



Financial Controls Process and Management of Budget

Thomas MacLaren School (MacLaren) is an organization that annually manages government and private sums of money. The Board of Directors (the Board), Head of School (HOS), Business Manager, and Finance Consultant (FC), and other members of staff each have roles and accountabilities in the exercise of fiscal due diligence and prudence in operating and managing the schools. This document sets out these responsibilities in more explicit terms, to ensure that all involved understand the scope (and limitations) of their individual and collective responsibilities.

- Summary of Accountabilities:
 - a) The Board - It is the Board's fiduciary responsibility to provide corporate financial oversight and financial direction (including short-term and long-term fiscal goals and targets) to the HOS and FC. The Board approves the annual operating budget and shall oversee the schools financial performance and compliance with legal requirements, operating budgets and financial plans.
 - b) The Finance Committee – This Board committee reviews monthly financial activities and assists the board in their fiduciary duty of financial oversight.
 - c) The HOS - Ultimate staff accountability for executing the financial plans of the organization is vested in the HOS. The HOS is supported in this task by the Business Manager who is directly responsible for ensuring that financial operations are within the boundaries of the board approved budget, and in consultation with the FC.
 - d) The Business Manager – The Business Manager is directly responsible for detailing and implementing the financial plan and ensuring day to day compliance with both the intent and specifics of the plan, working with the HOS and the FC.
 - e) Every MacLaren staff member has an accountability to follow leadership direction and guidelines and to exercise financial prudence and conservatism in every action and decision made on behalf of Thomas MacLaren School.
- Budget Control:
 - a) Budget - The Board will receive a working draft of the annual budget for the upcoming year by April 1st. This preliminary draft will be submitted to the Board for their approval and this approved budget will be forwarded to Charter School Institute (CSI) no later than June 30.

- b) Budget Flexibility – Actual totals for any expense line item within a program or school will usually not match the budget exactly. Any changes will be tracked in a “Projected Year-End” column next to the “Board Approved Budget” in the monthly income statements. This way, the “Projected Year-End” numbers become the “Working Budget” and the comparison of monthly and year-to-date totals to the (Projected Year-End) budget does not lose its effectiveness as a management tool.

At the end of the year, any variance between the board approved budget and the actual June 30 numbers must be explained to the Board and to the independent financial auditors so that any necessary explanations can be included in the financial audited reports.

This flexibility is granted to the HOS because the purpose of the budget is to provide an effective management tool that will allow for the successful completion of planned programs and activities within the financial framework established by the Board approved operating budget.

- c) Budget Revisions - If a change in circumstances or an unforeseen event cause staff to believe that the current budget has become unrealistic and that it is no longer possible for staff to operate within the boundaries of the budget, staff will give a full report of the circumstances to the Board along with recommendation for a course of action. The Board may approve a revised budget or give the staff other direction.
- Cost & Commitment Control:
Staff is responsible and accountable for budget compliance.

The HOS has full accountability for delivering the revenue stream projected and maintaining expenses at or below those outlined in the board approved budget.

Annually, the Business Manager will be asked to prepare budget detail schedules for specific expense accounts for the HOS. These schedules will be an itemization of the intended uses of budgeted funds. The expense accounts will include (but not be limited to) Textbooks, Professional Development and Extra Duty Stipends.

Even after the budget has been approved, the HOS must pre-approve financial commitments and purchases initiated by the MacLaren staff.

- Reporting:
Monthly financial statements will be distributed to the HOS, the Finance Committee and the Board, all of whom are expected to review the monthly statements in a timely manner. It is imperative that staff is proactive rather than reactive in managing budget variances.

Financial Report Distribution

Monthly:

Board of Directors
Finance Committee
HOS

Quarterly:	Website postings of financial statements in compliance with Article 44, Title 22 of the Colorado Revised Statutes, <i>The Public School Financial Act</i> .
Annual Audited Report:	Board of Directors HOS CSI Colorado Department of Education (CDE)

2. Asset Protection Policies

Staff may not allow assets to be unprotected, inadequately maintained nor unnecessarily risked. Accordingly they may not:

1. Fail to insure against theft and casualty losses and against liability losses to board members, staff or the organization itself to beyond the minimally acceptable prudent level.
2. Allow unbonded personnel access to material amounts of funds.
3. Subject facilities and equipment to improper wear and tear caused by insufficient maintenance.
4. Unnecessarily expose the organization, its board or staff to claims of liability.
5. Make any purchase without consideration being given to securing a competitive price.
6. Make any purchase wherein normally prudent protection has not been given against conflict of interest.
7. Make any purchase in excess of \$1,000 without obtaining a minimum of three (3) bids unless specifically waived by the HOS. Exceptions may be granted in the case of required curriculum that is only available through one vendor. Generally, the term of any contractual relationships shall not exceed one (1) year, at which time it will be re-bid.
8. Make any purchase in excess of \$10,000 without Board approval unless it is specifically included in the current budget.
9. MacLaren is to maintain the following insurance coverages:
 1. General Liability
 2. Non-Owned and Hired Automobile
 3. Directors and Officers Liability
 4. Worker's Compensation Insurance
 5. Crime Coverage for Employee Dishonesty

Each year the Business Manager will take the appropriate actions to ensure that quality coverages are secured at the most favorable premiums available.

3. Management Policies

Contractual Commitments – The Board can designate the Chair or Treasurer to sign contracts on behalf of the Board. In general, however, the HOS or designee is the only person authorized to sign financial contracts on behalf of MacLaren. This policy includes, but is not limited to, corporate contracts as well as contracts for services. MacLaren’s policy is to schedule/make payments after goods and/or services have been successfully received unless the HOS has given his or her approval to ‘pre-pay’ an expense. The Business Manager should review contracts that include scheduled payments before execution to ensure the availability of sufficient cash. The HOS or his or her designee must be copied with every finalized contract.

Value-In-Kind (VIK) Donations – Value-In-Kind (VIK) donations to Thomas MacLaren School are only to be accepted with HOS approval.

Check Signature Policy – Checks may be signed by either the HOS or by the Board Chair or Treasurer.

Board of Directors Meetings - Directors will be reimbursed for their expenses as dictated by the approved budget.

Minimum Fund Balance – MacLaren will work towards maintaining a minimum fund balance equal to the greater of: \$500,000 or 20% of current budgeted revenue, or amounts dictated by current debt obligations plus TABOR.

4. Accounting Policies and Procedures

Purchases – All purchases must be pre-approved by the HOS before MacLaren will be financially obligated.

Orders for office supplies should be emailed to the Business Manager. Requests for authorization to purchase other (non-supply) items will be processed as follows:

- (a) The Business Manager will email a completed Purchase Order to the HOS.
- (b) The HOS will approve the request, and return to the Business Manager who will assign a Purchase Order number.
- (c) The order will be placed by the Business Manager, or as indicated on the Purchase Order.
- (d) When the invoice is received by the Business Manager, it will be paired up with the Purchase Order and Packaging Slip and will then be paid.

Accounts Payable – MacLaren will only pay expenses upon receipt of an invoice, purchase order and packaging slip. MacLaren will not pay in response to a statement of account. Invoices will be paid when due, and discounts offered for prompt payment will be taken if available. Copies of checks written will be stapled to the supporting documentation and filed alphabetically by vendor.

Check Requests – This form is to be used to initiate a pre-payment of expense reimbursement. Generally, if one has received pre-approval to purchase something (via purchase order) and an employee personally paid for the purchase, the invoice should be forwarded to the Business Manager attached to a check request so that an expense reimbursement can be processed. The Check Request includes space for the purpose, amount and description of the purchase, and also asks the name of the program/account to which it should be charged; it should be signed by the Head of School. Check Requests payable to the Head of School should be signed by the Chair or Treasurer of the Board.

Company Credit Card Receipts – The use of a company credit card is a privilege. Any use of a company credit card for personal charges will not be tolerated. It is the cardholder's responsibility to use safeguards with the card and to turn in receipts to the Business Manager as soon as possible. Violations of these requirements may result in the loss of this privilege. Credit card purchases must still be pre-approved by purchase order.

Credit card receipts and the itemized sales/food slip must be attached to a Credit Card Receipt Form (which replaces the check request) and forwarded to the Business Manager at the earliest time possible. The form must include a detailed description of the expense (covering the why, where, when, how much and for whom) as well as the expense account to be charged. The staff member with budget authority should sign the form before it is submitted to the business office.

Credit card statements will be reviewed monthly by the Board Treasurer or Chair at the Finance Committee Meeting.

The Office Manager is allowed access to the school credit cards for use in performing tasks approved by the Head of School. She must notify the Business Manager in writing before using the credit card with purpose of use.

Outgoing Mail –Outgoing mail should be delivered to the Office Manager for postage and mailing. If someone has more than 200 letters to go out and they have the exact same contents, we can do bulk mail. Please let the office know in advance that there is a bulk mailing and they will direct the best way to expedite the process.

Bank Deposits – When cash and checks are collected a receipt should be given to the person who paid the money. Checks should immediately be endorsed with the bank stamp. Cash and checks should be stored in a safe or locked filing cabinet until picked up by the Business Manager, at least once a week.

Month-End Procedures – Financial statements are produced and distributed each month. In order for the reports to be accurate and timely, it is imperative that all personnel recognize the importance of submitting outstanding packaging slips and invoices to the Business Manager upon receipt but no later than the last day of each month.

Petty Cash – The Head of School or designee will maintain petty cash that may be used when staff needs to make an impromptu, routine purchase for an operating expense that will cost less than \$50.00.

1. The amount in petty cash is not to exceed \$500.

2. There will be *no* cash advances of any sort from petty cash.
3. Reimbursement from petty cash requires the submission of the original receipt and the staff member receiving petty cash must sign a petty cash voucher.
4. The Business Manager will reconcile petty cash monthly.
5. Petty cash will be kept on an imprest basis.

Returned Checks – Thomas MacLaren School will charge \$25.00 for each check that is returned by the bank due to insufficient funds.

Credit Card Payments – Thomas MacLaren School can accept credit card payments. The school will maintain several square devices for this convenience. The bank fees charged by the credit card processing company shall be passed onto the user as the fees cannot be absorbed by the school. The Business Manager shall monitor the use of the devices and reconcile the deposit reports to the bank statements on a monthly basis.*

PayPal Payments - Thomas MacLaren School can accept payments via PayPal on its website. The bank fees charged by the credit card processing company shall be passed onto the user as the fees cannot be absorbed by the school. The Business Manager shall monitor the use of the devices and reconcile the deposit reports to the bank statements on a monthly basis.*

*Fees: when payment is made as a donation to the school, processing fees will not be passed on to the donor.

Sales tax - Thomas MacLaren School will remit sales tax to the city of Colorado Springs on items sold for fundraising. This will be done on a monthly basis as applicable.

5. Internal Control

Thomas MacLaren School proactively implements internal control procedures in order to:

- a) Encourage adherence to prescribed managerial policies
- b) Promote operational efficiencies
- c) Safeguard business assets from misuse, fraud and theft
- d) Ensure accurate and reliable accounting data

Basic principles considered in the development of MacLaren's system of internal control are:

- a) Responsibilities should be clearly established
- b) Adequate records should be maintained
- c) Assets should be insured and employees bonded
- d) Record keeping and custody should be separated
- e) Responsibility for related transactions should be divided
- f) Personnel should be rotated
- g) Employees should be informed
- h) The system should be under constant review
- i) Appropriate documentation should exist
- j) Prescribed policies and procedures should be consistently applied
- k) Confidentiality of information

While the school administrative staff is still small, the front office personnel will collect payments from students and parents, issuing a receipt. The funds will be handed over to the Business Manager who will record the funds and will take the funds to the bank for deposit. The Board Treasurer or Chair will inspect the bank statements on a monthly basis, along with credit card statements and any reimbursements to be made to Head of School.

Operating Controls - Some specific controls that have been implemented: a segregation of duties in regard to cash disbursements, bank statements, bank account reconciliation and signing authority; locked cabinets for payroll, personnel records and monies to be deposited; oversight of payroll; checks are stamped for deposit upon receipt; the purchase order system; a checks and balances for user rights to QuickBooks; and a line of authority has been established for all check requests.

Internal controls are regularly reviewed by the HOS with the assistance of the FC as well as by independent auditors during financial audits.

Legal Contracts - Contracts will be reviewed by the HOS and a copy of the finalized contract will be given to the HOS or her appointee.

Cash Advances – When staff is required to go out of the office on business, whether in-state or out, they may request a cash advance to cover anticipated expenses. If per-diem applies for meals (see Per-Diem below), a cash advance could be requested to cover non-meal related expenses. The request is initiated by using a check request with a description of the event and expected expenses. As with any other check request, the expense must have been pre-approved by the HOS or his or her designee through a Purchase Order. Once the event or travel is over, an expense report should be completed within one week with itemized receipts and turned into the Business Office. Cash advances will not be approved for any employee who has an outstanding cash advance that has not been accounted for.

Cash advances may also be requested for approved purchases that will be made by an employee.

Employees are liable for cash advances until their expense report with attached itemized receipts has been approved by the Head of School.

Expense Reports – An expense report must be completed for each cash advance. It should include a date and description of the event, the purpose of the event, the names and relationship of persons for whom expenses were paid. The receipts should be taped to an 8 ½” by 11” sheet of paper, numbered and stapled to the expense report. The forms are available in the Business Manager’s Office. Personal expenses, such as personal telephone calls, alcoholic beverages or entertainment costs are the responsibility of the staff member and may not be used in any accounting for a cash advance.

Per Diem – Per-Diem may be approved for staff meal expenses for out-of-town trips on behalf of MacLaren (see the Per Diem Worksheet). The per diem rate will depend on the location of the event, but will normally be calculated as follows: \$7 for breakfast; \$10 for lunch; \$18 for dinner for a total of \$35 per day. When you receive per-diem for your meals, you are not required to

submit an expense report or receipts. If you are aware of meals that will be provided by your host, that meal should not be calculated into your per-diem. For example, if you are going to a seminar and know that a lunch will be provided you should deduct \$10 from your daily rate for that day. Also, if you have requested per-diem for a meal and someone else picks up your check, that amount should be refunded to MacLaren upon your return to the office. For example, if you have per-diem for dinner, and a host, friend, business associate pays for your dinner you should refund \$18 to MacLaren upon your return to the office. You may request per-diem by submitting a Per Diem Worksheet to the business office with the Head of School's signature.

6. Conflicts of Interest

Disclosure and Review – Members of the Board of Directors and staff members are required to complete a Principles of Ethical Behavior and Conflict of Interest statement on an annual basis. The Directors' forms will be distributed, completed and collected during the board meeting that follows board elections, and staff forms will be done at the beginning of each school year.