

Fiscal Policies and Procedures Handbook

FISCAL CONTROL POLICIES AND PROCEDURES

OVERVIEW

The Board of Academy of Arts and Sciences (AAS) has reviewed and adopted the following policies and procedures to ensure the most effective use of the funds of the AAS to support the mission and to ensure that the funds are budgeted, accounted for, expended, and maintained appropriately. AAS will develop and monitor its budget in accord with the annual budget development and monitoring calendar as specified below:

**January – February**

• The Board will work with the President & CEO to review the Governor’s proposed state budget for the upcoming fiscal year, and identify the likely range of revenues for the school’s upcoming fiscal year (July 1-June 30).

• The President & CEO reviews/prepares a set of proposed budget development principles for board review and approval.

• Develop rough planning budget for upcoming fiscal year, including projected enrollment and any proposed staffing changes.

• Develop five-year budget projection in accord with the schools established strategic and growth plans.

• Ongoing monitoring and revision of current year budget.

**March – April**

• The President & CEO, working in conjunction with staff, Board members, and the Director of Operations, prepares a formal budget plan for the upcoming fiscal year. The plan is reviewed by the Board.

• Ongoing monitoring and revision of current year budget. May – June

• Director reviews revenue projections subsequent to the Governor’s annual “May Revise” budget figures, fine-tunes the upcoming fiscal year budget to accommodate any changes. This budget will include monthly cash flow projections.

• The Board reviews and formally adopts a budget for upcoming fiscal year before June 30. A copy of the final budget is provided to the charter-granting agency.

• Ongoing monitoring and revision of current year budget.

**July – August**

• Books for prior fiscal year are closed, all transactions are posted, and records assembled for audit.

• Budget is reviewed subsequent to the adoption of the state Budget Act and necessary adjustments are made. A copy of the revised final budget is provided to the charter granting agency.

• Independent auditor performs audit of the just-closed fiscal year and prepares audit report for submission to the Board.

**September – December**

• At the end of the first full week of school, the President & CEO reviews AAS’s actual attendance figures and notifies the Board if actual attendance is below budget projections. If needed, the school’s budget is again revised to match likely revenues.

• The Board reviews a copy of the audit. The President & CEO and Finance Committee address any audit exceptions or adverse findings. Audit report and any follow-up plans are submitted to the charter authorizer.

• The President & CEO reviews current year actual versus budgeted revenues and expenditures after the second and fifth months of the school year and reports to the Finance Committee. The Board approves any needed changes to the annual budget.

**Controls, Budget, and Fiscal Management:** AAS will maintain in effect the following principles in its ongoing fiscal management practices to ensure that, (1) expenditures are authorized by and in accord with amounts specified in the board-adopted budget, (2) the school’s funds are managed and held in a manner that provides a high degree of protection of the school’s assets, and (3) all transactions are recorded and documented in an appropriate manner.

**Segregation of Duties**: AAS will develop and maintain simple check request and purchase order forms to document the authorization of all non-payroll expenditures. All proposed expenditures must be approved by the President & CEO, or his/her designee, who will review the proposed expenditure to determine whether it is consistent with the Board-adopted budget and sign the payment request form. All transactions will be posted in a general ledger. The transactions will be posted on the ledger by the Director of Operations or his/her assistant at the School site or as outsourced to an approved back office provider or its outside accounting firm. To ensure segregation of recording and authorization, the Administrative Assistant in finance may not co-sign check requests for purchase orders or checks for payment.

**Banking Arrangements**: AAS will maintain its accounts either in the County Treasury or at a federally insured commercial bank or credit union. Funds will be deposited in non-speculative accounts including federally-insured savings or checking accounts or invested in non-speculative federally-backed instruments or in the County’s Pooled Money Investment Fund. If funds are held in accounts outside of the County Treasury, the Board must appoint and approve all individuals authorized to sign checks or warrants in accord with these policies. All checks must have the additional signature of the President & CEO. An approved vendor will reconcile the school’s ledger(s) with its bank accounts or accounts in the county treasury on a monthly basis and prepare (1) a balance sheet, (2) a comparison of budgeted to actual revenues and expenditures to date, and (3) a cash flow statement. The President & CEO and the Board will regularly review these statements. The School will deposit all funds received as soon as practical upon receipt. All funds received shall be deposited or transferred into the school’s accounts at the earliest possible convenience and in no event later than 48 hours after receipt.

**Purchasing Procedures**: All purchases over $50,000 must include documentation of a good faith effort to secure the lowest possible cost for comparable goods or services. The President & CEO or his/her designee shall not approve purchase orders or check requests lacking such documentation. Documentation shall be attached to all check and purchase order requests showing that at least three (3) vendors were contacted and such documentation shall be maintained for three (3) years.

* The President & CEO may authorize expenditures and may sign related contracts within the approved budget. The Governing Board must review all expenditures. This will be done via approval of a check register which lists all checks written during a set period of time and includes check #, payee, date, and amount. The Governing Board must also approve contracts over $100,000.
* The Director of Operations must approve all purchases. Purchase requisitions, authorizing the purchase of items greater than $5,000, must be signed by the President & CEO and submitted with the related invoice.
* When approving purchases, the Director of Operations must:
  + Determine if the expenditure is budgeted
  + Determine if funds are currently available for expenditures (i.e. cash flow)
  + Determine if the expenditure is allowable under the appropriate revenue source
  + Determine if the expenditure is appropriate and consistent with the vision, approved charter, school policies and procedures, and any related laws or applicable regulations
  + Determine if the price is competitive and prudent. All purchases over $25,000 must include documentation of a good faith effort to secure the lowest possible cost for comparable goods or services
* Any individual making an authorized purchase on behalf of the school must provide appropriate documentation of the purchase.
* Individuals other than those specified above are not authorized to make purchases without pre-approval.
* Individuals who use personal funds to make unauthorized purchases will not be reimbursed. Authorized purchases will be promptly reimbursed by a payroll reimbursement upon receipt of appropriate documentation of the purchase.
* The President & CEO may authorize an individual to use a school credit card to make an authorized purchase on behalf of the school, consistent with guidelines provided by the President & CEO and/or Board.
  + Individuals who receive a school credit card must ensure the card is kept in a safe location.
  + If receipts are not available or are “missing”, the individual making the charge will be held personally responsible for payment through payroll deduction(s).
  + Credit cards will bear the names of both CHARTER SCHOOL and the individual user.
  + Debit cards are not allowed.

**Petty Cash**

* The Director of Operations will manage the petty cash fund.
* The petty cash fund will be capped at $1,000.
* All petty cash will be kept in a locked petty cash box in a locked drawer or file cabinet. Only the Director of Operations and President & CEO will have keys to the petty cash box and drawer or file cabinet.
* All disbursements will require a completed and signed petty cash slip. A register receipt for all purchases must be attached to the petty cash slip.
* Director of Operation will insure that the petty cash slip is properly completed and that a proper receipt is attached.
* At all times the petty cash box will contain receipts and cash totaling $1,000. A register receipt must support the petty cash slip. The individual using the petty cash to make a purchase is responsible for submitting the receipt for the petty cash slip to the Director of Operations within 24 hours of withdrawing the petty cash.
* When expenditures total $200, the Director of Operations will total the disbursements, complete a petty cash reimbursement form, and obtain the approval of the President & CEO. This should be done on at least a quarterly basis. The petty cash slips and supporting receipts will be attached to the reimbursement request form and forwarded to back office provider.
* Petty cash fund reimbursement checks will be made payable to the Director of Operations. The reimbursement check will be immediately cashed and the money returned to the petty cash fund.
* Any irregularities in the petty cash fund will be immediately reported in writing to the President & CEO.
* Loans will not be made from the petty cash fund.
* The President & CEO will conduct unscheduled counts of the petty cash fund.

**Record Keeping:** Transaction ledgers, canceled/duplicate checks, attendance and entitlement records, payroll records, and any other necessary fiscal documents will be maintained by school staff in a secure cloud-based server for at least three years, or as long as required by applicable law, whichever is longer.

Appropriate back-up copies of electronic and paper documentation, including financial and attendance accounting data, will be regularly prepared and stored in a secure cloud-based server separate from the school Property Inventory

The President & CEO, or his/her designee, shall establish and maintain an inventory of all non-consumable goods and equipment worth over $2,500. This inventory shall include the original purchase price and date, a brief description, serial numbers, and other information appropriate for documenting the school’s assets. This property will be inventoried on an annual basis and lists of any missing property shall be presented to the Board. All non-consumable school property lent to scholars shall be returned to the school no later than five (5) working days after end of the school year. Any excess or surplus property owned by the school may be sold or auctioned by the President & CEO, or his/her designee, provided he/she engages in due diligence to maximize the value of the sale or auction to the school. The sale or auction of property owned by the school with a fair market value in excess of $25,000 shall be approved in advance by the Board.

**Payroll Services:** AAS will contract with a reputable, bonded, and insured payroll contractor to prepare payroll checks, tax and retirement withholdings, tax statements, and to perform other payroll support functions. The President & CEO, or his/her designee, will establish and oversee a system to prepare time and attendance reports and submit payroll check requests.

The President & CEO and Board will review payroll statements annually to ensure that (1) the salaries are consistent with staff contracts and personnel policies and (2) the proper tax, retirement, disability, and other withholdings have been deducted and forwarded to the appropriate authority. All staff expense reimbursements will be on payroll checks. Upon hiring of staff, a personnel file will be established with all appropriate payroll-related documentation including a federal I-9 form, tax withholding forms, retirement date, and an accounting of the use of sick leave.

**Negotiating Funding Entitlements**: the President & CEO shall prepare a set of negotiating principles for Board approval prior to engaging in negotiations over funding entitlements with the charter granting agency and state. President & CEO will take lead responsibility for negotiating all revenue arrangements with the charter granting agency and appropriate state education agency staff. These arrangements will be documented in appropriate and detailed Memoranda of Understanding for approval by the Board.

**Required Budget and Other Fiscal Reports:** The President & CEO, working in conjunction with the Director of Operations, will produce and submit to authorizers any and all required fiscal reports as may be required by state or federal law, or mandated by the terms of the school’s charter. These include, but are not limited to, attendance reports, enrollment and other data reports required by the California Basic Education Date System, and other related data.

**Fundraising, Grant Solicitation, and Donation Recognition:** All fundraising or grant solicitation activities on behalf of the school must be approved in advance by the Board. The Board shall be informed of any conditions, restrictions, or compliance requirements associated with the receipt of such funds, including grants or categorical programs sponsored by the state or federal government. The Board shall be notified no later than the next regular board meeting of the award or receipt of any funds and shall approve the receipt of any grants, donations, or receipts of fundraising proceeds prior to their deposit in the school’s accounts.

**Annual Financial Audit**

* The Board will annually appoint an audit committee by January 1 to select an auditor by March 1 prior to yearend (June 30th).
* Any persons with expenditure authorization or recording responsibilities within the school may not serve on the committee.
* The committee will annually contract for the services of an independent certified public accountant to perform an annual fiscal audit.
* The audit shall include, but not be limited to:
  + An audit of the accuracy of the financial statements
  + An audit of the attendance accounting and revenue accuracy practices
  + An audit of the internal control practices

**Contracts:**

* Consideration will be made of in-house capabilities to accomplish services before contracting for them.
* Office staff will keep and maintain a contract file evidencing the competitive bids obtained (if any) and the justification of need for any contracts over $50,000.
  + Competitive bids will be obtained where required by law or otherwise deemed appropriate and in the best interests of the school.
* Written contracts clearly defining work to be performed will be maintained for all contract service providers (i.e. consultants, independent contractors, subcontractors).
* Contract service providers must show proof of being licensed and bonded, if applicable, and of having adequate liability insurance and worker’s compensation insurance currently in effect. The President & CEO may also require that contract service providers list the school as an additional insured.
* If the contract service provider is a sole proprietor or a partnership (including LP, and LLP), the Director of Operations will obtain a W-9 from the contract service provider prior to submitting any requests for payments.
* The President & CEO will approve proposed contracts and modifications in writing.
* Contract service providers will be paid in accordance with approved contracts as work is performed.
* The President & CEO and/or his designee will be responsible for ensuring the terms of the contracts are fulfilled.
* Potential conflicts of interest will be disclosed upfront, and the President & CEO and/or Member(s) of the Board with the conflict will excuse themselves from discussions and from voting on the contract.

**Accounts Payable**

* All original invoices will immediately be forwarded to the Director of Operations for approval.
* The Finance Department will carefully review each invoice, attach all supporting documentation, and verify that the specified services and/or goods were received. When receiving tangible goods from a vendor, the person designated to receive deliveries should trace the merchandise to the packing list and note any items that were not in the shipment.
* Once approved by the Director of Operations, he/she will stamp an approval on the invoice and complete the required information, including noting the specific budget line item that is to be charged for the specified expenditures. The invoice and supporting documentation will be sent to the back office provider on at least a weekly basis. The back office provider will then process the invoices with sufficient supporting documentation.
* The Director of Operations may authorize the back office provider to pay recurring expenses (e.g. rent) with the President & CEO’s formal approval (signature) on the invoice when dollar amounts fall within a predetermined range. A list of the vendors and the dollar range for each vendor must be provided to the back office provider in writing and updated on an annual basis.

**Bank Checks**

* The Board will approve, in advance, the list of authorized signers on the school account. The President & CEO, the Director of Operations, and any other employee authorized by the Board may sign bank checks within established limitations.
* The President & CEO, with advance Board approval, is authorized to open and close bank accounts.
* The Director of Operations, the President & CEO and the back office provider will be responsible for all blank checks and will keep them under lock and key.
* When there is a need to generate a bank check, the Director of Operations will send appropriate approved documentation to the back office provider.
* Once approved by the President & CEO and the Director of Operations, the back office provider issues the check based on the check authorization prior to obtaining the appropriate signature(s).
* The President & CEO and the Director of Operations will co-sign checks all checks.