Board oversight and consistent with the approved budget and School rules and regulations. The Head of School and Operations Manager must obtain each other's authorization on petty cash checks made payable to their names. Use of petty cash shall require original receipts for all purchases.

- J. Personal Use of School Funds: Use of School funds for personal use is prohibited. Violation of this policy shall result in discipline up to and including dismissal or removal, including from the Board.

II. BANKING

A. General Checking Account

1. The Board shall authorize the establishment of commercial bank accounts for the purposes of School operations. Funds will be deposited in non-speculative accounts including federally insured savings and/or checking accounts and/or invested in non-speculative federally-backed instruments and/or standard money market accounts.
2. The General Checking Account shall be the primary account for School needs. Authorized signatories to this account shall be the Operations Manager, Board Chair, Board Treasurer, and Head of School. Checks above \$10,000, and checks payable to an authorized signer, must be signed by two authorized people. Authorized signers for checks above \$10,000 from this account shall be the Board Chair, Board Treasurer, Operations Manager, and Head of School.
3. The General Checking Account shall be reconciled monthly by a school staff member or outsourced accountant that does not have the ability to approve expenses or disburse funds from the account. The monthly Bank Reconciliations shall be reviewed and approved by the Board or a representative of the Board that does not have access to the account.

The Board authorizes the Board Chair/Treasurer to make inquiries regarding the checking account including but not limited to requesting cancelled checks, inquiring about bank balances and deposits. The Board also authorizes the Board Chair/Treasurer to initiate transfers between School accounts.

B. Petty Cash Checking Account – Account Setup and Maintenance

1. The Petty Cash Checking Account shall have a maximum balance of \$2000. The Account shall be funded from the School's business General Checking Account as necessary. A simple ledger shall be maintained by the Communications Liaison and reconciled monthly by a staff member or accountant that does not have transactional access to the account. The petty cash bank reconciliations shall be reviewed by a representative of the Board. Replenishment of the Petty Cash Checking Account shall occur through the normal accounts payable process.
2. No deposits other than replenishments as stated above shall be made into the Petty Cash Checking Account. All cash and checks shall be deposited into the General Checking Account.
3. Check writing requires signatures from one of the following people: Head of School or Board Chair.

- C. Deposits of Receipts – The School will deposit all funds received as soon as practical upon receipt. The Operations Manager or designee will open all mail on a daily basis. The Head of

School or Operations Manager will endorse the checks to the appropriate school account and prepare appropriate deposits as soon as practical.

III. INDEBTEDNESS, LOANS, LEASES AND OTHER SCHOOL OBLIGATIONS

A. Loan Origination and Draws

1. All loan agreements entered into by the School must be approved by the Board.
2. If the School has a Line of Credit ("LOC") in place with a lending institution, the LOC may be drawn down and repaid by approval of at least two bank signers (Head of School, Board Chair, or Board Treasurer).

B. Leases on Real Property

1. The Board must approve all leases of real property (land, buildings, etc.).

IV. TRAVEL POLICIES

A. Employee Mileage Reimbursement

1. 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 pre-approved by their supervisor. In addition, parking fees and tolls paid are reimbursable if supported by receipts. Reimbursements should be submitted as soon as is reasonably possible, but within a period of no more than 3 months.
2. All employees requesting such mileage reimbursement are required to furnish an Expense Report containing the destination of each trip, its purpose and the miles driven, parking fees and tolls, supported by receipts, if applicable.

V. OTHER PRACTICES

A. Budget Adoption: A budget shall be adopted by the Board no later than June 30 prior to the start of each new fiscal year, or earlier if required by the authorizing entity. During the course of the year, the Board may adopt an amended budget as expenses and revenue projections change.

B. Audit

1. An annual audit by an outside firm shall be performed each year on the close of the prior year's books. The audit shall be performed in advance of the December 15 statutory audit deadline. The audit shall include, but not be limited to, (1) an audit of the accuracy of the School's financial statements, (2) an audit of the School's attendance accounting and revenue claims practices, and (3) an audit of the School's internal controls practices.
2. If the School receives over \$500,000 from federal sources, the audit shall be prepared in accordance with any relevant Office of Management and Budget audit circulars.
3. The audit firm shall be on the State approved list of School auditors.
4. At the conclusion of the audit, the audit committee will review the audit with the Board and propose any necessary changes in operating procedures to comply with audit findings.
5. Form 990 Federal Tax Return: The selected audit firm will prepare the Form 990 tax return and send a copy to the school staff responsible for the audit. The school staff will review and send a copy to the Board of Directors for its review and approval before filing. Once approved by the Board, the school will notify the audit firm who will then prepare the final return for filing.

- C. Board Meetings: The Board shall review financial statements monthly at Board meetings. The Board shall also review and approve the monthly check registers and bank reconciliations from the General Checking Account and the Petty Cash Account.
- D. Conflict of Interest: Any Board member with a financial interest in a matter presented to the Board shall fully disclose such interest prior to Board discussion on the issue and shall recuse themselves from the discussion and voting on the matter. The Board shall develop a separate more comprehensive policy on conflict of interest, hiring of relatives, and compliance with Government Code 1090 and the Fair Political Practices Act.
- E. Payroll
1. New Employees: Requests for new employees shall be initiated by the Head of School and be consistent with the approved annual personnel budget. New employees shall complete an Application for Employment and all necessary paperwork for payroll. New employees shall be fingerprinted and TB tested consistent with State law. Fingerprint clearance must be received by the School before any employee may start work.
 2. Employees shall accrue vacation and sick leave time based on the personnel policy of the School.
 3. Timekeeping (for hourly staff)
 - a) The Head of School or Operations Manager shall develop procedures to ensure accurate and timely preparation of timesheets for hourly employees.
 - b) Authorized timesheets shall be forwarded to the payroll provider.
- F. Independent Contractors: The School shall only engage independent contractors if all of the following practices are followed:
1. The expense is within the approved budget or separately approved by the Board;
 2. The contractor provides proof of adequate insurance and IRS form W-9;
 3. IRS rules are followed regarding classification of staff as contractors versus employees; and
 4. The work is done under contract.
- G. Capitalization and Depreciation:

The School will capitalize and depreciate all assets costing \$5,000 or more. All other assets are charged to expense in the year incurred.

Capitalized assets are recorded at cost and depreciated under the straight-line method over their estimated useful lives which can range from:

- Leasehold Improvement – Lease term (including renewal options or 39 years, whichever is shorter)
- Equipment – 3 years
- Furniture – 5 years

Repair and maintenance costs, which do not extend the useful lives of the assets, are charged to expense. The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the asset accounts, and any resulting gain or loss is included in earnings in the year.

H. Disposal of Surplus Property and Donations:

Surplus property shall mean property that is no longer in use, is damaged beyond repair, or that the School feels will have no future value to the School's program, and that is declared to be surplus property by the Board. If the School wishes to dispose of equipment or other surplus property, the Board shall declare the property surplus and shall direct the staff on the actual means of disposal of the property, such as sale, donation, or destruction and disposal.

If the School wishes to sell equipment or other surplus property, the Board shall direct the staff by giving specific guidance regarding the manner in which such property is to be sold.

If the School wishes to donate equipment or other surplus property, the Board shall declare the property surplus and authorize the donation. Requirements for potential donee organizations shall include: (1) the donee organization is fully independent of the School, with none of the School's Board members or key personnel involved in the donee organization; and (2) the donee organization shall be a non-profit or governmental entity related to education. In addition, the School shall secure a receipt from the donee organization for the donated property, shall remove the asset from the School's books and record the donation as required by state and federal audit guidelines.

Property Acquired with Federal Grant Funds

If the property in question cost \$5,000 or more at the time of acquisition and was acquired with federal grant funds, the School shall notify the federal contract administrator prior to donating or disposing of such property as provided above.