



LASHON ACADEMY SCHOOLS

FISCAL POLICIES & PROCEDURES

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100 INTERNAL CONTROL POLICIES

101 Introduction

Internal control policies provide the Lashon Academy Charter Schools 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.

102 COMPLIANCE WITH LAWS

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.

200 Organizational Conflict of Interest or Self-Dealing (Related Parties)

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 Trustees 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.

201 *Organizational Conflict Of Interest Or Self-Dealing (Related Parties) - continued*

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.

202 *Board Of Directors Authorities*

The Board of Trustees 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 LACOE 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 Trustees 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.

203 *Signature Authorities*

To properly segregate duties within the Charter School, the President of the Board, the Secretary of the board and the Executive Director are the only individuals with signatory authority and are responsible for authorizing all cash transactions. Individual checks greater than \$20,000 will require dual signatures prior to check issuance. Except for checks that are recurring charges that are in the yearly budget (i.e. benefits, Credit Card etc.)

204 *Government Access to Records*

The Executive Director/CEO or contracted business back office services provider will provide access to the organization's records to the LACOE CFO or his designee and provide supporting records, as requested, in a timely manner.

205 *Security of 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 backup will be stored in a fire safe area and properly secured.
- C. All other financial data, petty cash box, unused checks and unclaimed checks will be secured by the Executive Director/CEO or the business back office services provider from unauthorized access.

206 *Security of 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 Trustees and subcommittees
- C. Banking agreements
- D. Leases
- E. Insurance policies
- F. Vendor invoices
- G. Grant and contract agreements
- H. Fixed asset inventory list

207 *Use of School Assets*

- A. No employee may use any of the School property, equipment, material or supplies for personal use without the prior approval of the Executive Director/CEO or his/her designee.

208 *Use Of School Credit Cards*

- A. Charter School credit cards should only be issued with the formal approval of the Board of Trustee 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/receipts or travel reports to be eligible for payment by the Charter School.
- B. Monthly credit card statements are reconciled to invoices/receipts and travel reports and are approved by the Executive Director/CEO, unless not deemed independent then the approval would be by the Board of Trustees.

- C. Executive Director should have a limit on his/her credit card of \$45,000 per month which should be used for general school purchases. The principal or/and any other employee that is authorized to have a credit card should have a limit of \$3000.00 per month.

300 FINANCIAL MANAGEMENT POLICIES

301 Basis Of Accounting

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

302 Accounting Policies

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.

303 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 the following fund:

Main Fund__ - 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.

304 Revenues

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

305 Expenditures

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

306 *Incurred Costs*

For the purpose 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.

307 *Cash Management*

- A. The School maintains cash accounts at the following banks:
 1. Valley Lashon – Pacific Western Bank (all incoming funds for Lashon Valley)
 2. CITY Lashon – Pacific Western Bank (all incoming funds for Lashon City)
 3. AP Joint- Pacific Western Bank (all AP)
 4. Payroll Joint - Pacific Western Bank (all Payroll)
 5. Meals Joint - Pacific Western Bank (all food program funds)

308 *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.

309 *Budgets*

- 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 Trustees, prior to June 30th each year and modified, as necessary.
- B. Financial statements displaying budget vs. actual results are prepared by the back-office services provider and reviewed by the Executive Director/CEO and presented to the Board of Trustees at each monthly board meeting.

311 *Insurance and Bonding*

- A. The School maintains minimum levels of coverage, as deemed appropriate by the Board of Trustees, for the follow policies:
 - 1. General liability
 - 2. Business & personal property (including auto/bus)
 - 3. Computer equipment
 - 4. Workers' compensation
 - 5. Personal injury liability

- D. The School requires proof of adequate insurance coverage from all prospective contractors, as deemed applicable by the Board of Trustees.

312 *Record Retention and 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.

- B. 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.

312 *Record Retention and Disposal - continued*

- E. All financial records are maintained in chronological order, organized by fiscal year.

- F. In connection with the disposal of any records, a memorandum of record disposal is prepared by the Executive Director/CEO listing the record or the class of records disposed of. The Board of Trustees certifies this memorandum of records disposal.

313 *Financial 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. Trial balance

2. Internally generated budget vs. actual financial statements

3. Updating the cash flow projection

C. Periodically:

1. IRS Forms 941 and payroll tax returns and comparable state taxing authority returns

2. Other reports upon request

314 *Audit*

The Board of Trustees 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 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))

315 *Audit/Finance Committee*

The Board of Directors 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 Trustees.

400 POLICIES RELATED TO ASSETS, LIABILITIES AND FUND EQUITY

401 *ASSETS*

402 *Bank Accounts*

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

Pacific Western Bank Purpose/Limitation of Account -All Transactions

403 *Petty Cash Payments*

A. Charter School does not have a petty cash account.

404 *LIABILITIES AND FUND EQUITY*

405 *Accounts Payable*

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

406 *Accounts Payable Payment 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.

407 *Unpresented accounts payable checks*

Vendors and employee reimbursements checks not presented for payment at Lashon Bank will be automatically voided and the expense will be written off after 90 days. Should a vendor and/or employee request a replacement check after 90 days of the original check we will reissue the check once upon request.

408 *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.

409 *Liability For Compensated Absences*

A. Compensated absences arise from employees' absences from employment due to vacation leave. When the Charter School expects to pay an employee for such compensated absences, a liability for the estimated probable future payments is accrued if all of 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.

410 *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 Trustees should be in writing and should specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule.

All property inventory is managed by a hard-tracked spreadsheet (google sheets)

- A. Once the product is received, the serial numbers are entered into and online spreadsheet.
- B. When items are checked out to students or staff their names are entered into the spreadsheet.

At the end of the school year we do an inventory of all the products. Once the item is returned the assigned name is erased from the spreadsheet.

Any unassigned product is noted in the spreadsheet and stored under lock and key.

Any changes are noted in the online spreadsheet as needed. Only Admin and the Office staff have access to the spreadsheet which has track changes.

500 REVENUE

501 Revenue Recognition

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

600 FACILITIES

601 Disposal of Property and Equipment

- A. No item of property or equipment shall be removed from the premises without prior approval from the Executive Director/CEO.
- C. When property is retired, the appropriate asset in the fixed asset schedule will be adjusted and properly reflected in the general ledger.

700 PROCUREMENT POLICIES

701 The School adheres to the following objectives:

1. Procurements will be completely impartial based strictly on the merits of supplier and contractor proposals and applicable related considerations such as delivery, quantity, etc.
 2. Make all purchases in the best interests of the School and its funding sources.
 3. Obtain quality supplies/services needed for delivery at the time and place required.
 4. Buy from responsible sources of supply.
 5. Obtain maximum value for all expenditures.
 6. Deal fairly and impartially with all vendors.
 7. Maintain dependable sources of supply.
 8. Be above suspicion of unethical behavior at all times; avoid any conflict of interest, related parties or even the appearance of a conflict of interest in the Charter School supplier relationships.
- A. The Charter School will execute a pre-approval for all purchases and it shall be approved by the Executive Director/CEO for purchases less than \$20,000 and by the Board of Trustees if greater than \$20,000.
 - B. All lease agreements will be evidenced by a lease or sublease agreement approved by the Board of Trustees and signed by the Executive Director/CEO. The agreement will identify all the terms and conditions of the lease.

800 TRAVEL POLICIES

801 Employee Mileage Reimbursement

- A. All employees are reimbursed at the standard mileage rate per mile as determined by the Internal Revenue Service for use of their own vehicle for business related travel. In addition, parking fees and tolls paid are reimbursable if supported by invoices.
- B. All employees requesting such mileage reimbursement are required to furnish a *Travel Report* containing the destination of each trip, its purpose and the miles driven, parking fees and tolls, within one month after the travel date, supported by invoices, if applicable.

900 CONSULTANTS AND CONTRACTORS

901 Consultant Utilization

The utilization of all consultants and contract personnel are sufficiently evidenced by:

- A. Details of all agreements (e.g., work requirements, rate of compensation, and nature and amount of other expenses, if any) with the individuals or organizations providing the services and details of actual services performed.
- C. The use of a management contract for educational and administrative services will clearly identify the contractor's performance requirements, including students' academic achievement, contractor's compensation and the Charter School's rights to educational curricula and intellectual property developed.

902 Independent Contractors

The use of consultants is closely monitored so as not to vary from the rules of the Internal Revenue Code. In particular, consultants will:

- A. Not be controlled as to what services will be performed and how these services will be performed. Consultants will not have set hours of work.
- B. Adhere to a precise contract scope of services, recomputed or at least adjusted annually. This consultant agreement will specify the obligation of the consultant to pay his or her own self-employment taxes, if applicable.
- C. Not receive any fringe benefits as such, although their fee may include provision for fringe benefits.
- D. Not be assigned a permanent workstation.
- E. Make their services available or work for a number of firms or persons at the same time.
- F. Will use his or her own stationery or time sheet in billing for service

PART II

1000 - GENERAL 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 the use of reference codes from source documentation through the books of original entry and General Ledger, to periodic reporting statements.

Procedures

1. Financial data on source documentation is verified against original documents (e.g., invoice, purchase order, etc.) by the back-office business services provider before entering into the accounting system.
2. Each entry in the accounting system is reviewed and approved by the back-office business services provider.
3. Provision is made for using recurring General Journal entries for certain transactions, such as recording the monthly portion of prepaid insurance.
4. 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.
5. 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.
6. The Executive Director/CEO 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

1. At the end of each month, a trial balance of all General Ledger accounts is prepared by the back-office business services provider to the Executive Director/CEO.
2. Reconciliation between the General Ledger control accounts and the subsidiary ledgers are completed by the back-office business services provider.
3. 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.

1100 - CASH MANAGEMENT PROCEDURES

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

CASH 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 updates monthly a cash flow projection for operations and capital cash needs to monitor and ensure adequate cash flow.

B. Cash Receipts Policies

The School has internal control 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

- (i) Opening of mail assigned to an employee with responsibilities independent of access to files or documents pertaining to accounts receivable or cash accounts.
- (ii) Listed receipts and credits compared to accounts receivable and bank deposits.
- (iii) General Ledger control accounts reconciled with Accounts Receivable Subsidiary Ledger

Procedures

A. General

1. Mail is opened by the Receptionist who sorts the checks and forwards them to the Executive Director/CEO or the appropriate recipient.
2. All checks are restrictively endorsed immediately by the Executive Director/CEO.
3. The back-office business 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 business services provider reviews and signs off on journal entries.
6. The back-office business services provider inputs journal entries.
7. The Executive Director/CEO or Principal or Office Manager makes deposits on a daily or 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 Executive Director/CEO and the back-office business services provider on a monthly basis.

CASH 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

- (i) Pre-numbered checks and special check protective paper.
- (ii) Match disbursement records against accounts payable/open invoice files.
- (iii) Bank statements reconciled to cash accounts and any outstanding checks verified by the back-office business services provider, if applicable.
- (iv) Supporting documentation canceled to prevent resubmission for payment.
- (v) Detailed comparison of actual vs. budget disbursements on a periodic basis.
- (vi) Separation of duties to the extent possible for an organization the size of the School.
- (vii) Back office services provider accounting system does not allow duplicate invoices to be input and each invoice must have an invoice number on it.

Procedures

1. When the transaction is complete and payment is due, the office manager attaches all supporting documentation: (e.g. vendor invoice, purchase order, purchase requisition, etc.) and submits the package to the Executive Director for approval.
2. The Executive Director/CEO approves the invoice allocation, after examining the supporting documentation and sends the invoice allocation and invoices to the back-office provider for invoice and check processing.
3. The back-office provider inputs the invoices into the accounting system and cuts checks as directed by the Executive Director. All checks over \$15,000 must bear 2 signatures (except recurring payments that are detailed in the approved budget).
4. After having been approved and signed, the checks are mailed directly to the payee by back office services provider. Checks are scanned and sent to the Executive Director along with the check register.
5. All supporting documents are filed by back office business services provider.
6. On a periodic basis, cash disbursement records are matched against accounts payable/open invoice files for any discrepancies.
7. Bank statements are reconciled soon after receipt by either the back offices business services provider and are available for review by the Executive Director/CEO.

PETTY CASH FUNDS

Control Objective

To control the use of petty cash funds for valid transactions.

Major Controls

A. Internal Accounting Controls

- (i) The Charter School does not use Petty Cash Funds.

1200 - PAYROLL PROCEDURES

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

Payroll Policies Procedures

New Employees

1. Requests for new employees are initiated by the Principal 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. Fingerprint clearance must be received by the school before any employee may start work.

Vacation and Sick Pay

1. Employees accrue sick pay or/and vacation time based on personnel policy of the Charter School.
2. Employee is required to abide by the personnel policy of the charter school when requesting vacation or sick time.
3. Regular part-time employees may earn vacation time or sick time based on personnel policy of the Charter School.

4. Employees' earned sick time or/and vacation balances are adjusted monthly to reflect time earned and taken and reviewed by the Executive Director.
1. Sick leave taken is monitored against each employee's available sick time on an electronic spreadsheet and reviewed by the Executive Director.
1. Before vacation time is paid, a *Vacation Authorization Request* is to be prepared by the employee per the personnel policy of the charter school
2. The back-office business services provider monitors vacation and sick time by maintaining a log for each individual.
3. A General Journal entry is prepared at year-end to record the accrued vacation liability.
4. Unused vacation time is based on personnel policy of the Charter School.

PERSONNEL DATA

TIMEKEEPING

Control Objective

To ensure that payment for salaries and wages is made in accordance with documented time records to those employees that are getting paid hourly.

Major Controls

A. Timekeeping Policies

Hourly employees are instructed to sign into the electronic time keeping 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.

Reconciliation of Payroll to Time Sheets

1. Hours shown on time sheets are reconciled to the hours recorded on the Payroll Register by the Executive Director/CEO 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

- (i) Time records are reconciled with payroll records.

Procedures

1. The Office Manager forwards the electronic time sheets to the Executive Director.
2. The total time recorded on time sheets and the number of employees is calculated by payroll.
3. Recorded hours from the monthly time sheets are accumulated by the electronic time sheets and communicated to the Payroll Service.
4. The back-office business services provider verifies gross pay and payroll deductions.
5. The total hours and number of employees are compared with the totals in the Payroll Register by the back-office business services provider.
6. The Payroll Register is reviewed and approved by the Executive Director/CEO.

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 in-house payroll software calculates payroll withholdings, which are reviewed and verified by the back-office business services provider.

Procedures

1. The in-house payroll software calculates payroll withholdings for each employee. These are summarized by pay period and recorded in General Ledger.
2. Payments for payroll withholdings are reconciled with the amounts recorded in the General Ledger control accounts by the back-office business services provider.
3. The back-office business services provider reviews the accuracy and timeliness of payments made to third parties for payroll withholdings.
4. 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 back-office business services provider.

1300 DEPRECIATION

Procedures

1. 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

1400 EXPENSE REIMBURSEMENT

Control Objective

To ensure the School pays for only authorized business expenses.

A. Travel Policies

The Charter school has adopted policies on travel reimbursement in the Travel policies of the school.

B. Employee Expense Reimbursement Documentation

Employees are required to obtain and furnish documentation for individual expenses and company credit card purchases.

- Reimbursements shall be made only for actual and necessary business and school-related expenses.
- Reimbursements shall not be used as an alternative to the purchase requisition system.
- Reimbursement requests shall contain a receipt, invoice and/or record of sale, and other relevant documentation, such as prior approval and/or a purchase order.
- Purchases of the following items are not eligible for reimbursement by the Charter School. Any purchases of such items, if appropriate, shall be made through the school's Prior authorization of a PO.

- Deposits or advances for services that have not been rendered;
- Donations or sponsorships;
- Flowers, gifts, or gift cards;
- Personal cell phone purchases or monthly plans (these are handled by purchase orders, with minor accessory items allowed);
- Alcoholic beverages
- Individual items costing more than \$2,000, excluding travel

- 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 Executive Director/CEO 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.

C. **Internal Accounting Controls**

- (i) Justification for travel approved by Executive Director/CEO
- (ii) Documentation for incurred employee expenses
- (iii) Documentation for company credit card purchase.

Expense Advance or Reimbursement

Expense Reimbursement:

1. Soon after traveling, but not exceeding 30 days, an employee who seeks reimbursement for authorized expenses completes a *Travel Report* detailing the expenses incurred, attaching originals of supporting documentation.
2. All credit card purchases are supported by invoices in order to be reimbursed. Receipts must be original receipts, clearly legible and only contain items for which the employee is being reimbursed. Personal items should be purchased separately.
3. The employee's *Travel Report* and credit card purchases invoices are reviewed and approved by the Executive Director/CEO.

1500 - MANAGEMENT REPORTING PROCEDURES

In this section, procedures are covered for supporting the annual budget, financial reporting and tax compliance.

ANNUAL BUDGET

Control Objective

To effectively support the preparation of the annual budget and its periodic review.

Major Controls

A. Budget Process

The Executive Director/CEO works with the back-office business 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 Trustees for approval.

B. Internal Accounting Controls

Accuracy and completeness of the budget and projections

Procedures

1. In preparation of the annual operating and capital budget and cash flow projection, the back-office business services provider prepares a preliminary budgets and projection for review by the Executive Director/CEO in consultation with the school staff.
2. To support budgets and projection estimates, the back-office business services provider prepares current year-to-date financial data with projections of year-end totals.
3. The back-office business services provider and the Executive Director/CEO review the budgets and projection submitted for completeness and reasonableness.
4. The Board of Trustees approves and adopts the final budgets and projection.
5. The adopted budget totals are entered in the General Ledger by the back-office business services provider for the new fiscal year, in order to prepare budget to actual reports.

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 business services provider prepares monthly budget vs. actual financial reports and cash flow projection for the Board of Trustees 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).

ALLOCATION OF SHARED EXPENCES

Shared Expenses are determined as following:

1. Initially allocations of the funds are based on the Board approved budget ADA for each school (i.e. if school A has 400 ADA and school B has 100 ADA then School A will be allocated 80% and school B would be allocated 20%)
2. Within the first 30 days of school the Executive Director will look at the first 20 DAY ADA and recalculate the allocations based on the 20 DAY ADA retroactively.
3. After each P1, P2 and P3 report the executive director will recalculate the allocation. If its greater then 5% the executive director will change the allocations moving forward, if its less then 5% we will not adjust the allocations moving forward.

Expense's that are determined for exclusive use will be only expensed to that school.

Allocation of shared Employees salary and benefits is determined as following:

1. Initially allocations of the funds are based on the Board approved budget ADA for each school (i.e. if school A has 400ADA and school B has 100 ADA then School A will be allocated 80% and school B would be allocated 20%)
2. Within the first 30 days of school the Executive Director will look at the first 20 DAY ADA and recalculate the allocations based on the 20 DAY ADA retroactively.
3. After each P1, P2 and P3 report the executive director will recalculate the allocation. If its greater than 5% the executive director will change the allocation moving forward, if its less than 5% we will not readjust the allocation moving forward.

The Executive Director has the discretion to amend an employee shared use based on other defined calculation (i.e. if a SPED Coordinator has at school A 50 Students and in school B 50 students, the Executive Director can divide the cost 50-50 based on these calculation).

PAYROLL TAX COMPLIANCE

Control Objective

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

Procedures

1. The School maintains a schedule of required filing due dates for:

- (i) *IRS Form W-2* - Wage and Tax Statement.
 - (ii) *IRS Form W-3* - Transmittal of Income and Tax Statements.
 - (iii) *IRS Form 940* - Employer's Federal Unemployment (FUTA) Tax Return.
 - (iv) *IRS Form 941* - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes.
 - (v) *IRS Form 1099 MISC* (also *1099-DIV*, *1099-INT*, *1099-OID*) - U.S. Annual Information Return for Recipients of Miscellaneous Income.
 - (i) Quarterly and annual state(s) unemployment tax return(s).
2. Before submission, all payroll tax documents and the supporting schedules are reviewed and approved by the back-office business services provider for accuracy and completeness.

INTERSCHOOL BORROWING

Lashon Academy may find it necessary periodically to finance temporary cash shortfalls in each charter resulting from normal differences in the timing of expenditures and revenue receipts. The following options may be available to alleviate these shortfalls.

Moneys held in any account may be temporarily transferred to another account for payment of obligations, with certain limitations:

1. All transfers of funds between charter funds must be board approved prior to the transfer.
2. Amounts transferred shall be repaid either in the same fiscal year, or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year.
3. Borrowing shall occur only when the fund receiving the money will earn sufficient income during the current fiscal year to repay the amount transferred.
4. No more than 75 percent of the maximum of moneys held in any fund during a current fiscal year may be transferred.

The “transfer” shall be accounted for as temporary borrowing between funds or accounts and shall not be available for appropriation or be considered income to the borrowing fund or account.

The accounting is a debit to Object Code 9310, Due from Other Funds, with a credit to Cash in the lending fund, and a debit to Cash in the borrowing fund, with a credit to Object Code 9610, Due to Other Funds.

These amounts are then carried on the balance sheet until the entry is reversed when the funds are repaid.