

# **Fiscal Policies and Procedures Handbook**

## **LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE**

**Last Revised – October 16, 2023**

## OVERVIEW

The governing board of Los Angeles Academy of Arts and Enterprise has reviewed and adopted the following policies and procedures to ensure the most effective use of funds to support the school's mission, and to ensure that funds are budgeted, accounted for, expended, and maintained appropriately. In this Handbook, the term *Service Provider* shall be used to refer to the organization with which the governing board has formally entered into an agreement to provide professional charter school bookkeeping and fiscal related services.

1. The governing board formulates financial policies and procedures, delegates administration of the policies and procedures to the principal and reviews operations and activities on a regular basis.
2. The governing board and principal have responsibility for all operations and activities related to financial management.
3. Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts, disbursements, payrolls, and reconciliation of bank accounts.
4. All documentation related to financial matters will be completed by computer or ink.
5. The governing board will commission an annual financial audit by an independent third-party auditor who will report directly to them. The governing board will approve the final audit report and a copy will be provided to Los Angeles Unified School District and other agencies as may be required by California and Federal law. Any audit exceptions and/or deficiencies will be resolved to the satisfaction of the governing board and Los Angeles Unified School District.
6. The governing board may appoint someone else to perform the principal's responsibilities in the case of absence.

### Annual Financial Audit

1. The governing board will appoint an audit committee to select an auditor by March 1 prior to fiscal year end, June 30.
2. Any persons with expenditure authorization or recording responsibilities within the school may not serve on the audit committee.
3. The committee will contract for the services of an independent certified public accountant to perform an annual fiscal audit.
4. The audit shall meet California and Federal law requirements and include, but not be limited to;
  - a. An audit of the accuracy of the financial statements;
  - b. An audit of the attendance accounting and revenue accuracy practices; and
  - c. An audit of the internal control practices.

## PURCHASING

1. The principal may authorize expenditures and may sign related contracts within the approved budget. The governing board must review all expenditures. This will be done

via approval of a check register which lists all checks written during a set period of time and includes check number, payee, date, and amount.

2. The governing board must also approve purchases and contracts over \$20,000.
3. The principal must approve all invoices and approve all purchases. Invoices must be signed by the principal and submitted to *Service Provider* for payment processing.
4. When approving purchases, the principal must:
  - a. Determine if the expenditure is budgeted;
  - b. Determine if funds are currently available for expenditures (i.e. cash flow);
  - c. Determine if the expenditure is allowable under the appropriate revenue source;
  - d. Determine if the expenditure is appropriate and consistent with the vision, approved charter, school policies and procedures, and any related laws or applicable regulations; and
  - e. Determine if the price is competitive and prudent.
5. The capitalization threshold for purchases will be \$5,000.
6. Any individual making an authorized purchase on behalf of the school must provide appropriate documentation of the purchase.
7. Individuals other than those specified above are not authorized to make purchases without pre-approval.
8. Individuals who use personal funds to make unauthorized purchases will not be reimbursed. Authorized purchases will be promptly reimbursed by a bank check upon receipt of appropriate documentation of the purchase.

### **Credit Cards**

**Policy:** Principal is authorized to use a spend management system (such as RAMP, Divvy, or Expensify, etc) to issue credit cards to be used by staff for organization-related expenditures. This reason behind this approach is as follows:

1. The leadership team and supervisors will have tighter control over purchases by authorizing specific expenditures for each card and also gives staff smaller credit card limits for their specific cards. Leadership team and authorized supervisors are also allowed to deny purchases **at the time of the purchase**.
2. Employees will be prevented from having to use their personal money or personal credit card for organization-related expenditures.
3. The organization will be able to create operational efficiencies as all receipts are more easily attached to each transaction at the time of transaction through automation and also reminders being texted, by the system, to the staff to upload their receipt. Cards turn off automatically after 3 days if receipt and a description of expense are not uploaded to the system.

### **Procedures:**

- Purchase requisition and other documentation requirements apply to credit card purchases.
- The credit card will be kept under the supervision of the cardholder.
- An itemized receipt and short description of expense should be turned in for all purchases through the expense management system.

- If receipts are not available, missing or contain an inappropriate expense, the individual making the charge will be held responsible for payment.
- In the case of a missing receipt, a missing receipt form shall be submitted and approved by the Principal. Should the Principal be required to complete a “missing receipt” form, authorization must be granted by a member of the Governing Board.
- No personal charges are permitted.
- Credit card spending will not exceed \$15,000 monthly.
- Debit cards or debited transactions are not allowed.
- Credit card statements will be reconciled and paid in full monthly. Autopay can be set up in the expense management system.
- Credit cards statements will be coded in the same fashion as other purchases.
- All reward points or discounts are property of the school. Use of such points or discounts is at the discretion of the Principal and should be used for the benefit of the organization.
- Upon termination, the employee shall immediately return the credit card and all receipts to the Principal.

### **Petty Cash**

1. The School may maintain a petty cash fund.
2. An office employee designated by the principal will manage the petty cash fund.
3. The petty cash fund will be capped at \$350.
4. All petty cash will be kept in a locked petty cash box in a locked drawer or file cabinet. Only the designated office employee and principal will have keys to the petty cash box and drawer or file cabinet.
5. All disbursements will require a completed and signed petty cash slip. A register receipt for all purchases must be attached to the petty cash slip.
6. At all times, the petty cash box will contain receipts and cash totaling \$350. A register receipt must support the petty cash slip. The individual using the petty cash to make a purchase is responsible for submitting the receipt for the petty cash slip to the designated office employee within 48 hours of withdrawing the petty cash.
7. When expenditures total \$200 (when cash balance is reduced to \$150), the designated office employee will total the disbursements, complete a petty cash reimbursement form, and obtain the approval of the principal. This should be done on at least a quarterly basis. The petty cash slips and supporting receipts will be attached to the reimbursement request form and forwarded to the *Service Provider*.
8. Petty cash fund reimbursement checks will be made payable to the principal.
9. Any irregularities in the petty cash fund will be immediately reported in writing to the principal.
10. Loans will not be made from the petty cash fund.

### **Contracts**

1. Consideration will be made of in-house capabilities to accomplish services before contracting for them.

2. Competitive bids will be obtained where required by law, within applicable provisions of California Public Contract Code, and other applicable law, or otherwise deemed appropriate and in the best interest of the school. The principal will keep and maintain a contract file evidencing the competitive bids obtained (if any were required by law).
3. Public Contract Code (PCC) § 20111(a) requires school district governing boards to competitively bid and award any contracts involving an expenditure of more than \$50,000, adjusted for inflation, to the lowest responsible bidder. Contracts subject to competitive bidding include:
  - a. Purchase of equipment, materials, or supplies to be furnished, sold, or leased to the school district.
  - b. Services that are not construction services.
  - c. Repairs, including maintenance as defined in PCC § 20115, that are not public projects as defined in PCC § 22002(c).
4. Effective January 1, 2019, the State Superintendent of Public Instruction adjusted the bid limit that governs competitive bid contracts by 3.39% to \$92,600 (see 2019 bid threshold adjustment letter at <https://www.cde.ca.gov/fg/ac/co/bidthreshold2019.asp>). Accordingly, thresholds for competitive bidding will be dictated by these annually adjusted bid limits set by the State Superintendent of Public Instruction. If quotes are received, they will be evaluated based on price, functionality, warranty, repair and maintenance issues, reliability, or other factors for final review and decision by the principal.
5. Construction contracts, under PCC § 20111(b), have a \$15,000 bid threshold.
6. Goods or services purchased with federal funds must follow federal procurement guidelines as outlined in Education Department General Administration Regulations (EDGAR), Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Sub-part C (Post Award Requirements), § 80.36 (Procurement).
7. Any food contract exceeding the small purchase threshold set by the US Department of Agriculture shall follow a compliant procurement protocol as outlined by the USDA, CDE, and NSLP.
8. Written contracts clearly defining work to be performed will be maintained for all contract service providers (i.e. consultants, independent contractors, subcontractors).
  - a. Contract service providers must show proof of being licensed and bonded, if applicable, and of having adequate liability insurance and worker's compensation insurance currently in effect. The principal may also require that contract service providers list the school as an additional insured.
9. If the contract service provider is a sole proprietor or a partnership (including LP, and LLP), the *Service Provider* will obtain a W-9 from the contract service provider prior to processing any requests for payments.
10. The principal will approve proposed contracts and modifications in writing.
11. Contract service providers will be paid in accordance with approved contracts as work is performed.
12. The principal will be responsible for ensuring the terms of the contracts are fulfilled.

13. Potential conflicts of interest will be disclosed upfront, and the principal and/or member(s) of the governing board with the conflict will excuse themselves from discussions and from voting on the contract.
14. The principal will confirm that the contractor is not listed in the US government's Suspended or Disbarred list via a search of the System for Award Management ([www.sam.gov](http://www.sam.gov)) and will keep a record of searches.

### **Bank Check Authorization**

1. Copies of invoices will immediately be forwarded to the principal for approval.
2. The principal will carefully review each invoice, attach all supporting documentation, and verify that the specified services and/or goods were received. When receiving tangible goods from a vendor, the person designated to receive deliveries should trace the merchandise to the packing list and note any items that were not in the shipment.
3. Once approved, the principal will sign the invoice and complete the required information. The invoice and supporting documentation will be sent to *Service Provider* (principal should be aware of invoice due dates to avoid late payments). *Service Provider* will then process and route for payment those invoices with sufficient supporting documentation.
4. The principal may authorize *Service Provider* to pay recurring expenses (e.g. utilities) without the principal's formal approval (signature) on the invoice.

### **Bank Checks**

1. The governing board will approve, in advance, the list of authorized signers on the school account.
2. The governing board will be authorized to open and close bank accounts.
3. When there is a need to generate a bank check, the principal will send appropriate approved documentation to *Service Provider*.
4. Once approved by the principal, *Service Provider* writes the check based on the check authorization prior to executing with the authorized signature(s).
5. Checks in excess of \$2,500 must be co-signed. All checks less than \$2,500 require only one authorized signature.
6. Checks may not be written to cash, bearer, or petty cash. Under no circumstance will any individual sign a blank check.
7. *Service Provider* will record the check transaction(s) into the appropriate electronic checkbook and in the general ledger.
8. *Service Provider* will distribute the checks and vouchers as follows:
  - a. Original –delivered to the school for review and mailing.
  - b. Duplicate or voucher – attached to the invoice and electronically filed by vendor name by a *Service Provider* bookkeeper.
  - c. Voided checks will have the signature line cut out and will have VOID written in ink. The original check will be attached to the duplicate as well as any other related documentation as appropriate.

### **Bank Reconciliation**

1. Bank statements will be received either electronically or by mail directly from the bank. The bank reconciliations will be provided for board review.
2. The *Service Provider* will prepare the bank reconciliation, verifying the bank statements and facilitate any necessary reconciliation.
3. The *Service Provider* will compare the reconciled bank balance to the cash in the bank account and to the general ledger, immediately reporting any discrepancies to a supervisor.
4. The principal will review the fundraising account bank reconciliation.
5. After the bank account reconciliation is completed, a report should be printed that shows the reconciliation details, including outstanding checks and deposits in transit. Outstanding checks will be tracked.

#### **UNCLEARED CHECKS**

1. Uncleared checks should be resolved within one year of issuance. Attempts to resolve uncleared checks shall be documented for checks unable to be cleared within one year after issuance.
2. Checks unable to cleared within one year of issuance shall be regularly followed up on.
3. Checks that have not cleared within three years shall escheat to the state. The California State Controller's [Unclaimed Property Law and Regulations](#) shall be followed when escheating unclaimed checks escheat to the state.

#### **ACCOUNTS RECEIVABLE**

Accounts Receivable will be recorded by the *Service Provider* in the general ledger and collected on a timely basis.

#### **Cash Receipts (Cash and Checks)**

1. For each fundraising or other event in which cash or checks will be collected, a Volunteer Coordinator will be designated, who will be responsible for collecting and holding all cash and checks for the purpose of the fundraising activity.
  - a. The Volunteer Coordinator will record each transaction. Receipts will be provided for purchases at or above ten dollars.
  - b. The cash, checks, receipt book, and deposit summary must be given to the principal by the end of the next school day, who will immediately put the funds in a secure, locked drawer or filing cabinet.
  - c. Both the Volunteer Coordinator and the principal, or employee designated by the principal, will count the deposit and verify the amount of the funds in writing.
2. Mail received at the school must be opened in the presence of at least two office staff members.
  - a. For any cash or checks received in the mail, the designated office employee will prepare a deposit packet itemizing the amount, source, and purpose of each payment, with another employee counting the funds and verifying this in writing.

3. The designated office employee will record cash or checks received into the transaction ledger. The designated office employee will regularly communicate this information to the principal and *Service Provider*.
4. All checks will be immediately endorsed with the school deposit stamp, containing the following information: "For Deposit Only; Los Angeles Academy of Arts and Enterprise; Bank Name; Bank Account Number; Date Received by the school."
5. For the fundraising account, a deposit slip will be completed by the designated office employee. Documentation for all receipts (copy of check, letter, etc.) will be attached to the duplicate deposit slip.
6. Deposits totaling greater than \$2,000 will be deposited within 24 hours. Deposits totaling less than \$2,000 will be made weekly. All cash will be immediately put into a lock box.
7. Deposit receipts will be attached to the deposit documentation and a copy will be filed and recorded weekly.

#### **Volunteer Expenses**

1. All volunteers will submit a purchase requisition form to the principal for all potential expenses.
  - a. Only items with prior written authorization from the principal will be paid/reimbursed.

#### **Returned Check Policy**

1. A returned-check processing fee may be charged for checks returned as non-sufficient funds (NSF). Unless otherwise pre-approved by the principal, payment of the NSF check and processing fee must be made by cash, money order, or cashier's check.
2. In the event that a second NSF check is received for any individual, in addition to the processing fee, if any, the individual will lose check-writing privileges. Payment of the NSF check, the processing fee, if any, and any subsequent payment(s) by that individual must be made by cash, money order, or cashier's check.
3. In the case of NSF checks written by parents of students, failure to pay may result in the exclusion of the student from extra-curricular activities and or the withholding of the high school diploma until payment is received, unless other mutually agreeable arrangements are approved by the principal and/or governing board.
4. If unsuccessful in collecting funds owed, the school may initiate appropriate collection and/or legal action at the discretion of the principal and/or governing board.

#### **PERSONNEL**

1. The principal, or designee, will coordinate all required documentation for new employees.
2. An employee's hiring is not effective until the required documentation has been completed.

#### **PAYROLL**

### **Recording Attendance**

1. All employees are required to report attendance via the payroll system time sheet. Hourly employees are to clock in before starting their shift and clock out prior to leaving the building.
2. For substitute teachers, a designated office employee will maintain a log of teacher absences and their respective substitutes.

### **Overtime**

1. Advanced approval by the principal is required for any hours worked beyond the employee's regular schedule.
2. Overtime only applies to nonexempt employees and is defined as time worked in excess of eight (8) hours in one day or over 40 hours in one week. Any hours worked in excess of an employee's regular work schedule must be pre-approved by the principal, unless it is prompted by an emergency. Overtime will not be granted on a routine basis and is only reserved for extraordinary or unforeseen circumstances.

### **Payroll Processing**

1. The principal, or designated employee, will notify the *Service Provider* of all authorizations for approved stipends.
2. Principal, or designated employee, will pull the hourly payroll information from the payroll system. Salary payroll will be established upon each employee's hiring.
3. The principal, or designated employee, will approve payroll prior to *Service Provider* submitting for processing.
4. The payroll checks (if applicable) and payroll stubs will be delivered to the school. The designated office employee will document receipt of the paychecks and review the payroll checks prior to distribution.

### **Payroll Taxes and Filings**

1. *Service Provider* will prepare payroll check summaries, tax and withholding summaries, and other payroll tracking summaries.
2. *Service Provider* will prepare the state and federal quarterly and annual payroll tax forms and submit the forms to the respective agencies.

### **Record Keeping**

1. The principal, or designated employee, will maintain written records of all employees' use of Personal Time Off (PTO) and any other unpaid time.
  - a. The principal, or designated employee, will immediately notify an employee if that employee nears or exceeds accrued Personal Time Off.
  - b. PTO records will be reconciled semiannually. Each employee must maintain personal contemporaneous records.

## **EXPENSES**

## **Employee and Volunteer Expense Reimbursements**

**Policy:** The organization will reimburse pre-authorized (either written or verbal) school-related expenses that are accompanied by an original receipt or other appropriate documentation. The Principal may incur school-related expenses that have been budgeted without pre-approval.

### **Procedures:**

- An employee or school volunteer seeking to make a school-related purchase must obtain pre-approval from the Principal
- Employees or school volunteers enter all of the appropriate information and receipts through the organization's expense management system (for example: RAMP, Divvy, or Expensify, etc.) and submit it to the Principal for approval. Once approved by the Principal, the expense management system will automatically reimburse the employees through their method of choice (ACH or Credit Card).
- The expense report of the Principal will be approved through the expense management system by a member of the board.
- Employees will submit all expense reimbursements within the fiscal year in which the expenses were incurred.
- The organization reserves the right to refuse reimbursement for any inappropriate expenses made.

### **Travel**

1. Employees will be reimbursed for mileage when pre-approved by the principal. Mileage will be reimbursed at the Internal Revenue Service Standard Mileage Rate for the distance traveled, less the distance from the employee's residence to the school site for each direction traveled. For incidental travel, mileage will only be reimbursed if the one-way mileage exceeds 10 miles.
2. The principal must pre-approve all out of town travel.
3. Employees will be reimbursed for overnight stays at hotels/motels when pre-approved by the principal and the event is more than 50 miles from either the employee's residence or the school site. Hotel rates should be negotiated at the lowest level possible, including the corporate, nonprofit or government rate if offered, and the lowest rate available.
4. Employees will be reimbursed up to the established U.S. General Services Administration per diem rate found at <http://www.gsa.gov/portal/category/100120> for any meal and incidental that is not included as part of the related event. Employees will be responsible for any excess expenses beyond the established per diem rate for breakfast, lunch, or dinner that is not included as part of the related event.
5. Travel advances are not permitted.  
After the trip, the employee must enter all of the appropriate information into the expense management system and submit to the principal for approval and payment.

### **Governing Board Expenses**

1. The individual incurring authorized expenses while carrying out the duties of the school will submit an expense reimbursement report through the expense management system.

2. The principal will approve and sign the expense report, and submit it for payment through the expense management system.

### **FINANCIAL REPORTS**

1. In consultation with the principal, *Service Provider* will prepare the annual financial budget for approval by the governing board. *Service Provider* will prepare budget amendments for approval by the governing board as may be necessary.
2. *Service Provider* will prepare for each board meeting financial reports which include: balance sheet, budget-to-actuals, cash flow, bank reconciliation(s), and checkbook register.
3. *Service Provider* will provide the principal and/or governing board with additional financial reports, as needed.

### **Loans**

1. The governing board will approve all loans from third parties. In the case of a long-term loan, approval may also be required from the charter-granting agency in accordance with the terms of the charter petition and/or other lenders in accordance with the loan documents.
2. Once approved, a promissory note will be prepared and approved by the governing board before funds are borrowed.
3. Employee loans are not allowed.

### **Financial Institutions**

1. All funds will be maintained at a high-quality FDIC insured financial institution.
2. All funds will be maintained or invested in high quality, short maturity (no longer than one year), and liquid funds.
3. Physical evidence will be maintained on-site for all financial institution transactions.

### **Retention of Records**

1. Financial records, such as transaction ledgers, canceled/duplicated checks, attendance and entitlement records, payroll records, and any other necessary fiscal documentation will be retained in accordance with the Code of Federal Regulations, California Education Code, and California Code of Regulations. At the discretion of the governing board or principal, certain documentation may be maintained for a longer period of time.
2. *Service Provider* will retain records at their site for a minimum of two (2) years; after which, the remaining five years will be the responsibility of the School.
3. Financial records will be shredded or otherwise destroyed, at the end of their retention period.
4. Appropriate back-up copies of electronic and paper documentation, including financial and attendance accounting data, will be regularly prepared and stored.

### **Fund Balance Reserve**

1. Insofar as is feasible, a fund balance reserve of at least 5% of the total unrestricted General Funds revenues will be maintained.

### **Insurance**

1. The principal will ensure that appropriate insurance is maintained at all times with a high-quality insurance agency.
2. The principal will maintain the files of insurance policies, including an up-to-date copy of all certificates of insurance, insurance policies and procedures, and related claim forms.
3. The principal will carefully review insurance policies on an annual basis, prior to renewal.
4. Insurance will include general liability, worker's compensation, student accident, professional liability, and director's and officers' coverage. Supplementary coverage will cover the after-hours and weekend activities. Insurance coverage will be aligned with the limits required in the school's approved charter petition.