



Financial Controls

1. 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), Executive Director (ED), Director of Finance (DoF), and Finance Committee (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 ED and FC. The Board approves the annual operating budget and shall oversee the school's 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 ED - Ultimate staff accountability for executing the financial plans of the organization is vested in the ED. The ED 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 Director of Finance – The Director of Finance 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 ED and the FC.
 - e) The Business Office – Business specialists who assist the DoF in the financial functions of the school – bookkeeping, inventory control, time sheet management, and other data entry duties.
 - f) 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 the May Board meeting. 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;

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

Annually, the Director of Finance will be asked to prepare budget detail schedules for specific expense accounts for the ED. These schedules will be an itemization of the intended uses of budgeted funds.

After the budget has been approved, the ED must pre-approve financial commitments and purchases initiated by the MacLaren staff.

- Reporting:

Monthly financial statements will be distributed to the ED, the FC 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; ED

Quarterly: Website postings of financial statements in compliance with Article 44, Title 22 of the Colorado Revised Statutes, *The Public School Financial Act*.

Annual Audited Report: Board of Directors; ED; CSI; Colorado Department of Education

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 purchases without consideration being given to securing a competitive price.
6. Make purchases wherein normally prudent protection has not been given against conflict of interest.
7. 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 Director of Finance 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 ED or designee is the only person authorized to sign financial contracts on behalf of MacLaren. Currently, the only designee is the DoF. This policy includes, but is not limited to, corporate contracts as well as contracts for services. The DoF should review contracts that include scheduled payments before execution to ensure the availability of sufficient cash. The ED or his or her designee must be copied with every finalized contract. Generally, the term of any contractual relationships shall not exceed one (1) year.

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

Check Signature Policy – Checks may be signed by either the ED or the DoF, 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

Purchases – All purchases must be pre-approved by the supervisor and ED before MacLaren will be financially obligated. The approval process is listed below.

The procurement process for purchases of goods and services is as follows:

\$1 to \$24,999 – administrative process, competitive bidding is not required. However, comparative shopping is expected when time allows.

\$25,000 to \$249,999 – written quotes from a minimum of two vendors.

Over \$250,000 – formal competitive bidding process (RFP).

Exceptions may be granted in the case of sole source provider or an emergency purchase.

Accounts Payable – MacLaren will only pay expenses upon receipt of an invoice, accompanied by its 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 maintained digitally by vendor.

Reimbursement Requests – This form is to be used to initiate a reimbursement for pre-approved expenses

School Credit Card Receipts – The use of a school credit card is a privilege. An employee granted a school credit card must sign the Credit Card Agreement form. Any use of a school 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 Office 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 statements will be reviewed monthly by the Board Treasurer or Chair at the Finance Committee Meeting.

Vendor Accounts – Vendors accounts allow the convenience of purchasing on credit and being invoiced once a month. Purchase Orders are still required for these purchases.

Outgoing Mail –Outgoing mail should be delivered to the Main Office for postage and mailing.

Bank Deposits –The Business Specialist will process the cash and checks for bank deposit, entering these items on a deposit slip, and entering the payments onto the accounting software system (QuickBooks). The Business Specialist reconciles the bank statements on QuickBooks each month. The DoF reviews the reconciliation each month. DoF makes any necessary cash deposits.

Month-End Procedures – Financial statements are produced and distributed each month.

Petty Cash – The DoF 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.

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

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
- d) Record keeping and custody should be separated
- e) Responsibility for related transactions should be divided
- f) Employees should be informed
- g) The system should be under constant review
- h) Appropriate documentation should exist
- i) Prescribed policies and procedures should be consistently applied
- j) Confidentiality of information

The Main Office administrative assistants can collect payments from students and parents. The funds will be handed over to the business office 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 Executive Director

Operating Controls - Some specific controls that have been implemented: a segregation of duties (see *Bank Deposits*, above) 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 ED with the assistance of the FC as well as by independent auditors during financial audits.

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

Travel – Travel whether in-state or out-of-state for conferences, training, or other school business must be approved by the ED in advance. Such travel should be engaged in and reimbursed according to guidelines that satisfy both the school's ethical and accountability standards and IRS requirements.

Airline reservations must be made as early as possible to ensure the lowest available airfare. The school pays for coach fare. If a rental car is required, a mid-size or smaller car should be rented. Staff should select moderately priced lodging located near the assignment to minimize expense and time. These airline, rental car, and lodging reservations must be evaluated and approved by the DoF or ED before being booked. Mileage will be reimbursed at the current IRS rate. If per-

diem is applicable for the travel event, it must follow the current approved MacLaren per-diem schedule. Allowances may be made for travel to major metropolitan areas. Per-diem must be evaluated and approved prior to travel by the BM or ED.

Cash Advances – Staff may request a cash advance to cover anticipated expenses for school related business travel whether in-state or out. Cash advances will not be approved for any employee who has an outstanding cash advance that has not been accounted for.

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

Expense Reports – An expense report must be completed for each cash advance. 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. MacLaren does not reimburse for dependent care expenses, upgrade charges for airline, hotel or car rentals, personal travel insurance, repairs or maintenance for personal cars, apparel, or effects, nor for commuting expenses to and from home.

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).

6. Long Term Debt

Charter schools cannot enter into debt longer than one fiscal year. Any long-term debt will be conducted by the school's Foundation.

7. 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.