

Covenant Keepers Charter School

Fiscal Procedures



Fiscal Year 2018

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OVERVIEW

The Board of Directors of Covenant Keepers Charter School has reviewed and adopted the following policies and procedures to ensure the most effective use of Covenant Keepers funds to support the mission and to ensure that the funds are budgeted, expended, accounted for, and maintained appropriately.

1. The Board of Directors formulates financial policies and procedures, delegate's administration of the policies and procedures to the School Leader, and reviews operations and activities on a during monthly meetings and annual invites the auditor to board meeting after March 31st submission.
2. The Board of Directors will commission an annual financial audit by an independent third party auditor who will report directly to them.
3. The Board of Directors will approve the final audit report, and a copy will be filed with the Arkansas Department of Education and the Division of Legislative Audit within nine (9) months following the end of the fiscal year. Any audit exceptions and/or deficiencies will be resolved to the satisfaction of the Board of Directors, the Arkansas Department of Education (ADE), and the Division of Legislative Audit.
4. The Board of Directors can appoint someone else to perform the School Leader's responsibilities in the case of absence.
5. The School Leader has responsibility for all operations and activities related to financial and academic management, including tax filings.
6. Financial duties and responsibilities must be segregated so that no one employee has sole control over cash receipts, disbursements, payrolls, and reconciliation of bank accounts.
7. All documentation related to financial matters will be completed by computer, word processor or ink and will be filed monthly by funds.

Annual Financial Audit

1. The Board of Directors will appoint an audit committee by April 1st to select an auditor by June 1st prior to the fiscal year end.
2. Any person with expenditure authorization or recording responsibilities within the school may not serve on the committee. The audit committee will have one (1) administrator, one (1) person from the business office and one (1) board member on it.
3. The committee will contract for the services of an independent certified public accountant to perform an annual fiscal audit.
4. The audit shall include, but not be limited to:
 - a. An audit of the accuracy of the financial statements
 - b. An audit of the compliance with state and federal rules and regulation
 - c. An audit of the internal control practices of the school

BUDGET

1. Covenant Keepers prepares an annual operating budget of revenues and expenditures, a cash flow projection, and a capital budget. These budgets and projections are reviewed and approved by the Board of Directors no later than its June Board meeting.
2. The notice of an allocation of funds carries no authority to spend.
 - a. No funds, unrestricted or restricted, may be obligated or expended unless included in school board's approved budget.
 - b. Additionally, no **restricted** funds from a cash balance, funds in reserve or uncommitted funds can be obligated or expended until included in a program or project budget and approved by means of a formal application (ACSIP, 1003A, etc.) to the ADE.
3. The CPA and/or Bookkeeper will enter the adopted budget totals into APSCN to allow for monthly generation of budget vs. actual reports (Revenue Status Report and Expenditure Status Report) and assistance in coding expenditures.
4. Total expenditures cannot exceed the approved budget even though funds are held in reserve or are otherwise available from the allotments; however formal budget adjustments can be made if approved by the Board of Directors.
5. When approving expenditures, the School Leader must indicate from which budget line item funds will be expended. The CPA and Bookkeeper will provide some assistance in achieving this objective.

PROCUREMENT

1. The School Leader must authorize expenditures and may sign related contracts within the approved budget.. This will be done via approval of a batch payable list or check register, which lists all checks to be written or written during the current period of time and includes payee, date, amount, coding and description, the check register also includes the check number. The Board of Directors must also approve contracts over \$10,000 and any contract extending past the end of the fiscal year.
2. The School Leader will work with the CPA and Bookkeeper to develop a board approved monthly recurring bill list, which will consist of payments for contracted services, monthly utilities and related services, debt payments and other items as needed.
3. The School Leader must approve the purchase of all goods and services before it is forwarded to the vendor.
4. When approving purchases, the School Leader must:
 - a. Determine if the expenditure is budgeted
 - b. Determine if the source document is properly coded
 - c. Determine if funds are currently available for expenditures (i.e. cash flow).
 - d. Determine if the expenditure is reasonable, necessary, and allowable under the appropriate revenue source.
 - e. Determine if the expenditure is appropriate and consistent with the vision, approved charter, school policies and procedures, and any related laws or

- applicable regulations
- f. Determine if goods and services are sufficiently described on purchase order.
 - g. Determine if the price is competitive and prudent. The school will request bids or quotations verbally on transactions not expected to exceed \$10,000, and in writing for transactions between \$5,000 and \$10,000. Items greater than \$10,000 will require formal bid requests and evaluation. Note: (1) Arkansas law requires informal bids (documented) for all goods and services equal to or greater than \$10,000 and formal bids (documented) for all goods and services greater than \$20,000, (2) construction contracts require additional bid procedures.
5. No individual may make purchases on behalf of the school without approval by the School Leader. If so, the school will not be held responsible for the purchase(s).
 6. Individuals who use personal funds to make unauthorized purchases will not be reimbursed. Authorized purchases will be reimbursed by check during the next open accounts payable cycle upon receipt of appropriate documentation of the purchase.
 7. The School Leader may authorize an individual to use a school credit card/pre-paid card to make an authorized purchase on behalf of the school, consistent with guidelines provided by the School Leader and/or Board of Directors.
 - a. Credit card purchase must be supported with properly authorized Purchase Order.
 - b. The school credit card will be kept under locked supervision, and authorized individuals must sign the credit card out and must return the credit card and related documentation of all purchases within 24 hours of the purchases, unless otherwise authorized by the School Leader.
 - c. If invoices are not available or are "missing", the individual making the charge will be held responsible for payment.
 - d. Credit cards (which include pre-paid cards) will bear the names of both Covenant Keepers Charter School; and the School Leader.
 - e. Credit card payments will be made via EFT after review of related documentation.
 - f. Debit cards are not allowed.

Contracts

1. Office staff will keep and maintain a contract file evidencing the competitive bids obtained and the justification of need for all contracts.
 - a. Competitive bids will be obtained where required by law or otherwise deemed appropriate and in the best interests of the school and according to the section noted above; "**PROCUREMENT**" 5. (g).
2. Written agreements (contracts), signed by both parties will be maintained for all contractors (i.e. consultants, independent contractors, subcontractors).
 - a. The contract must clearly define the specific services to be provided or goods to be delivered.
 - b. The contract must outline the specific timeline for goods, services, or products to be completed or delivered.

4. If the contractor is a sole proprietor or a partnership (including LP, and LLP), the office manager will obtain a Form W-9 from the contractor, prior to submitting any requests for payments. Contract service providers will be paid as work is performed and invoiced in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
5. The School Leader will be responsible for ensuring the terms of the contracts are fulfilled.
6. Potential conflicts of interest will be disclosed upfront, and the School Leader and/or Member(s) of the Board of Directors with the conflict will excuse themselves from discussions and from voting on the contract. ADE Commissioner's approval may be necessary.

EXPENSES

Expense Reports

1. Employees having appropriate documentation will be reimbursed for authorized expenditures during the next open accounts payable cycle immediately following the presentation of appropriate documentation.
2. Invoices (receipts) or other appropriate documentation will be required for all expense reports.
3. The employee and the School Leader must sign the appropriate documentation before the next open accounts payable cycle.
4. Expenses greater than ninety (90) days will not be reimbursed, unless there are exigent circumstances.
5. Board of Directors will receive a copy of the full bank statement monthly, including cancelled checks to accompany expense reports monthly.

Travel

1. Employees having appropriate documentation will be reimbursed for mileage. Mileage will be reimbursed at the government-mandated rate for the distance traveled, less the distance from the employee's residence to the school site for each direction traveled. For incidental travel, mileage will only be reimbursed if the one-way mileage exceeds 20 miles.
2. The School Leader must pre-approve all out-of-town travel.
3. 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 should be negotiated at the lowest rate possible, including the corporate, nonprofit or government rate if offered. Employees will be reimbursed up to the established rate for any breakfast, lunch, or dinner that is not included as part of the related event when providing adequate supporting documentation.

4. After the trip, the employee must submit all appropriate information and documentation to Human Resource for approval and processing.

Board of Directors Expenses

1. The individual incurring authorized expenses while carrying out the duties of the school will complete and sign appropriate paperwork.
2. The School Leader will approve, sign and submit information for payment during the next open accounts payable cycle. All travel reimbursement for board members must be reviewed by the full board at the next regularly scheduled board meeting.

CASH DISBURSEMENTS

Accounts Payable

1. All original invoices should be matched with other applicable supporting documentation (order forms, packing lists, statements, etc.) and immediately forwarded to the School Leader for approval.
2. The School Leader/Human Resources/Front Office Staff will carefully review each invoice related, and all other supporting documentation, and verify that the specified services and/or goods were received.
 - a. When receiving tangible goods from a vendor, the Office manager designated to receive deliveries should ensure all items listed on the packing slip were delivered, signed and dated on the packing slip. Any items that were not in the shipment or were incorrect should be noted on the packing slip.
 - b. The packing slip should be submitted to the School Leader/Human Resources/Front Office Staff with the invoice for review and approval.
3. Once approved by the School Leader, they will initial and date the invoice(s) and verify that the appropriate budget line item (budget code) is to be charged for the specified expenditures. All approved purchases will be batched into the APSCN system and checks printed on the agreed payment date, if the School Leader wants to hold certain checks from being paid, then the School Leader must document this request to the CPA before accounts payable cycle.
4. The invoice and supporting documentation will be sent to CPA. (School Leader should be aware of invoice due dates to avoid late payments). Bookkeeper will then process the invoices with sufficient supporting documentation in the next accounts payable cycle. All accounts payable cycles close four (4) business days before the agreed upon check dates. Invoices received after this date (close date) will be held until the next accounts payable cycle.
5. The School Leader may authorize the bookkeeper to pay recurring expenses (e.g. utilities, contractual agreements, etc.) without the School Leader's formal approval (signature on the invoice) when dollar amounts fall within a pre-determined range. A list of the vendors, appropriate budget codes, and the dollar range for each vendor must be

- provided to the bookkeeper in writing and updated on an annual basis to continue monthly bank drafts.
6. After receiving all necessary documentation Bookkeeper will generate check(s) through APSCN, record the transaction(s) in the general ledger, and forward the check(s) back to the School Leader.
 7. The School Leader or Board Disbursement Officer signature will be printed on all electronic checks.
 - a. The Board of Directors will approve, in advance, the list of authorized signers on the board approved school bank account.
 - b. The School Leader, the Board Disbursement Officer, and any other employee/member authorized by the Board of Directors may sign bank checks within established limitations.
 - c. The Board of Directors will review full bank statement with electronic and manual check copies along with bank reconciliation reports monthly.
 8. **Checks may not be written to cash, bearer, or petty cash. Under no circumstance will any individual sign a blank check.**
 9. Bookkeeper will distribute the checks and vouchers as follows:
 - a. Original mailed or delivered to payee.
 - b. Duplicate or voucher - attached to the supporting documentation and filed by fund and by month.
 - c. Voided checks will have the signature line cut out and will have VOID written or stamped in ink on the face of the check. The original check will be attached to the duplicate along with any other related documentation as appropriate and filed in a monthly voided check file.

Petty Cash

1. The Board of Directors does not allow the charter school to maintain a petty cash fund.

Bank Reconciliation

1. Bank statements will be received directly, unopened, by the Business Office.
2. Checks will be examined for date, name, cancellation, and endorsement. Any discrepancies regarding the paid checks or any checks over 90 days will be researched and if applicable deleted from the accounting system.
3. The Certified Public Accountant not responsible for disbursements or payroll will prepare the bank reconciliation, verifying the bank statements and facilitating any necessary reconciliation.
4. A Certified Public Account will compare the reconciled bank balance to the cash in the bank account and to the general ledger, immediately reporting any material discrepancies to the Bookkeeper and the School Leader, and if applicable to the School Board.
5. The Certified Public Accountant will prepare a monthly summary report to be sent to ADE.

CASH COLLECTIONS

Cash Receipts

1. The School Leader must approve all fundraising activities at the school and informs the Bookkeeper/CPA. The Office Manager will establish and maintain a ***Fundraising Activity Log*** (Sponsor's name, grade/club/organization, start date, end date, and reason for the fundraiser).
2. For each fundraising or other event in which cash or checks will be collected, a Sponsor will be designated, who will be responsible for collecting all cash and checks for the purpose of the fundraising activity.
 - a. The bookkeeper will assign a receipt book (three parts) to the Sponsor and log the receipt book out on the ***Receipt Book Log***. The receipt book will be logged in when the fundraiser is complete. Human Resources will secure all receipt books.
 - b. The Sponsor will record each transaction in the receipt book at the time the transaction is made, with a copy of the receipt will be provided to the donor/student. Sponsor will photocopy all checks collected and remit all funds to the office daily for depositing.
 - c. Both the Sponsor and the Human Resources will count the funds and verify the amount of the funds listed on deposit summary agrees with the receipts. Bookkeeper will immediately put the funds in a secure, locked location until deposited. All funds received must be deposited weekly.
3. The Bookkeeper will receipt all payments received through the mail.
4. All checks will be immediately endorsed with the school deposit stamp, containing the following information: "For Deposit Only; School Name, Bank Name; Bank Account Number."
5. The Business Office deposits funds daily or when cash/checks on hand exceed \$250.

Returned Check Policy

1. A returned-check processing fee will be charged for checks returned to the school for any reason. Unless otherwise pre-approved by the School Leader, all payments for returned checks and the processing fees must be made by money order, certified check, or cash.
2. In the event that a second returned check is received from any individual in the same semester, in addition to the processing fee, the individual will lose check-writing privileges. Payment for the returned check, the processing fee and any subsequent payment(s) by that individual must be made by cash, money order or certified check.
3. In the case of a returned check written by parents of student(s), their failure to pay may result in the withholding of report cards/transcripts at the end of the semester and/or school year until payment is received, unless other mutually agreeable arrangements are approved by the School Leader and/or Board of Directors.

4. If unsuccessful in collecting funds owed, the school may initiate appropriate collection and/or legal action at the discretion of the School Leader and/or Board of Directors.
5. Human Resources will maintain a list of parents having check writing privileges revoked. Parents that do not make settlements by the end of each semester will not have their checks accepted the following semesters until the settlement has been made.

PERSONNEL

1. Human Resources will be responsible for ensuring that all new employees complete or provide all of the items on the School's *Personnel File Checklist* and maintain employee files accordingly.
2. An employee's hiring is not effective until the employment "At Will" Agreement has been approved by the Board of Directors and the background check is completed. Also, the school has received the following completed forms; employment application, Form W-4 (federal & state), Form I-9, health insurance forms and any other benefit forms. The School Leader must provide the CPA with the employee's title, start date, approved pay rate, and budget line item (coding), along with a signed copy of the contract.

PAYROLL

Payroll Processing

1. For non-exempt (generally hourly) employees, employees must sign *timesheets* to verify appropriate hours worked, resolve absences and compensations, and monitor number of hours worked versus budgeted. The School Leader will approve these timesheets. **No overtime hours should be listed on timesheets without the supervisor's initials next to the day on which overtime was worked.**
 - a. The employee and the appropriate supervisor will sign the completed timesheet.
 - b. The completed timesheets will be submitted to on the last working day of the designated payroll period.
 - c. Incomplete timesheets will be returned to the signatory supervisor and **late timesheets will be held until the next pay period.** No employee will be paid until a correctly completed and approved timesheet is submitted.
 - d. If an employee is unexpectedly absent and therefore prevented from working the last day of the pay period or turning in the timesheet (such as an employee calling in sick), the employee is responsible for notifying the signatory supervisor or for making other arrangements for the timesheet to be submitted. However, the employee must still complete and submit the timesheet upon return.
2. For exempt (generally salaried) employees, employees must send an email to verify working days for accuracy. Human Resources will provide the designated school employee with any payroll-related information such as accessing sick leave, and/or any other unpaid time.
3. For non-exempt salaried employees, the employee will follow the same timesheet

- requirements as the hourly non-exempt employees listed above.
4. For substitute teachers, Human Resources will maintain a log of teacher absences and the respective substitute that works for them. The Front Office Staff will verify that the substitute initials the log next to their name before leaving for the day.
 5. The School Leader will approve all payrolls by signing and dating the APSCN pre-cal report. Once the School Leader approves the pre-cal report no payroll will be voided if it can be determined that the correction can be made during the next payroll cycle.

Overtime/Extra Duty

1. Advanced approval in writing by the authorized supervisor is required for overtime/extra duty.
2. Overtime only applies to classified (non-exempt) employees and is defined as hours worked in excess of forty (40) hours within a defined work week. Any hours worked in excess of an employee's regular work schedule must be pre-approved by the supervisor, unless it is prompted by an emergency. No overtime will be paid without the approval of the employee's supervisor. Overtime will not be granted on a routine basis and is only reserved for extraordinary or unforeseen circumstances. If a supervisor identifies a recurring need for overtime in any given position, the supervisor should immediately consult with the School Leader for further guidance.
3. The School Leader will be the approving supervisor for office staff and all teachers/instructors for both overtime and extra duty payments.

Payroll Taxes and Filings

1. The designated CPA will prepare all necessary payroll liability reports and will submit payments to the proper agencies. Payroll tax reports will be signed and approved by the School Leader and filed by CPA monthly.
2. The CPA will prepare the state and federal quarterly and annual payroll tax forms, review the forms with the School Leader, and submit the forms to the respective agencies.

Record Keeping

1. The designated school employee will maintain written records of all full time employees' use of sick leave, paid time off (PTO), and any other unpaid time.
 - a. The designated school employee will immediately notify the School Leader and if an employee exceeds the accrued sick leave, PTO, or has any other unpaid absences.

FINANCE

Financial Reporting

1. Human Resources will prepare and submit all FMS cycle reports as required by ADE.
2. Human Resources and the CPA will provide the School Leader and/or Board of Directors with any APSCN financial reports as requested and those required by ADE.
3. Denman & Hamilton, LLC will assist the school's external auditors with its annual audit of the school's financial records.

Loans

1. The School Leader and the Board of Directors will approve all forms of debt from third parties. In the case of long-term debt (any loan/purchase extending beyond the end of the current fiscal year such as, lease purchase agreements, installment contracts, or loans), the School Leader will request approval from Arkansas Department of Education before incurring the debt in accordance with ADE's requirements and within the terms of the charter petition and/or other lender's requirements as stated in loan documents.
2. Once approved, a promissory note/agreement will be prepared and signed by the School Leader before funds/goods are received. All loan/debt documents will be filed in the HR office.
3. The School Leader and Board of Directors may approve short-term debt/loans without consulting with ADE if the debt/loan will be repaid by June 30 of the current year.
4. Employee loans are not allowed.

Financial Institutions

1. The Board of Directors will have the sole authority to open and close bank accounts.
2. All funds will be FDIC insured and collateralized as required by Ark, Code Ann. (ACA).
3. The Board of Directors will require funds to be collateralized by the bank when the balance exceeds the amount of FDIC insurance coverage.
4. All funds will be maintained or invested in high quality, short maturity, and liquid funds.

Retention of Records

1. Financial records, such as transaction ledgers, canceled/duplicate checks, attendance and entitlement records, payroll records, and any other necessary fiscal documentation will be retained for a minimum of five (5) years. At the discretion of the Board of Directors or School Leader, certain documentation may be maintained for a longer period of time.
2. All Ledgers and Journals are part of a permanent public record and may not be destroyed.
3. Financial records should be shredded (destroyed) at the end of their retention period.
4. Appropriate back-up copies of electronic and paper documentation, including financial and attendance accounting data, should be regularly prepared and stored in a secure off-site location, separate from the school.

RISK MANAGEMENT

Funds Balance Reserve

1. A funds balance reserve of at least 5% of the total unrestricted General Funds revenues is strongly recommended.
2. The CPA will provide the School Leader with balance sheets on a monthly basis. It is the responsibility of the School Leader and the Governance Board to understand the school's cash situation. It is the responsibility of the School Leader to prioritize payments as needed. The School Leader has responsibility for all operations and activities related to financial management of the school.

Insurance

1. The School Leader should ensure that appropriate insurance is maintained at all times with a high quality insurance agency and purchase other insurance as necessary to supplement other activities.
2. The School Leader will maintain the files of insurance policies, including an up-to-date copy of all certificates of insurance, insurance policies and procedures, and related claim forms.
3. The School Leader will carefully review insurance policies on an annual basis, prior to renewal. The Board of Directors will assist the School Leader in this task to ensure safety.
4. Insurance will include general liability, worker's compensation, student accident, and professional liability coverage. Supplementary coverage will cover the after-hours and weekend activities. Coverage will be in line with the limits listed in the school's approved charter petition or state law.

Property & Equipment Inventory

1. Property and Equipment (P&E) is defined as all items, purchased or donated, with a value of \$1,000 or more and having a useful life of more than one (1) year.
2. Front Office Staff will tag all P&E as it enters the building with asset id tags purchased by the school and assigned by the Office Manager.
3. The School will maintain an inventory system or log of all P&E. The log will include the asset id number, the original purchase price and date, a brief description, serial numbers, location and other information appropriate for documenting assets.
4. The School will take a physical inventory of all P&E before the end of each fiscal year, indicating the condition and location of the P&E.
5. The School Leader will immediately be notified of all cases of theft, loss, damage or destruction of P&E.

6. The School Leader will submit to the CPA a written notification of plans for disposing of P&E with a clear and complete description of the P&E and the date and manner of disposal.
7. The HR office will maintain a file with all inventory sheets.

Parking Lot Liability

1. Parking lot related incidences are not covered under any insurance policy. The school assumes no liability for damage to cars:
 - a. Parked in the parking lot during school hours
 - b. Parked in the parking lot after school hours
2. The only exception to this policy will be when a student is observed by an adult accidentally causing damage to a vehicle while engaged in a school activity, such as physical education equipment breaking a window (e.g. a ball)
3. Otherwise, liability is as follows:
 - a. If a student willfully causes damage (i.e. not an accident as described above), the student's parent or guardian is responsible.
 - b. If a parent or other visitor causes damage, that individual is responsible.
 - c. If an employee causes damage, the employee is responsible.
 - d. If an unknown person causes damage and there is no witness, the affected individual would determine if they have applicable coverage through his/her individual insurance policies.

AMENDING THIS MANUAL

The Board of Directors, CPA and School Leader will review this manual annually and amend the manual as agreed upon by both parties. No amendments will be made to this manual at any other time unless the School Leader and the Board of Directors consents to amending the manual.