

**San Diego Cooperative Charter Schools**

**Fiscal Policies & Procedures**

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# San Diego Cooperative Charter Schools Fiscal Policies & Procedures

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### Introduction

The Governing Board of The Theresa Hessling Charter School Project dba San Diego Cooperative Charter Schools (SDCCS) has reviewed and adopted the following policies and procedures to ensure the most effective use of the funds of SDCCS to support its mission and to ensure that the funds are budgeted, accounted for, expended and maintained appropriately.

SDCCS maintains its own back office for various business services including budgeting, financial reporting, and forecasting; accounting and bookkeeping; cash management; CALPADS reporting; and payroll processing and retirement reporting.

### Accounting Procedures

This section covers basic accounting procedures for the organization.

#### Basis of Accounting

**Policy:** The organization uses the accrual-basis of accounting at year-end, meaning that revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of when the receipt or payment of cash takes place.

#### Procedures:

- Throughout the fiscal year, revenue is recorded in the month in which it is received and expenses are recorded in the month in which they occur.
- At the close of the fiscal year, all revenue earned in the fiscal year, but not received is accrued. All expenses that have been incurred but not paid are also accrued. This ensures that the year-end financial statements reflect all revenue earned and all expenses incurred during the fiscal year.
- Year-end books, inclusive of adjusting journal entries, are closed by December 15, the date by which the audit report must be submitted to the state controller and respective reporting agencies.

#### Bank Reconciliations

**Policy:** Bank reconciliation and approval will occur on a monthly basis.

#### Procedures:

- The Business Manager will print the bank statements directly from the online banking system.
- The Business Manager will prepare the bank reconciliation.

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- The SDCCS Board Treasurer will review and approve the bank reconciliation by initialing and dating the report.

### Record Keeping

**Policy:** Financial records will be retained for a minimum of seven years or as outlined in the 990 policy.

**Procedures:**

- SDCCS will retain financial records, including transaction ledgers, canceled/duplicate checks, attendance and entitlement records, payroll record, and any other necessary fiscal documentation on site.
- At the discretion of the Governing Board or Executive Director, certain documentation may be maintained for a longer period of time.
- Financial records will be shredded at the end of their retention period.
- Backup copies of electronic and/or paper documentation should be stored in a secure location.

### Internal Controls

The organization employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed and recorded.

All documentation related to financial matters will be completed by computer, typewriter, or ink. Completion by pencil is not permitted. The organization employs various electronic systems and processes to complete the work associated with its fiscal operations (e.g., Quickbooks, Google). The electronic systems the organization chooses to use may change over time and new electronic systems may be introduced. The organization will configure the electronic systems to ensure they align to the organization's internal controls.

### Segregation of Duties

**Policy:** The organization's financial duties shall be distributed among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the organization's assets while also considering efficiency of operations.

**Procedures:**

- Procedures for each section of this document will identify the position responsible for carrying out each function so that no single person or entity has sole control over cash receipts, disbursements, payrolls, and reconciliation of bank accounts.

### Financial Planning & Reporting

#### Budgeting Process

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**Policy:** In consultation with the Executive Director and Budget Committee, the Business Manager will prepare the annual budget for approval by the Governing Board. The budget is to be approved by the Governing Board prior to the start of each fiscal year.

### Procedures:

- The Executive Director will work together with the Business Manager and all program managers to ensure that the annual budget is an accurate reflection of programmatic and infrastructure goals for the coming year.
- The Business Manager will ensure that the budget is developed using the organization's standard revenue recognition and cost allocation procedures.
- The Business Manager, in consultation with the Governing Board, will set a target net income goal to meet strategic goals and/or comply with existing loan covenants.
- The Business Manager will present a draft budget to the Budget Committee prior to the end of the fiscal year.
- The Budget Committee shall review and approve a recommended fiscal year budget and submit it for approval to the Governing Board.
- The Governing Board will review and approve the budget no later than its last meeting prior to the start of the fiscal year.
- The Business Manager will prepare financial statements displaying budget vs. actual results for presentation to the Governing Board at each board meeting.

### Internal Financial Reports

**Policy:** The organization reviews regular financial reports on a monthly basis.

### Procedures:

- In consultation with the Executive Director, the Business Manager will prepare the annual financial budget for approval by the Board of Directors.
- Business Office will submit a monthly balance sheet and monthly revenue and expense summaries to the Board of Directors including a review of the discretionary accounts and any line items that are substantially over or under budget (\$5,000 or +/- 10% of established budget, whichever is greater). The report will be reviewed at the scheduled board meeting and action will be taken, if appropriate.
- Business Office will provide the Executive Director and/or Board of Directors with additional financial reports, as needed.
- The Business Manager will present the financial reports to the Governing Board at each meeting.

### Audit

**Policy:** The Governing Board will contract annually with a qualified independent certified public accounting firm to conduct an audit of the organization's financial statements in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and, if applicable, the *U.S Office of Management and Budget's Circular A-133*. The selected audit firm must be familiar with these standards, related State of California and Charter School regulations, and the *Standards and Procedures for Audits of California K-12 Local Education Agencies Audit Guide*

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(which can be found at <http://eaap.ca.gov/audit-guide/current-audit-guide-booklet/>), in order to properly conduct the audit engagement.

After six consecutive fiscal years, the organization will contract with a new audit firm or require a change/rotation in audit partners in the seventh year, unless a waiver is obtained from the Educational Audit Appeals Panel. (Education Code 41020).

### Procedures:

- The Governing Board will appoint an Audit Committee of one or more persons by January 1 of each year.
- The Audit Committee may include persons who are not members of the board, but may not include any members of the staff of the corporation, including the president or CEO or the treasurer or CFO. In addition, any person with expenditure authorization or recording responsibilities within the organization may not serve on the committee.
- The Audit Committee will be responsible for contracting with an audit firm by March 1 of each year, unless the existing contract is a multi-year contract.
- The Audit Committee will be responsible for reviewing the results of the annual audit and developing a corrective action plan to address all relevant weaknesses noted by the auditor.
- The Governing Board will review and approve the audit no later than December 15.
- The audit firm will be responsible for submitting the audit to all reporting agencies no later than December 15.

## Tax Compliance

### Exempt Organization Returns

**Policy:** The audit firm contracted by the Governing Board to conduct the annual financial audit will prepare the annual Federal Form 990 and the California Form 199. The tax forms are to be filed no later than May 15 of each year.

### Procedures:

- The Business Manager will work with the tax preparer to complete the organization's tax returns.
- The Executive Director and/or Business Manager will review the tax returns before submitting to the Governing Board for final approval prior to May 15.
- The Form 990 will be available to the public via GuideStar, an information service specializing in reporting on U.S. nonprofit companies.

### Quarterly/Annual Payroll Reports

**Policy:** The Business Manager will prepare the state and federal quarterly and annual payroll tax forms and will submit the forms to the respective agencies within established deadlines.

### Procedures:

- The Business Manager will prepare employee W2s by January 31 each year.
- The Business Manager will file quarterly payroll tax reports (941 and DE9) by the filing deadline.

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### Revenue & Accounts Receivable

#### Cash Receipts

**Policy:** Cash receipts (including check or cash payments received via mail or in person and deposits received via Electronic Fund Transfer) shall be recorded completely and accurately to prevent the misappropriation of assets.

**Procedures:**

- For each fundraising or other event in which cash or checks will be collected, the Executive Director will designate a staff member to be responsible for managing the process to collect and hold all cash and checks related to the event.
- The designee will record each transaction in a receipt book or document each item sold at the time the transaction is made in a log or similar.
- The designee shall give the cash, checks, deposit summary, and any related supporting documentation to the Business Office immediately.
- The Business Office and the designee will recount and reconcile the amount received with the supplied supporting documentation and each will sign for approval. The office manager will immediately put the funds in a secure, locked location.
- Cash/checks dropped off in the Office will be counted and recorded in a receipt book by the Office staff and then placed in a secure, locked location for the Business Office to collect.
- Cash/checks dropped off in the classroom will be held by the teacher. Before the end of the work day, the teacher will bring the envelope from his/her classroom to the office where the cash/checks will be counted by the teacher and the office manager.
- Mail (including anything official such as governmental notices, invoices and checks) received at the school must be opened by office staff members and stamped with a “time” stamp. If possible, the person opening the mail should not also be responsible for making bank deposits.
- At least once a week, the Office Manager will log cash or checks received into the Cash Receipts Book.
- When utilizing merchant or online web contribution services, appropriate segregation of duties shall be in place to ensure that no single person is able to perform incompatible functions (custody, recording, approving).

#### Deposits

**Policy:** The Business Office is responsible for making bank deposits. Deposits will be made weekly.

**Procedures:**

- The Business Office will restrictively endorse each check received (e.g. For Deposit Only San Diego Cooperative Charter Schools).
- The Accounts Specialist will prepare a deposit packet itemizing the amount, source, and purpose of each check or cash payment received. The deposit packet will include a copy of each check and a bank deposit slip.
- The Business Manager will review and approve the deposit packet.
- The Business Office Staff will make the deposit and attach the deposit receipt to the deposit packet.

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- Business Manager will reconcile the cash receipts to the deposit slip and the bank statement as part of the monthly close process.

### Expense & Accounts Payable

#### Payroll

**Policy:** Employees are paid on a bi-monthly basis (every 2 weeks). SDCCS is responsible for processing payroll.

#### Time Sheet Preparation & Approval

**Policy:** All non-exempt employees are required to record time worked and leave taken for payroll, benefits tracking, and cost allocation purposes.

**Procedures:**

- Non-exempt employees will be responsible for completing a timesheet, recording hours worked and vacation or sick time by the due date.
- Each non-exempt employee will approve his/her timesheet via his/her signature or submission through the payroll system.
- Each supervisor will review and approve his/her employees' timesheets by signing each timesheet or approving each timesheet in the payroll system.
- Supervisors will return, either physically or via the payroll system, incomplete timesheets to the employee for revision.
- If an employee is unexpectedly absent and therefore prevented from working on the last day of the pay period or turning in his/her timesheet, the employee is responsible for notifying the signatory supervisor or for making other arrangements to submit the timesheet. The employee must still complete and submit the timesheet upon return.
- Salaried employees are responsible for requesting leave, and supervisors are responsible for tracking leave taken by salaried employees.

#### Payroll Additions, Deletions, and Changes

**Policy:** The Executive Director is authorized to approve all payroll changes within the scope of his/her budget authority.

**Procedures:**

- The Executive Director or designee will submit, either physically or electronically via payroll system, new hire or employee change paperwork to the Business Office prior to the payroll deadline for the first pay period in which the change or addition is to go into effect.

#### Payroll Processing

**Procedures:**

- For hourly employees, employees must sign timesheets to verify appropriate hours worked, resolve absences and compensations, and monitor number of hours worked versus budgeted. The Executive Director will approve these timesheets. No overtime hours

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should be listed on timesheets without the supervisor's initials next to the day on which overtime was worked. The signatory supervisor will submit a summary report of timesheets to Business Office who will verify the calculations for accuracy.

- For salaried employees, employees must sign a daily sign-in sheet to verify working days for accuracy. The Business Office Staff will provide the designated school employee with any payroll-related information such as sick leave, vacation pay, and/or any other unpaid time.
- For substitute teachers, the Business Office Staff will maintain a log of teacher absences and the respective substitutes that work for them. The Office Manager will verify that the substitutes initial the log next to their names before they leave for the day and that a teacher, upon returning back to work, initial next to their names. This form will be verified and signed by the appropriate supervisor and submitted to Business Office.
- The Executive Director will notify Business Office of all authorizations for approved stipends.
- Business Office will prepare the payroll worksheet based on the summary report from the designated school employee.
- The payroll checks (if applicable) will be delivered to the school. The Business Manager will document receipt of the paychecks and review the payroll checks prior to distribution.

### Payroll Taxes and Filings

- Business Office will prepare payroll check summaries, tax and withholding summaries, and other payroll tracking summaries.
- Business Office will prepare the state and federal quarterly and annual payroll tax forms, review the forms with the Executive Director, and submit the forms to the respective agencies.

### Record Keeping

- The designated school employee will maintain written records of all full time employees' use of sick leave, vacation pay, and any other unpaid time.
- The designated school employee will immediately notify the Executive Director if an employee exceeds the accrued sick leave or vacation pay, or has any other unpaid absences.
- Records will be reconciled when requested by the employee. Each employee must maintain personal contemporaneous records.

### **Pay Upon Termination**

**Policy:** Employees who are discharged shall be paid all wages due at the time of termination. (Labor Code § 201) Employees who quit without giving prior notice shall be paid wages within 72 hours (inclusive of weekends and holidays). If the employee gives at least 72 hours' notice, the wages must be paid on the last day worked. (Labor Code § 202)

### **Procedures:**

- The Supervisor or designee will inform the Business Office of any voluntary or involuntary termination immediately and will provide an accounting of the hours/days worked since the last payroll and any accrued vacation time to be paid.
- The Business Office will calculate the final check based on the hours/days worked and the

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- employee's pay rate and will prepare the final check
- An employee who quits without 72 hours' notice may request that his or her final wage payment be mailed to a designated address. The date of mailing will be considered the date of payment. (Labor Code § 202)
- The final check may not be provided via direct deposit.

### Purchases & Procurement

**Policy:** The Executive Director may authorize expenditures and may sign related contracts within the approved budget. The Board of Directors 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 Board of Directors must also approve contracts over \$15,000.

Goods or services purchased with federal funds must follow federal procurement guidelines as outlined in Education Department General Administration Regulations (EDGAR), Part 80—Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Sub-part C (Post Award Requirements), Section 80.36 (Procurement) located at: <http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>.

The Governing Board must approve any contract over \$15,000.

#### Procedures:

- The Executive Director must approve all purchases. Purchase requisitions, authorizing the purchase of all items (format to be provided by Business Office), must be signed by the Executive Director and submitted to Business Office with the related invoice.
- When approving purchases, the Executive Director 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
- Any individual making an authorized purchase on behalf of the school must provide Business Office with 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 bank check upon receipt of appropriate documentation of the purchase.
- The Executive Director 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 Executive Director and/or Board of Directors.
  - Authorized individuals will be issued a credit card(s) on an annual basis. Related documentation of all purchases will be reconciled on a monthly basis and authorized by the Executive Director.

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- If receipts are not available or are "missing", refer to Executive Director.
- Credit cards will bear the names of SDCCS and the Executive Director and/or designee.
- Credit cards will be board approved.
- Debit cards are not allowed.

### Contracts

- Consideration will be made of in-house capabilities to accomplish services before contracting for them.
- Competitive bids will be obtained where required by law or otherwise deemed appropriate and in the best interests of the school.
- The Business Manager will ensure that a written contract clearly defining work to be performed is on file 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 workers' compensation insurance currently in effect. The Executive Director may also require that contract service providers list the school as an additional insured.
- The Executive Director will approve proposed contracts and modifications in writing.
- Contract service providers will be paid in accordance with approved contracts as work is performed.
- The Executive Director will be responsible for ensuring the terms of the contracts are fulfilled.
- Potential conflicts of interest will be disclosed upfront, and the Executive Director and/or Member(s) of the Governing Board with the conflict will excuse themselves from discussions and from voting on the contract.

### Independent Contractors

**Policy:** The organization will comply with all applicable federal and state laws relative to the use of independent contractors.

#### **Procedures:**

- The Executive Director has the authority to establish a contract with an independent contractor and is responsible for verifying that the person is appropriately classified as an independent contractor and not as an employee and for obtaining a Form W-9.
- School employees may not serve as independent contractors.
- Contract service providers must show proof of being licensed and bonded, if applicable, and of having adequate liability insurance and workers' compensation insurance currently in effect. The Executive Director may also require that contract service providers list the school as an additional insured.
- All services performed by independent contractors will be processed as accounts payable.
- At the close of the calendar year, the Business Office will issue a Form 1099 to all independent contractors in accordance with IRS regulations.

### Invoice Approval & Processing

**Policy:** The Executive Director or the Business Manager must approve all invoices. The following procedures will be performed either manually or electronically.

**Procedures:**

- The Business Office will open and review invoices and bills and will notify the Executive Director or Business Manager of any unexpected or unauthorized expense.
- When receiving tangible goods from a vendor, the Office Manager will trace the merchandise to the packing list and note any items that were not in the shipment.
- The Business Office will code invoices to the correct budget line.
- Invoices are then routed to the Executive Director or Business Manager for payment approval.
- If the vendor is a sole proprietor or a partnership (including LP, and LLP) providing a service, the Office Manager will obtain a W-9 from the vendor prior to submitting any requests for payments.
- The Business Office will review the invoice for sufficient supporting documentation, verify the coding, and process payment.

### Cash Disbursements

**Policy:** Bank checks will be issued upon receipt of appropriate documentation (e.g. vendor invoice, purchase order, packing slip, etc.).

**Procedures:**

- Once an invoice is approved by the Executive Director or Business Manager for payment, the Business Office will prepare an in-sequence check, review the supporting documentation for completeness and the check for accuracy and will prepare the check for signatures.
- The check will be distributed as follows:
  - Original – mailed or delivered to payee
  - Duplicate or voucher – attached to the invoice and filed by vendor name
- Should a check need to be voided, “VOID” will be written in ink on the signature line of the check.

### Petty Cash

**Policy:** SDCCS does not have a petty cash fund.

### Employee and Volunteer Expense Reimbursements

**Policy:** The organization will reimburse pre-authorized school-related expenses that are accompanied by an original receipt or other appropriate documentation. Only the Executive Director may incur school-related expenses without pre-approval.

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### Procedures:

- An employee or school volunteer seeking to make a school-related purchase must obtain pre-approval from the Executive Director.
- Employees will submit signed expense reports monthly, as necessary, to the Executive Director for approval. Original receipts or other appropriate documentation (e.g. e-mail receipt) must be attached to the expense report.
- Employees will submit expense reports within the fiscal year in which the expenses were incurred.
- The organization reserves the right to refuse reimbursement for any inappropriate expenses made.

### Travel Expenses

**Policy:** The Executive Director must pre-approve all school related travel. Mileage will be reimbursed at the organization-approved mileage rate, not to exceed the current IRS reimbursement rate.

### Procedures:

- For the purposes of mileage reimbursement, where a trip is commenced or terminated at the employee's home, the distance traveled shall be reduced by the employee's home-to-office commute distance.
- Employees will be reimbursed for overnight stays at hotels/motels when pre-approved by an administrator and the event is more than 50 miles from either the employee's residence or the school site. Hotel rates will be negotiated at the lowest level possible, including the corporate, nonprofit or government rate if offered, and the lowest rate available.
- Employees will be reimbursed, with prior approval, up to the established per diem rate found at (<http://www.gsa.gov/portal/category/100120> - US Government Rates) for any breakfast, lunch, dinner, or incidental expense that is not included as part of the related event. Employees will be responsible for any excess expenses beyond the established per diem rate.
- Alcohol, tobacco products and room service are never reimbursable or paid for by the school.
- Transportation expenses such as airfare will be purchased at the lowest rate available.
- After the trip, the employee must enter all of the appropriate information on an expense report, attach original receipts, and submit it to the Executive Director for approval and then on to the Business Office for processing.

### Governing Board Expenses

- The individual incurring authorized expenses while carrying out the duties of the school will complete and sign an expense report and attach original receipts.
- The Executive Director and/or another board member will approve and sign the expense report, and submit it to Business Office for payment.

### Asset Management

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### Cash Management and Investments

**Policy:** All funds will be maintained in high quality financial institution or invested with the following objectives in order of priority; preservation and safety of principal, liquidity, and yield.

**Procedures:**

- The Executive Director will obtain Governing Board approval before opening or closing a bank account.
- ☐ Governing Board will adopt an investment policy before funds are to be invested.

### Capital Equipment

**Policy:** The organization capitalizes any item, purchased or donated, with a value of \$5,000 or more and with a useful life of more than one year.

**Procedures:**

- The Business Manager will maintain a ledger of all capitalized items. The ledger will include the original purchase price and date and a brief description of the asset.
- The organization will take a physical inventory of all assets within 90 days of the end of each fiscal year, indicating the condition and location of the asset.
- The Executive Director will be notified of all cases of theft, loss, damage or destruction of assets.
- The Business Manager will maintain written notification of plans for disposing of assets with a clear and complete description of the asset and the date of the disposal.

### Loans

**Policy:** The Governing Board will approve all loans from third parties. In the case of a long-term loan, approval may also be required from the chartering authority in accordance with the terms of the charter and/or other lenders in accordance with the loan documents. Employee loans, including salary advances, are not allowed.

**Procedures:**

- The Executive Director and/or Governing Board designee shall review and sign the promissory note before funds are borrowed.
- Loan agreements should specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule.
- Loan covenants and reporting requirements are to be acknowledged by the board at the time of adoption.

### Insurance

**Policy:** The organization will maintain insurance with a high quality insurance agency at all times for:

- General Liability
- Property
- Workers' Compensation

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- Professional Liability
- Directors' and Officers' Coverage

Umbrella and student accident policies are considered prudent add-ons.

### Procedures:

- The Business Manager will carefully review insurance policies with the Broker on an annual basis prior to renewal to determine compliance with Charter authorizer and any applicable loan covenant requirements.

### Parking Lot Liability

**Policy:** Parking lot related incidences are not covered under any school insurance policy. The organization assumes no liability for damage to cars unless a student is observed by an adult accidentally causing damage to a vehicle while engaged in a school activity.

### Procedures:

- If a student willfully causes damage the student's parent or guardian is responsible.
- If a parent or other visitor causes damage, that individual is responsible.
- If an employee causes damage, the employee is responsible.
- If an unknown person causes damage and there is no witness, the affected individual would determine if he/she has applicable coverage through his/her individual insurance policies.

### Operating Reserves

**Policy:** The organization will ensure adequate cash balances to meet annual cash flow needs. The target minimum operating reserve fund is recommended to be equal to 19% of average operating costs. The amount of Operating Reserves will be calculated each year after approval of the annual budget and included in monthly financial reports.

### Procedures:

- The Business Manger will monitor the organization's reserve level and will report the reserve level to the Executive Director and the Governing Board on a monthly basis.
- It is the responsibility of the Executive Director and the Governing Board to understand the organization's cash situation and it is the responsibility of the Executive Director to prioritize payments as necessary to manage cash flow.
- The Governing Board may restrict a portion of the operating reserve fund for strategic goals.
- The Governing Board may develop an additional Operating Reserve Policy to specify use of the Operating Reserves.