Financial Policies and Procedures

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Personal Introduction

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What separates policies from procedures?

- Policies indicate *WHAT* should be done.
- Procedures indicate HOW something should be done.
- In general, the school's board writes policies and the administrator creates procedures.

Types of Charter School Policies

- Policies required by law
- Policies required by the charter or charter application
- Policies that give broader definition to the vision/mission of the school
- Policies that communicate board decisions

How are Policies Communicated?

- Website
- Newsletter
- Faculty Meetings
- Policy disbursement policy

How are Policies Reviewed?

- How often are your policies reviewed?
- Who is reviewing the policies?
- Establish a rotation in which the board or the board member assigned to the policy area reviews the policy and makes recommendations.

Important Financial Policies

- Purchasing and Disbursement Policy
- Capitalization and Expense Policy
- Fundraising Policy (Form 1023 of IRS app)
- Investment Policy
- Travel per Diem Policy
- Mileage Reimbursement Policy

Creating Procedures

- Once policies are written, how are the school's procedures established?
- "We don't worry about our financial procedures
 - we trust (blank) to look after the money."
- Boards are responsible for knowing procedures even if they don't establish them or use them daily.

General Accounting Procedures

- General Accounting Procedures
 - Overall accounting system design, General Ledger Activity, and General Ledger Closeout
- Overall Accounting System Design procedures establish a coding structure that supports financial reporting
 - Chart of Accounts/Coding Structure
 - Establishment of control and contra accounts
- General Ledger Activity procedures ensure that all General Ledger entries are current, accurate, and complete
 - Timeliness of Entries
 - Audit Trail

General Accounting Procedures

- General Ledger Close Out procedures ensure the accuracy of financial records and reports
 - How often and who is in charge of preparing a trial balance to ensure accuracy of general ledger accounts.
 - Reconciliation of general ledger control accounts
 - At fiscal year end and after the annual audit, all income and expense accounts are closed out, and the general ledger balances agreed to the audited financial statements.

Cash Management Procedures

- Cash Management Procedures are described for cash receipts, cash disbursements (including checks), petty cash funds and prepaid items.
- Cash receipts procedures ensure that all cash receipts (including checks) are recorded completely and accurately to prevent the diversion of cash.
 - Who opens mail? Who is allowed to collect funds?
 - How are receipts issued? How are receipts reconciled?
 - Who makes deposits? How often are deposits made?

Cash Management Procedures

- Cash disbursement procedures ensure that cash is disbursed for authorized purposes and is recorded completely and accurately.
 - · Who prepares checks? Is all supporting documentation included?
 - · Who signs the checks? Do they examine the documentation?
 - Who mails the checks? Who files the documentation?
 - How are accounts reconciled? Who opens bank statements?
- Petty cash funds procedures ensure the use of petty cash funds for valid transactions.
 - What are appropriate uses of petty cash?
 - Who maintains the log/register of disbursements?
 - Who enters into the system? Who reconciles?

Grant Management Procedures

- Grant Management Procedures cover revenue recognition and invoicing, billing, accounts receivable, etc. in support of accurate and appropriate grant compliance.
 - Are reimbursement requests/invoices adequately supported? Allowable? Reasonable and necessary? Supplement not supplant?
 - Are they recorded on a timely basis?
 - Is there a separation of duties between the preparation and the approval?
 - Are outstanding requests followed up with in a timely manner?

Payroll Procedures

- Ensures that school funds are only used to pay for the correct number of employees, at the correct rate, for the correct number of hours.
- Personnel Requirements procedures ensure the school only hires those employees it needs.
 - How are new employees hired and installed into the payroll system?
- Personnel Data procedures ensure payroll data is calculated and recorded accurately for all employees.
 - How are changes to rate of pay, deductions, etc. initiated?
 - How are vacation/sick leave hours requested and tracked?

Payroll Procedures

- Timekeeping procedures ensure payment for wages is made according to time records.
 - How do employees track their hours? Are they reviewed?
 - How are corrections to time records recorded?
 - Do time records agree to grant management requirements?
- Preparation of payroll, payroll payment, and payroll withholding procedures ensure that payment to employees and third parties is done accurately.
 - Who enters payroll into the system and is it compared against time records?
 - How are paychecks/stubs delivered?
 - How are payments to third parties recorded and when are payments made?

Property & Equipment Procedures

- Property and Equipment Procedures ensure the proper acquisition and disposal of fixed assets, correct recording of depreciation, and safeguard fixed assets from loss.
 - After purchased, how are fixed assets tagged and tracked?
 - How are fixed assets secured when not in use?
 - How are they entered into the fixed assets sub-ledger?
 - Is depreciation recorded accurately?
 - Is there an regular schedule for inventory?
 - How are assets disposed of when no longer in use?

Accounts Payable Procedures

- Accounts Payable Procedures ensure that invoices are accurately recorded on a timely basis for authorized purchases.
- Invoices should be compared to the purchase order and the packing list.
- Invoices should be reviewed for:
 - Nature, quality, and quantity of items ordered and price
 - Accuracy of all arithmetic calculations
 - Proper general ledger account and department coding
 - Allowability of expenditure

Accounts Payable Procedures

- Are reviews conducted to determine if duplicate payments or overpayments exist?
- How often are checks run?
- Are purchasing discounts taken advantage of?
- Are debit balances resolved quickly and appropriately?

Purchasing Procedures

- Purchasing policy establishes what purchases need board approval. Purchasing procedures establish how purchases are requested, selected, and ordered.
- How are purchasing requests made? Who collects them?
 What information is collected?
- How are vendors researched and selected?
- How are purchase orders executed and tracked?

Purchasing Procedures

- Purchase orders should include:
 - Vendor
 - Date
 - Quantity and description of items ordered
 - Cost
 - Account coding
 - Any special instructions

AND, most importantly,

• A signature

Reimbursement Procedures

- Reimbursement procedures ensures the school pays only for authorized business expenses and establishes how repayment is made.
 - Travel reimbursement
 - Documentation required

Other Liabilities Procedures

- Establishes procedures for recognizing and recording accrued liabilities and deferred revenue.
 - Are accounts set up and properly monitored to accrue liabilities related to salaries, benefits, vacation pay, and payroll taxes?
 - How often are these reconciled?
 - Are accounts set up to defer revenues for which a school has received advanced funding?

Management Reporting Procedures

- Establishes procedures to support the annual budget, financial reporting, and tax compliance.
- Annual Budget
 - When and how is the annual budget prepared?
 - How are amendments prepared and presented?
 - Is it approved in a timely manner and according to state law?

Management Reporting Procedures

Financial Reporting

- How often are budget vs. actual reports prepared?
- How is the annual audit conducted and results presented?
- How are required state reports submitted?
- Are there other financial reporting requirements from other entities (debt covenants, leases, etc.)

Tax compliance

- Is a 990 prepared and filed timely?
- Quarterly tax filings 941s
- Yearly tax filings for individual purposes W-2, 1099s, etc.