



# **FISCAL POLICIES & PROCEDURES MANUAL**

## **2025-2026**

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## INTERNAL CONTROLS

Internal control policies provide Vista Public Charter Schools (the Charter School) with the foundation to properly safeguard its assets, implement management's internal policies, provide compliance with state and federal laws and regulations and produce timely and accurate financial information. Additionally, as a publicly supported entity, the Charter School has additional responsibilities to ensure the public's confidence and the integrity of the School's activities.

### Board of Director Authority

The Board of Directors shall have the sole authority to approve and will incorporate into its own minutes such matters as (i) change of the School's name, with Los Angeles Unified School District pre-approval (ii) adoption of the annual operating and capital budgets, (iii) selection or termination of key employees (iv) key employees salary and salary changes, (v) incurrence of debt, mortgages or other encumbrances and their covenants and restrictions, within the terms of the charter (vi) investment policies, (vii) depository and investment banks, (viii) purchase or sale of property (ix) opening up or closing checking or savings accounts, and (x) selection of the Charter School's certified public accountants and (xi) other activities associated with the operations of the Charter School.

The Board of Directors will meet at minimum quarterly to ensure that its fiduciary duty is maintained. The Board will review the following: prior meeting minutes, business items, educational items, and subcommittee reports as applicable.

### Compliance

The Charter School will follow all the relevant laws and regulations that govern the Charter School. Additionally, any Federal Government laws and regulations that relate to grant funding will be adopted as the grant funding is received. The following are specific policies of the Charter School:

A. Political Contributions

No funds or assets of the Charter School may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office. The direct or indirect use of any funds or other assets of the Charter School for political contributions in any form, whether in cash or other property, services, or the use of facilities, is strictly prohibited. The Charter School also cannot be involved with any committee or other organization that raises funds for political purposes.

Following are examples of prohibited activities:

1. Contributions by an employee that are reimbursed through expense accounts or in other ways.
2. Purchase by the organization of tickets for political fundraising events.
3. Contributions in kind, such as lending employees to political parties or using the School assets in political campaigns.

B. Record Keeping

To provide an accurate and auditable record of all financial transactions, the School's books, records, and accounts are maintained in conformity with generally accepted accounting principles as applicable to Charter Schools.

Further, the School specifically requires that:

1. No funds or accounts may be established or maintained for purposes that are not fully and accurately described within the books and records of the Charter School.
2. Receipts and disbursements must be fully and accurately described in the books and records.
3. No false entries may be made on the books or records nor any false or misleading reports issued.
4. Payments may be made only to the contracting party and only for the actual services rendered or products delivered. No false or fictitious invoices may be paid.

### Conflict of Interest or Self-Dealing

The School will not be operated for the benefit of an affiliated or unaffiliated organization or an individual in his or her own private capacity or individuals related to the Charter School or members of its management, unless the private benefit is considered merely incidental. This private benefit preclusion will extend to:

- A. Sale or exchange, or leasing, of property between the agency and an affiliated or unaffiliated organization or a private or related individual.
- B. Lending of money or other extension of credit between an agency and an affiliated or unaffiliated organization or a private or related individual.
- C. Furnishing of goods, services or facilities between the agency and an affiliated or unaffiliated organization or a private or related individual.
- D. Payment of compensation, unless authorized by the Board of Directors or its governing body, by the School to an affiliated or unaffiliated organization or a private or related individual.
- E. Transfer to, use by, or for the benefit of a private or related individual of the income or assets of the School.

Thus, the Charter School will be guided by the principle of arms-length standards with all affiliated or unaffiliated organizations or with a private or related individual(s).

Related party transactions shall include transactions between a school and members of the board, management, contracted management organization, employees, related individuals and affiliated companies. Related individuals within the scope of this definition include spouses, parents, children, spouses of children, grandchildren, siblings, father in law, mother in law, sister in law and brother in law of a board member or school employee.

### Signature Authority

The Board Treasurer, Board President, Superintendent, and Assistant Superintendent are the only individuals with signatory authority and are responsible for authorizing all cash transactions. Principals have authority to approve invoices up to \$5,000 per assigned school-site. Invoices above \$5,000 and up to \$25,000 require additional approval from the Superintendent, or Assistant Superintendent. Invoices above \$25,000 require approvals from the Superintendent or Assistant Superintendent and Board Treasurer. Any checks payable to an authorized signer must be signed by two authorized people.

### Government Access to Records

The Superintendent, Assistant Superintendent or contracted business back office services provider will provide access to the organization's records in accordance with the Charter petition and applicable state and federal laws.

## SECURITY

### Financial Data

- A. The system's accounting data must be backed up daily by the business back office services provider to ensure the recoverability of financial information in case of hardware failure. The back-up will be stored in a fire safe area and properly secured.
- B. All other financial data, petty cash box, unused checks and unclaimed checks will be secured by the Superintendent from unauthorized access.

### School Documents

Originals of the following corporate documents are maintained, and their presence is verified on a periodic basis:

- A. Charter and all related amendments
- B. Minutes of the Board of Directors and subcommittees
- C. Banking agreements
- D. Leases
- E. Insurance policies
- F. Vendor invoices
- G. Grant and contract agreements
- H. Fixed asset inventory list

### Use of School Assets

No Employee may use any of the School property, equipment, material or supplies for personal use without the prior approval of the Superintendent of his/her designee.

### Use of School Credit Card(s)

- A. Charter School credit cards should only be issued with the formal approval of the Board of Directors and with proper justification. The cost/benefit to the Charter School should be fully reviewed to ensure that no other method is appropriate. If credit cards are issued they should be assigned to certain Charter School employees and should be used only for school-related expenditures. All charges must be supported by invoices or travel reports to be eligible for payment by the Charter School.
  - Superintendent and Assistant Superintendent receive a credit card with a credit limit of \$25,000.
  - Principals receive a credit card with a credit limit of \$10,000 per school.
  - Business & HR Manager receives a credit card with a credit limit of \$10,000.
  - Plant Managers receive a credit card with a credit limit of \$500 per school.
- B. Monthly credit card statements are reconciled to invoices and travel reports and are approved by the card holder's immediate supervisor. In the event of a missing or lost credit card receipt when reconciling, the credit card holder will complete a "No Receipt Form" describing the details and purpose of the transaction. Repeated instances of missing or lost receipts may result in disciplinary action.
  - Timely payment of statements is required in order to avoid the imposition of late fees or other penalties by the card issuer. The employee responsible for providing any necessary documentation for payment (receipts, etc.) is required to pay any applicable late fees and/or interest.

### Use School Debit Card(s)

In extraordinary circumstances, whereby the Charter School has no other way to make purchases, debit card use is allowable. If a debit card must be issued, it must be formally Board approved and must be issued to certain Charter School employees and should be used only for school-related expenditures. All charges must be supported by invoices, receipts, and/or travel reports and must be reviewed and approved by the Board.

## FINANCIAL MANAGEMENT

### Basis of Accounting

The School will maintain their accounting records and related financial reports on the accrual basis of accounting.

### Accounting Policy

The accounting policies and financial reporting adopted are consistent with the not-for-profit requirements of the Financial Accounting Standards Board (FASB). FASB is the recognized standard setting body for establishing not-for-profit accounting and financial reporting principles.

### Basis of Presentation

The accounts of the Charter School are organized on a basis of the School Account Code Structure or SACS. The operations of the fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, net assets, revenues and expenditures. The Charter School uses a “Main Fund”.

#### Main Fund Defined:

This fund of the Charter School is used to account for all financial resources associated with the operation of the school. In addition, all activities relating to Student Activities should be separately identified and recorded within this fund.

### Revenues

Under the accrual basis of accounting, revenues are recognized when earned.

### Expenditures

Under the accrual basis of accounting, expenses are recognized when services are incurred or goods are received.

### Incurred Costs

For the purposes of invoicing funding sources for allowable costs under cost reimbursement contracts, the term “costs incurred” is defined as follows:

- A. Costs related to items or services incurred directly for the contract and received at the time of the request for reimbursement and is not specifically disallowed by the funding source.

### Cash Management

The School maintains cash accounts at the following banks:

- A. Operating – East West Bank, Citizens Business Bank
- B. Foundation – To be determined

### Grant/Contract Invoicing

- A. If applicable, invoices are submitted to the funding sources by dates specified in the grant or contract agreement.



- B. If applicable, the invoicing format is that specified by the funding source.

### Budget(s)

- A. The Charter School prepares an annual operating budget of revenues and expenses, a cash flow projection, and a capital budget. These budgets and projections are reviewed and approved by the Board of Directors, prior to May 30<sup>th</sup> each year, modified, as necessary and finalized by the back office for approval by the Board prior to June 30 of each year.
  - 1. The VCPS board will annually review and approve the LCAP, including the supplemental and concentration grant funds generated by unduplicated pupils.
- B. Financial statements displaying budget vs. actual results are prepared by the back-office services provider and reviewed by the Superintendent and presented to the Board of Directors at each monthly board meeting.

### Insurance & Bonding

- A. The School maintains minimum levels of coverage, as deemed appropriate by the Board of Directors, for the following policies:
  - 1. General liability
  - 2. Business & personal property (including auto/bus)
  - 3. Computer equipment
  - 4. Workers' compensation
  - 5. Personal injury Liability
- B. The School requires proof of adequate insurance coverage from all prospective contractors, as deemed applicable by the Board of Directors.

### Record Retention/Disposal

- A. Records are maintained for the following indicated minimum periods:
  - 1. Books, records, documents and other supporting evidence including paid, cancelled or voided checks, accounts payable records, vendors' invoices, payroll sheets and registers of salaries and wages, tax withholding statements, employees' timesheets and other public documents are retained for seven years after the original entry date.
  - 2. All records not supporting government grants or otherwise covered by rules of the Internal Revenue Service are retained for three years from the end of the fiscal year in which the records were originally prepared.
- B. All financial records are maintained in chronological order, organized by fiscal year.
- C. In connections with the disposal of any records, a memorandum of record disposal is prepared by the Superintendent listing the record or the class of records disposed of. The Board of Directors certifies this memorandum of records disposal.

### Reporting

The back-office services provider maintains supporting records in sufficient detail to prepare the School's financial reports, including:

- A. Annually:
  - 1. Financial statements for audit

## 2. Annual budget

- B. Monthly:
  - 1. Balance Sheet
  - 2. Internally generated Income Statement / budget vs. Actual financial statements
  - 3. Check Registers
- C. Periodically:
  - 1. IRS Forms 941 and payroll tax returns and comparable state taxing authority returns
  - 2. Other reports upon request

## Audit

The Board of Directors arranges annually for a qualified certified public accounting firm to conduct an audit of the Charter School's financial statements in accordance with *Generally Accepted Accounting Principles* and the *Financial Accounting Standards Board*.

The Board of Directors shall provide for an audit of the financial records of the charter schools to the requisite authorizer as per the terms agreed upon in each school's charter petition: Vista Charter Middle School to Los Angeles Unified School District; Vista Heritage Charter Middle School and Vista Condor Global Academy to Orange County Board of Education.

Each audit shall include all funds for each School. The cost of the audit shall be paid for from the funds of that School.

Audits shall be made according to State guidelines by a Certified Public Accountant licensed by the State Board of Accountancy.

The completed audit shall be presented to the Board of Directors by December 15<sup>th</sup> following the fiscal year.

The audit reports will be submitted to the granting agency, (starting 2002) California Department of Education, (starting 2003) County Superintendent of Schools, and State Controller's Office by December 15 of each year. (Education Code 47605(m))

## Audit/Finance Committee

The full Board of Directors acts as the audit/finance committee. This committee will nominate the independent auditor and review the scope and results of the audit. The audit/finance committee also receives notice of any consequential irregularities and management letter comments that the auditor noted during the engagement. Additionally, the committee will develop a corrective action plan to address all relevant weaknesses noted by the auditor. The audit/finance committee will also review all financial information of the Charter School and provide recommendations to the Board of Directors.

## ASSETS, LIABILITIES & FUND EQUITY

### Assets

#### Bank Accounts

Bank accounts for the indicated purpose and limitation(s) have been authorized by the Board of Directors of the School at the indicated Federal Deposit Insurance Corporation (FDIC)-insured banks:

*East West Bank/ Limitation of Account -All Transactions*

## Petty Cash

The purpose of the Petty Cash Checking Account is for payment of incidental expenses when there is insufficient time for processing through the General Checking Account. Petty cash shall not be used for teacher reimbursements, employee expense reimbursements or independent contractor payments. The Principals, Superintendent, and Assistant Superintendent shall have access to petty cash not to exceed \$500. A simple ledger shall be maintained by the Office Manager and reconciled monthly by a staff member or accountant that does not have transactional access to the account. Replenishment of the Petty Cash Checking Account shall occur through the normal accounts payable process. Use of petty cash shall require original receipts for all purchases.

## Liabilities and Fund Equity

### Accounts Payable

Only valid accounts payable transactions based on documented vendor invoices, receiving report or other approved documentation are recorded as accounts payable.

- A. Accounts Payable Policy: Vendors and suppliers are paid as their payment terms require, taking advantage of any discounts offered. If cash flow problems exist, payments are made on a greatest dependency/greatest need basis.
- B. Accounts Payable Procedure
  - 1. All invoices and statements shall be directed to the \_Office Manager\_.
  - 2. Upon receipt of each invoice the \_ Office Manager \_\_shall carefully inspect and verify the following:
    - a. Vendor's name and address;
    - b. Assigned purchase order number;
    - c. Quantities, item descriptions, unit price; and
    - d. Items placed on back order, if any;
    - e. Due date, and will prioritize invoices with earlier due dates.
  - 3. For any items failing to meet the criteria outlined above, \_\_ Office Manager will contact the vendor to get all required information.
  - 4. When the vendor's invoice, the purchase order, and warehouse copy of the purchase order have been received, the \_\_Office Clerk shall:
    - a. Verify the name of the individual who received the merchandise and the date received;
    - b. Check the prices and price extension computations;
    - c. Verify that the quantities ordered are the same as those received; and
    - d. Mark the invoice to take advantage of any applicable cash discounts available.
  - 5. All purchases must be approved by the school-site Principal for purchases up to \$5,000; purchases between \$5,000 and \$25,000 must also be approved by the Superintendent, or Assistant Superintendent, and purchases over \$25,000 must be approved by the Board before they are entered into the financial accounting system.

6. Payment of all invoices should, whenever possible, be made in a timely manner to avoid the imposition of late fees or other penalties by the vendor.
7. Reimbursements to school employees will only be authorized for expenses made on behalf of the school.
  - a. Employees must first obtain prior written approval from their direct supervisor for the expense.
  - b. Reimbursements shall be processed within thirty (30) working days from receipt of all necessary documentation.

C Monthly/Year-End Financial Procedure

1. Monthly
  - a. Reconcile bank and credit card accounts;
  - b. Reconcile balance sheet accounts;
  - c. Review all revenue and expense activity for accuracy;
  - d. Review revenues and expenses against current year budget and reconcile all discrepancies;
  - e. Prepare financial statements for distribution to Superintendent and Board of Directors;
  - f. Present financial reporting packet to Board of Directors on a monthly basis, or as often as Board of Directors requests. Financial reporting packet shall include:
    - i. Statement of Revenue and Expenses and relation to current year budget;
    - ii. Current year-end forecast;
    - iii. Balance sheet;
    - iv. Statement of cash flow; and
    - v. Check register for preceding month
2. Yearly
  - a. Reconcile balance sheet
  - b. Review and determine all Accounts payable identify when payment is expected, and if not expected by June 30<sup>th</sup> reconcile with upcoming budget projections.

Accrued Liabilities

Salaries, wages earned, and payroll taxes, together with professional fees, rent, and insurance costs incurred, but unpaid, are reflected as a liability when entitlement to payment occurs.

Liability for Compensated Absences

- A. Compensated absences arise from employees' absences from employment due to vacation leave. If compensated absences, such as vacation leave, is offered, the Charter School will expect to pay an employee for such compensated absences. A liability for the estimated probable future payments is accrued if all the following conditions are met:
  1. The employee's right to receive compensation for the future absences is attributable to services already performed by the employee.
  2. The employee's right to receive the compensation for the future absences is vested or accumulates.

3. It is probable that the compensation will be paid.
  4. The amount of compensation is reasonably estimable.
- B. Compensated absences not required to be paid upon employee termination is only recorded when paid.

## Debt

- A. When applicable, short-term debt consists of financing expected to be paid within one year of the date of the annual audited financial statements. Long-term debt consists of financing that is not expected to be repaid within one year and is recorded in the general ledger.
- B. Loan agreements approved by the Board of Directors should be in writing and should specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule.

## Revenue

The School records revenue on the accrual basis of accounting, consistent with generally accepted accounting principles applicable to not-for-profit units.

## FACILITIES

### Disposal of Property and Equipment

- A. No item of property or equipment shall be removed from the premises without prior approval from the Superintendent.
- B. The School has adopted standard disposition procedures for Charter School staff to follow. The asset must be identified, the reason for disposition, and signature of the requester. Documentation allows for an identification of the asset's book value, condition of the asset, and supervisory approval or denial.
- C. When property is retired, the appropriate asset in the fixed asset schedule will be adjusted and properly reflected in the general ledger.

## PROCUREMENT POLICY/PROCEDURE

### A. Bids Policy

The school shall purchase equipment, supplies, and services using competitive bidding when required by law and in accordance with board policy. In those circumstances where the law or board policy does not require competitive bidding, the Board of Directors may request that a contract be competitively bid if the Board determines that it is in the best interest of the school to do so.

When the Board has determined that it is in the best interest of the school, the Board may piggyback onto the contract of another public agency or corporation to lease or purchase equipment or supplies to the extent authorized by law.

To ensure that good value is received for funds expended, specifications shall be carefully designed and shall describe in detail the quality, delivery, and service required.

To assist the school in determining whether bidders are responsible, the Board may require prequalification procedures as allowed by law and specified in procedures.

B. Bids Procedure

1. School shall seek competitive bids for contracts involving an expenditure of \$25,000 or more for a school construction project.
2. "School construction project" includes construction, reconstruction, erection, alteration, renovation, improvement, painting, repainting, demolition and repair work involving a school owned, leased or operated facility.
3. Competitive bids shall be sought for contracts exceeding \$25,000 for the following:
  - i. The purchase of equipment, material or supplies to be furnished, sold or leased to the school.
  - ii. Services, not including construction services, or special services and advice such as accounting, financial, legal or administrative matters.
  - iii. Repairs, including maintenance, that is not a public project.

"Maintenance" means routine, recurring and usual work for preserving, protecting and keeping a school facility operating in a safe, efficient and continually usable condition for the intended purpose for which it was designed, improved, constructed, altered or repaired. "Maintenance" includes, but is not limited to, carpentry, electrical, plumbing, glazing and other craft work designed to preserve the facility as well as repairs, cleaning and other operations on machinery and other permanently attached equipment. This definition does not include, among other types of work, janitorial or custodial services and protection provided by security forces, nor does it include painting, repainting or decorating other than touchup. Unless otherwise authorized by law, contracts shall be let to the lowest responsible bidder who shall give such security as the Governing Board requires, or else all bids shall be rejected.
4. When letting a contract for the procurement and/or maintenance of electronic data processing systems and supporting software, the Board may contract with any one of the three lowest responsible bidders.
5. No work, project, service or purchase shall be split or separated into smaller work orders or projects for the purpose of evading this policy for contracting after competitive bidding.
6. Instructions and Procedures for Competitive Bids
  - i. The Superintendent or designee shall seek competitive bids from at least three vendors after securing references from the vendors.
7. Bids Not Required
  - i. Upon a determination that it is in the best interest of the school, the Board may authorize the purchase, lease or contract for data-processing equipment, purchase materials, supplies, equipment, automotive vehicles, tractors and other personal property through a public corporation or agency without seeking competitive bids.
  - ii. Supplementary textbooks, library books, educational films, audiovisual materials, test materials, workbooks, instructional computer software packages, or periodicals may be purchased in any amount without taking estimates or advertising for bids.

- iii. Perishable commodities such as foodstuffs may be purchased through bid or on the open market, depending on school preference.
- iv. In an emergency when any repairs, alterations, work or improvement to any school facility is necessary to permit the continuance of existing school classes, or to avoid danger to life or property, the Board, by unanimous vote, may contract for labor and materials or supplies without advertising for or inviting bids.
- v. Bids shall also not be required for day labor under circumstances specified in law. Day labor shall include the use of maintenance personnel employed on a permanent or temporary basis.

## ACCOUNTING PROCEDURES

In this section, procedures are described for the overall accounting system design, General Ledger activity and General Ledger closeout for the Charter School.

### General Ledger Activity

#### **Control Objective**

To ensure that all General Ledger entries are current, accurate and complete.

#### **Major Controls**

- A. Timeliness of Entries  
All entries are made soon after the underlying accounting event to ensure the financial records and reporting is current.
- B. Support Documentation  
All entries are supported by adequate documentation that clearly shows the justification and authorization for the transaction.
- C. Audit Trail  
A complete audit trail is maintained by use of reference codes from source documentation through the books of original entry and General Ledger, to periodic reporting statements.

#### **Procedures**

- A. Financial data on source documentation is verified against original documents (e.g., invoice, purchase order, etc.) by the back-office services provider before entering into the accounting system.
- B. Each entry in the accounting system is reviewed and approved by the back-office services provider.
- C. Provision is made for using recurring General Journal entries for certain transactions, such as recording the monthly portion of prepaid insurance.
- D. Non-recurring entries, such as for correcting entries, recording accruals and recording non-cash transactions, are prepared as circumstances warrant and on a monthly basis.
- E. All entries in the books of original entry (e.g., cash receipts journal and checkbook) are made soon after the accounting event from authorized forms, and are prepared and reviewed by qualified accounting personnel.

The Superintendent has oversight ability and responsibility for all general journal entries.



## General Ledger Close-Out

### Control Objective

To ensure the accuracy of financial records and reports.

### Major Controls

- A. Trial Balance  
Monthly, a trial balance is prepared to ensure the accuracy of the General Ledger account balances.
- B. Reconciliation of General Ledger Control Accounts with Subsidiary Ledgers  
Reconciliations are prepared on a monthly basis.

### Procedures

- A. At the end of each month, a trial balance of all General Ledger accounts is prepared by the back-office services provider for the Superintendent.
- B. Reconciliation between the General Ledger control accounts and the subsidiary ledgers are completed by the back-office services provider.
- C. At fiscal year-end and after the annual audit, all income and expense accounts are closed out, and the general ledger balances are agreed to the audited financial statements.

## Cash Management

In this section, procedures are described for cash receipts, cash disbursements, and petty cash funds and prepaid items.

## Purchasing

### Control Objective

The procurement function is one of the major business responsibilities of the Board of Directors, and it shall retain sole authority and responsibility for all purchase contracts and agreements of Vista Charter Public Schools except as delegated by official action of the Board. The Superintendent shall sign for all obligations arising from the purchasing function. All approvals of Contracts/Agreements over \$25,000 require Board of Director approval, unless otherwise stated in this or any other VCPS board approved policy and procedure, and will be recorded in the minutes of the Board of Directors.

All purchases of goods must be shipped to a school site only. Goods may not be shipped to an employee's home address under any circumstances.

### Major Controls

Purchases, Contracts or Agreements that exceed \$25,000, require Board approval. The Superintendent shall review and consider only written proposals/contracts/agreements from vendors. Terms may only be presented in writing. Contracts/Agreements in excess of \$25,000 require a detailed proposal be presented to the Board of Directors. Contracts/Agreements for services require such proposal be presented by the Vendor.

### Procedures

- A. Contracts/Agreements or Proposals must include, but not limited to the following information:
  - 1. Name of Vendor;
  - 2. Details of Service(s) provided;

3. Details of costs for service(s) provided;
  4. Terms of payment;
  5. Specific dates of service;
  6. Terms of Termination and/or renewal; and
  7. Insurance coverage, if any is required;
- B. Contracts previously approved by the Board or renewals of contracts previously approved by the board for any same vendor or for any previously contracted for service must be in compliance with the terms of this policy.

## Receipts

### **Control Objective**

To record cash receipts completely and accurately and to prevent the diversion of cash assets.

### **Major Controls**

- A. Cash Flow Projection  
The charter school annually prepares and regularly updates cash flow projection for operations and capital cash needs to monitor and ensure adequate cash flow.
- B. Cash Receipts Policy  
The School has internal controls systems in place to monitor cash receipts, and ensure that deposits are made in a timely manner. The School also uses electronic fund transfers to accelerate deposits.
- C. Internal Accounting Controls
  1. Opening of mail assigned to an employee with responsibilities independent of access to files or documents pertaining to accounts receivable or cash accounts.
  2. Listed receipts and credits compared to accounts receivable and bank deposits.
  3. General Ledger control accounts reconciled with Accounts Receivable Subsidiary Ledger.

### **Procedures**

- A. General
  1. Mail is opened by the Office Clerk or Office Manager, or Designee who sorts the checks and forwards them to the Superintendent or appropriate recipient.
  2. All checks are restrictively endorsed immediately.
  3. The back-office services provider prepares journal entries.
  4. A copy of each check to be deposited is made and attached to copy of the deposit slip and filed to provide support for all deposits.
  5. The back-office services provider reviews and signs off on journal entries.
  6. The back-office services provider inputs journal entries.
  7. The Superintendent, Principal, or authorized designee makes deposits no later than on a weekly basis. If deposits are made other than daily, the deposit should be maintained in a secure area with limited access.
  8. Reconciliation of cash receipts to deposit slips and bank statements are performed by the back-office services provider on a monthly basis.

## Disbursements

### **Control Objective**

To disburse cash for authorized purposes and record cash disbursements completely and accurately.

## **Major Controls**

- A. Cash Disbursement Policies  
Check preparation and signatures are delayed until the due date, consistent with available discounts if available.
- B. Internal Accounting Controls
  - 1. Pre-numbered checks and special check protective paper.
  - 2. Match disbursement records against accounts payable/open invoice files.
  - 3. Bank statements reconciled to cash accounts and any outstanding checks verified by the back-office services provider, if applicable.
  - 4. Supporting documentation canceled to prevent resubmission for payment.
  - 5. Detailed comparison of actual vs. budget disbursements on a periodic basis.
  - 6. Separation of duties to the extent possible for an organization the size of the School.
  - 7. Back-office services provider accounting system does not allow duplicate invoices to be input and each invoice must have an invoice number on it.
- C. Manual Checks  
All school sites store a manual checkbook in a secure location solely for purposes when requesting a check through the back office provider is not feasible (i.e. a final paycheck needing to be produced on the same day during an employee termination). Manual checks are not permitted for any other use.
  - 1. Office Manager must provide and maintain all backup documentation related to manual check.
  - 2. Manual check must be signed by an authorized bank signer (i.e. Superintendent)
  - 3. A copy of the manual check must be kept on file for backup documentation.

## **Procedures**

- A. When the transaction is complete and payment is due, a pre-numbered check is prepared by the back-office services provider who attaches all supporting documentation: (e.g. vendor invoice, purchase order, purchase requisition, etc.).
- B. All invoices submitted for payment will include approvals for payment, check stub with check number and date of payment visible.
- C. School-site Principals approve checks up to \$5,000, the Superintendent or Assistant Superintendent approves checks over \$5,000 and up to \$25,000, checks over \$25,000 are approved by the Board, after examining the supporting documentation. All checks over \$5,000.00 must bear two approvals either manually or electronically, from the school-site Principal, Superintendent, Assistant Superintendent and/or a member of the Board (except recurring payments that are detailed in the approved budget).
- D. After having been approved and/or signed, the checks are mailed directly to the payee by back office services provider.
- E. All supporting documents are filed by back office business services provider.
- F. On a periodic basis, cash disbursement records are matched against accounts payable/open invoice files for any discrepancies.
- G. Bank statements are reconciled soon after receipt by either the back-office services provider and are available for review by the Superintendent.

## **Payroll**

Payroll procedures are organized under six categories: personnel requirements, personnel data, timekeeping,

preparation of payroll, payroll payment, and payroll withholdings.

#### Personnel Requirements

##### **Control Objective**

To ensure that the School hires only those employees, full or part-time, it absolutely needs and exerts tight control over hiring new employees.

### **Major Controls**

Implement Payroll Policies and Procedures through Business & HR Manager. Note in Employee Handbook.

#### **A. New Employees**

1. Requests for new employees are initiated by the school-site Principal or Superintendent and compared with the approved annual personnel budget.
2. New employees complete an *Application for Employment*.
3. New employees complete all necessary paperwork for payroll.
4. Employee is fingerprinted and tested for tuberculosis (TB). Fingerprint and TB clearance must be received by the school before any employee may start work.
5. Employee submits a Live Scan.

#### **B. Vacation and Sick Pay**

1. Vacation and/or Sick Leave Pay, if applicable, is governed by the Charter School's Board Approved Employee Handbook.
2. If applicable, employees' vacation and/or sick leave balances are adjusted monthly to reflect time earned and taken. Monthly reports are prepared by the Business & HR Manager and submitted to the Superintendent for review.
3. Sick leave taken is monitored against each employee's available sick time on an electronic spreadsheet. Sick leave is taken per the Charter School's Board Approved Employee Handbook.
4. The Business & HR Manager monitors vacation and sick time by maintaining a log for each individual.
5. If applicable, a General Journal entry is prepared at year-end to record the vacation liability.

### **Personnel Data**

#### **Timekeeping**

##### **Control Objective**

To ensure that payment for salaries and wages is made in accordance with documented time records.

##### **Major Controls**

###### **A. Timekeeping Policies**

Employees are instructed in their employment agreement and the Board approved employee handbook on the proper charging of time to assure the accuracy of recorded time to cost objectives.

###### **B. Time Sheet**

Labor hours are accurately recorded and any corrections to timekeeping records, including the appropriate authorizations and approvals, are documented.

###### **C. Internal Accounting Controls**

Reconciliation of hours charged on time sheets to attendance records.

##### **Procedures**

###### **A. Time Sheet Preparation**

1. Hourly employees prepare time sheets according to the payroll schedule.

2. In preparing time sheets, employees:
  - i. Sign the completed timekeeping record
  - ii. Make all corrections in ink by crossing out the error and initialing the change.
  - iii. Submit the completed time sheet to the Office Manager or Designee.
- B. Approval and Collection of Time Sheets
  1. Each employee's time sheet is forwarded to the Office Manager or Designee according to the payroll schedule, which ensures all the timesheets are submitted in a timely manner. The Office Manager or Designee forwards the timesheets to the school-site Principal who reviews and approves them.
  2. Authorized timesheets are collected by the Office Manager or Designee and hours worked for each employee is provided to the back-office services provider for processing.
- C. Reconciliation of Payroll to Time Sheets
  1. Hours shown on time sheets are reconciled to the hours recorded on the Payroll Register by the Superintendent or their designee for each time sheet period.

## Preparation of Payroll

### **Control Objective**

To ensure that payment of salaries and wages is accurately calculated.

### **Major Controls**

- A. Internal Accounting Controls
  1. Time records are periodically reconciled with payroll records.

### **Procedures**

- A. The Office Manager or Designee forwards approved time sheets to the Business & HR Manager.
- B. The total time recorded on time sheets and the number of employees is calculated by the Business & HR Manager.
- C. Recorded hours from the time sheets are accumulated by the Business & HR Manager and communicated to the Payroll Service.
- D. The payroll documents received from the in-house payroll software (e.g., calculations, payrolls and payroll summaries) are compared with time sheets, pay rates, payroll deductions, compensated absences etc. by the Business & HR Manager.
- E. The Business & HR Manager verifies gross pay and payroll deductions.
- F. The total hours and number of employees are compared with the totals in the Payroll Register by the Business & HR Manager.

## Payroll Payment

### **Control Objective**

To ensure payment for salaries and wages by check, direct deposit, cash or other means is made only to employees entitled to receive payment.

## Payroll Withholdings

### Control Objective

To ensure that payment withholdings are correctly reflected and paid to the appropriate third parties.

### Major Controls

- A. Reconciliation of Payment and Payroll Withholdings  
Payroll withholdings are recorded in the appropriate General Ledger control accounts and reconciled with payments made to third parties.
- B. Internal Accounting Controls  
The Superintendent or designee determines payroll withholdings and the Business & HR Manager verifies.

### Procedures

- A. The Superintendent or designee determines payroll withholdings and the Business & HR Manager verifies payroll withholdings for each employee. These are summarized by pay period and recorded in the General Ledger.
- B. Payments for payroll withholdings are reconciled with the amounts recorded in the General Ledger control accounts by the Business & HR Manager.
- C. The back-office services provider reviews the accuracy and timeliness of payments made to third parties for payroll withholdings.
- D. Original withholding and benefit election forms, maintained in the employee file, are prepared by employee and reviewed and approved on a periodic basis by the Business & HR Manager.

## DEPRECIATION

The School capitalizes all fixed assets when acquired and records the historical cost of these items in the general ledger. In accordance with generally accepted accounting principles and under FASB guidelines, depreciation expense must be recorded in the statement of revenue, expenditures and changes in net assets. The Charter School will use the straight-line method of depreciation over the assets useful life as determined as follow:

|                        |   |
|------------------------|---|
| Computers              | 3 years                                       |
| Office Equipment       | 5 years                                       |
| Vehicles               | 5 years                                       |
| Office Furniture       | 7 years                                       |
| Leasehold Improvements | Life of lease or 5 years whichever is greater |
| Building Improvements  | 20 years                                      |
| Building               | 30 years                                      |

## EXPENSE REIMBURSEMENT

### Travel

#### Internal Controls

- A. All school business related travel, conference requests and out-of-state travel must be pre-approved by the school-site Principal or Superintendent. All school business related travel, conference requests and out-of-state travel by the Superintendent must be pre-approved by the Board of Directors.

- B. Use of private vehicles by employees to transport employees for school business must be pre-approved by the school-site Principal or Superintendent.
- C. Actual costs incurred by employees during travel for school business will be eligible for reimbursement upon presentation of an Employee Expense Report with original receipts.
- D. Reimbursement for mileage incurred while using a private vehicle for travel to/from conferences will be reimbursement at the rate allowed by the Internal Revenue Service for vehicle expense and upon presentation of an Employee Mileage Report.
- E. Non-school-related purchases are prohibited. The use of the Charter Schools funds for personal use is prohibited, including the submission of any non-school-related purchases for reimbursement. Individuals who use or attempt to use the Charter Schools funds or seek reimbursement for non-school related purposes shall be subject to disciplinary action. Any individual who the Superintendent or his/her designee determines has sought reimbursement for irregular or unauthorized transactions, whether personal or unauthorized business transactions, will be subject to disciplinary action.

### **Procedures**

Persons eligible for travel and mileage costs must do the following:

- A. Travel - Complete Employee Expense Report with dates, destination, purpose of trip, and original itemized receipts for meals to include names of individuals in party, hotel, airfare, car rental, cab fare, parking, conference registration with flyer/brochure, and explanation of any other expenditure with original receipts.
  - 1. Non-essential or prohibited expenses that should not be included for reimbursement and paid for separately with personal funds include:
    - i. in-room movies;
    - ii. mini bar;
    - iii. meal if/when meals are provided for by the conference or event being attended;
    - iv. alcohol (purchase of alcoholic beverages with public funds is prohibited).
- B. Expenses for spouse, dependents, friends, and employees of other agencies are not reimbursable.
- C. Mileage – Persons eligible for reimbursement of travels and mileage costs for use of their private vehicles for school business shall be reimbursed at the rate allowed by the Internal Revenue Service for vehicle expense.
  - 1. The eligible criteria follows:
    - i. With the exception of workers' compensation insurance, employees using private vehicles for school business are financially responsible for all damages or claims up to the limits of their own insurance policies, including deductible amounts. This applies whether employees are reimbursed or not. Employees driving on school business may be required to provide a copy of their driving record from the Department of Motor Vehicles.
    - ii. To receive reimbursement, a Mileage Expense Report must be submitted within thirty (30) working days after the trip. The report must show the destination, purpose of trip, miles traveled each trip or each



day, and total miles traveled for report period and copy of current insurance policy. Mileage Expense Reports are processed monthly. If claiming more than 100 miles per trip, verification of miles such as printout of Mapquest.com with any meal receipts must be attached to the Mileage Expense Report.

- iii. Staff members attending the same meeting or event who choose to pool their transportation in order to achieve the maximum economy of transportation expenses those passenger employees do so at their own risk.

D. Meals

- i. All employees are reimbursed for meals and incidentals up to the following per diem rate when on a business related trip which requires at least one overnight stay:
  - 1. Breakfast: up to \$20
  - 2. Lunch: up to \$30
  - 3. Dinner: up to \$50
  - 4. Total per diem: up to \$100
- ii. Lunch is reimbursable for employees attending full day workshops or trainings. Partial day workshops or trainings do not qualify for reimbursable meals.

## MANAGEMENT REPORTING PROCEDURES

### Annual Budget

#### Control Objective

To effectively support the preparation of the annual budget and its periodic review. The Board of Directors accepts responsibility for adopting a sound budget that is compatible with VCPS' vision and goals. The Board shall establish and maintain a reserve that is sufficient for contingencies and unforeseen emergencies.

#### Major Controls

A. Budget Process

The school-site Principal and Superintendent works with the back-office services provider and prepares the annual operating and capital budgets and cash flow projection, with input from the school's community. The budgets and projection are submitted to the Board of Directors for approval.

B. Internal Accounting Controls

The Board encourages public input in the budget development process and shall hold public hearings in accordance with law.

#### Procedures

- A. In preparation of the annual operating and capital budget and cash flow projection, the back-office services provider prepares a preliminary budget and projection for review by the school-site Principal and/or Superintendent in consultation with stakeholders as appropriate.

- B. The school budget shall be prepared annually from the best possible estimates that individual schools and school administrative staff can provide. Appropriate consolidation shall occur as the budget progresses through the various levels of review.
- C. To support budgets and projection estimates, the back-office services provider prepares current year-to-date financial data with projections of year-end totals. The school budget shall be developed in accordance with standards and criteria for fiscal accountability adopted by the State Board of Education.
- D. The back-office services provider and the school-site Principal and/or Superintendent review the budgets and projection submitted for completeness and reasonableness. Before adopting the budget, the Board of Directors shall review the budget at a scheduled board meeting. The proposed budget shall be available for public inspection.
- E. The Board of Directors approves and adopts the final budgets and projection.
- F. The adopted budget totals are entered in the General Ledger by the back-office services provider for the new fiscal year, in order to prepare budget to actual reports.
- G. The school-site Principal and/or Superintendent, with the assistance of the back office provider, shall file the adopted budget with the authorizing agency or agencies as directed and in accordance with the school's charter or charters and existing MOU(s). The budget and supporting data shall be maintained and made available for public review.
- H. No later than forty-five (45) days after the Governor signs the annual Budget Act, the back office provider shall make available for Board of Director review any revisions in budgeted revenues and expenditures which are consequently necessary.
- A. The Board shall adopt the budget on or before July 1 and shall file it timely with the authorizing agency(ies).
  - 1. On or before the 1<sup>st</sup> Interim due date the Board shall revise the budget to include:
    - 2. Changes after July 1 related to income and expenditures, and
    - 3. Any response to the authorizing agencies recommendations.
- B. In revising the budget, the Board shall again review the budget at a scheduled board meeting. The budget shall be available for public inspection.

## Financial Reporting

### Control Objective

To ensure the accuracy, completeness and timeliness of financial reporting to support decision-making.

### Major Controls

- A. Schedule  
Monthly managerial reports are prepared based on a schedule.
- B. Review and Approval  
Financial reports are reviewed for accuracy and completeness.
- C. Audit  
The annual financial statements of the School are audited by a certified public accounting firm.

### Procedures

1. The back-office services provider prepares monthly budget vs. actual financial reports and cash flow projection for the Board of Directors meetings.
2. The Charter School submits to an audit of its financial statements by a qualified certified public accounting firm.
3. The School shall automatically submit all financial reports required under Education Code Section 47604.33 and 47605(m).

## Payroll Tax Compliance

### Control Objective

To accurately prepare and file required tax documents on a timely basis.

### Procedures

- A. The School maintains a schedule of required filing due dates for:
  1. *IRS Form W-2* - Wage and Tax Statement.
  2. *IRS Form W-3* - Transmittal of Income and Tax Statements.
  3. *IRS Form 941* - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes.
  4. *IRS Form 1099 MISC* (also *1099-DIV*, *1099-INT*, *1099-OID*) - U.S. Annual Information Return for Recipients of Miscellaneous Income.
  5. Quarterly and annual state(s) unemployment tax return(s).
- B. Before submission, all payroll tax documents and the supporting schedules are reviewed and approved by the back-office services provider for accuracy and completeness.

### Stale Dated Check Policy

Vista Charter Public Schools issues checks for vendor invoices, deposits, payroll, and employee reimbursements. Once a check is issued, the recipient has 180 days to deposit the check. If the check has not cleared the bank after 180 days, the check is considered stale dated.

Procedures:

Determining Stale Dated Checks to be Voided:

- 1) Review the previous month's bank reconciliation for all outstanding transactions older than 180 days.
- 2) Create a list of all Stale Dated Checks

Procedures to Void a Stale Dated Check:

- 1) Provide Stale Dated Check List to Bank User Administrator who will put a STOP payment on all Stale Dated Checks

- 2) Determine original entry for the check and reverse the entry as the date of the STOP Payment. If this crosses fiscal years then will credit 9795, Adjustments to Beginning Fund Balance, and allow Auditors to determine final classification.

Re-issuing Stale Dated Checks:

- 1) Reach out to Vendors to verify if any outstanding payments are due. If necessary, reissue check.
- 2) Reach out to any Employee who has a Stale Dated Check to notify them that this check has been voided and another check will be reissued.
  - a. If any employee cannot be reached for a Payroll Check or Employee Reimbursement, the amount becomes a Liability for Three Years as the date of the Check. After three years, the amount will be sent to the State of California as unclaimed funds.