

SPECTRUM ACADEMY

FINANCIAL POLICY AND PROCEDURE GUIDE

Approved June 2, 2012

PART I –POLICIES

100 INTERNAL CONTROL POLICIES

Spectrum Academy, under the direction of the Board of Directors, is required to establish and maintain adequate accounting records and internal control procedures. Internal control consists of five components: control environment, risk assessment, control activities, information and communication, and monitoring. The objectives of internal control relate to financial reporting, operations, and compliance.

Spectrum Academy and all levels of administration are responsible for preventing and detecting instances of fraud and related misconduct and for establishing and maintaining proper internal controls that provide security and accountability of the resources of the school. Administration is also responsible for recognizing risks and exposures inherent to these areas of responsibility and for being aware of indications of fraud or related misconduct.

Any employee with reasonable basis for believing fraudulent or related misconduct has occurred should report such incidents to the designated authorities within the school or the Utah State Office of Education.

Internal control policies provide Spectrum Academy 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.

101 Compliance with Laws

Spectrum Academy will follow all the relevant laws and regulations that govern Charter Schools within the State of Utah. Additionally, U.S. Government laws and regulations that relate to grant funding will be adopted as the grant funding is received. The following are specific policies of Spectrum Academy:

A. Political Contributions

No funds or assets of Spectrum Academy 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 Spectrum Academy for political contributions in any form—whether in cash or other property, services, or the use of facilities—is strictly prohibited. Spectrum Academy 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's 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 required by state law 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 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. No false or fictitious invoices may be paid.

102 Board of Directors Authorities

The Board of Directors is responsible for the operation of Spectrum Academy in accordance with state and federal laws. The Board of Directors is also responsible for ensuring that the school is operated in accordance with the representations made in its charter.

Specifically, 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 the charter authorizer's approval (ii) adoption of the annual operating and capital budgets, (iii) selection or termination of the Chief Financial Officer/Director, (iv) incurrence of debt, mortgages or other encumbrances and their covenants and restrictions, within the terms of the charter (v) investment policies, and (vi) review and approval of the annual financial audit conducted by an independent audit firm.

The Board of Directors will meet regularly to ensure that its fiduciary duty is maintained. The Board will review the following: prior meeting minutes, business items, educational items, subcommittee reports, new business and other items.

103 Signature Authorities

To properly segregate duties within Spectrum Academy, the President, the Treasurer of the Board, the Chief Financial Officer/Director and the Business Manager shall have signatory authority and are responsible for authorizing all cash transactions. Signature authority may be granted to others as directed by the Board.

104 Government Records Access Management Act (GRAMA)

Spectrum Academy will provide access to Spectrum Academy's records if requested to by the State Office of Education, State Charter School Board, or any group or individual formally requesting such information consistent with applicable statutes or rules.

105 Security of Financial Data

- A. The school's accounting software will be reviewed to ensure that general and application controls to unauthorized access to data is precluded (i.e., proper password protection and authorizations for inquiry or browse only functions.)
- B. The system's accounting data shall be backed up regularly by the Business Manager to ensure the recoverability of financial information in in case of hardware failure. The backup should 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 Business Manager from unauthorized access.

106 Security of School Documents

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

- A. Charter and all related amendments
- B. Charter School Articles of Incorporation and Bylaws
- C. Minutes of the Board of Directors and subcommittees

- D. Banking agreements
- E. Leases
- F. Insurance policies
- G. Vendor invoices
- H. Grant and contract agreements
- I. Fixed asset inventory list
- J. Contract and grant billings

107 Use of School Assets

School employees should not use any of the school's assets for personal use without prior approval of the School Administration and with proper justification.

108 Use Of School Credit Cards

Charter School credit cards and purchase cards should only be issued with the formal approval of the Board of Directors or Chief Financial Officer/Director and with proper justification. The cost/benefit to Spectrum Academy 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 Spectrum Academy.

Monthly credit card statements are reconciled to invoices and travel reports and are approved by Spectrum Academy CFO/Director or Business Manager.

200 FINANCIAL MANAGEMENT POLICIES

Charter school accounting policies and financial reporting adopted by the school should be consistent with a special purpose governmental entity that engages in business type activities. The Board of Directors has oversight of the management of Spectrum Academy inclusive of establishing the governance structure and the financial management policies as set forth in the school's charter.

201 Basis of Accounting

Spectrum Academy will maintain its accounting records and related financial reports on the modified cash basis of accounting, with accrual taking place annually.

202 Accounting Policies

The accounting policies and financial reporting adopted are consistent with state law and generally accepted accounting practices.

203 Revenues

Under the modified cash basis of accounting, revenues are recognized when received, consistent with generally accepted accounting principles applicable to special purpose governmental units.

204 Expenditures

Under the modified cash basis of accounting, expenses are recognized when services are paid for.

205 Cash Management

- A. The school maintains cash accounts at banks as appropriate and as approved by the Business Manager and the CFO/Director. At a minimum, the school shall have a checking and savings account.
- B. A schedule of aged accounts and grants receivable is prepared monthly and reviewed by the Business Manager for collection. Appropriate collection procedures are initiated, if necessary.

206 Budgets

- A. Spectrum Academy prepares an annual operating budget of revenues and expenses and a cash flow projection. These budgets and projections are reviewed and approved by the Board of Directors at an open and public meeting and modified, as necessary.

- B. Financial statements displaying budget vs. actual results are prepared by the Business Manager and reviewed by the Treasurer and presented to the Board of Directors at each regular board meeting.

207 Insurance and Bonding

- A. The school maintains minimum levels of coverage, as deemed appropriate by the Board of Directors and in compliance with insurance requirements of the State Board of Education and the State of Utah, for the follow policies:
 - 1. General liability
 - 2. Business & personal property (including auto/bus)
 - 3. Computer equipment
 - 4. Workers' compensation
 - 5. Personal injury liability
 - 6. Unemployment
 - 7. Directors and Officers Insurance
- B. The school requires proof of adequate insurance coverage from all prospective contractors, as deemed applicable by the Board of Directors.

208 Employee Retirement Program

Spectrum Academy shall participate in a retirement program as determined by the Board of Directors and administered by the Business Manager.

209 Record Retention and Disposal

- A. Records are maintained for the following 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, employee timesheets and other public documents are retained according to state law and per the guidance of the Utah Division of Archives and Records Service.
- B. The following records supporting federal contracts, as required by U.S. Office of Management and Budget, are retained for the indicated minimum periods or consistent with state law:

1. For three years after submission of the final report of expenditures: general ledger, trial balance, accounts payable and accounts receivable ledger, payroll register, and petty cash book, check register and checks, invoices. Except for:
 - a) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.
 - b) Records for real property and equipment acquired with Federal funds shall be retained for 3 years after final disposition.
2. Permanently: Audit reports, annual corporate reports, charter, board minutes, tax and legal correspondence, labor contracts, insurance claims and policies, and retirement and pension records.
 - A. The disposal date determined under this policy is the end of the fiscal year, or the date of final payment of government grants.
 - D. 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.
 - A. In connection with the disposal of any records, a memorandum of record disposal is prepared by the Business Manager listing the record or the class of records disposed of.

210 Financial Reporting

The Business Manager 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 with explanations for significant variances
3. Updating of the cash flow projection
4. Monthly or quarterly report for State Office of Education, as required

C. Quarterly:

1. IRS Form 941 and payroll tax returns and comparable state taxing authority returns, unless outsourced
2. Other reports upon request

211 Audit

The Board of Directors contracts annually with a qualified independent certified public accounting firm to conduct an audit of Spectrum Academy's financial statements in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, 2003 Revision (GAS) and, if applicable, the *U.S Office of Management and Budget's Circular A-133*. The selected audit firm must be familiar with these standards and related State of Utah regulations in order to properly conduct the audit engagement.

300 POLICIES RELATED TO ASSETS, LIABILITIES, AND NET ASSETS

301 Assets

Economic resources that are recognized and measured in conformity with generally accepted accounting principles. Assets also include certain deferred charges that are not resources, but are recognized and measured in conformity with generally accepted accounting principles. The following sections describe policies related to the recognition of assets.

302 Bank Accounts

- A. Bank accounts for the indicated purpose(s) and limitation(s) have been authorized by the CFO/Director and the Business Manager of the School at Federal Deposit Insurance Corporation (FDIC)-insured banks. A savings and checking account at a minimum.

303 Petty Cash Payments

- A. Petty cash payments are made from a fund, the amount determined by the CFO/Director and the Business Manager, and should be for cash advances, local expense reimbursement, and small-dollar vendor purchases, provided proper documentation is furnished with each request. No individual payment shall be greater than \$100.
- B. The petty cash account is balanced on a monthly basis by the Business Manager.

304 Criteria for Capitalizing and Depreciating for Property and Equipment

Under the modified accrual basis all tangible personal property with a useful life of more than one year and a unit acquisition cost of \$5,000 or more is expensed in the year of purchase. The outside certified public accountants make accruals to the Spectrum Academy's books to reverse the expensed capital items to maintain a full accrual set of financial statements for financial reporting.

305 Impairment of Assets

Any impairments to assets will be determined by the outside certified public accountants and adjustments made by the outside certified public accountants to maintain a full accrual set of financial statements for financial reporting.

306 Betterments

Expenditures for significant betterments of existing leased/owned properties are expensed in the year of payment under the modified accrual basis of accounting. Any betterments requiring capitalization will be adjusted by the outside certified public accountants to maintain a full accrual set of financial statements for financial reporting.

307 Liabilities

Economic obligations are recognized and measured in conformity with generally accepted accounting principles. Liabilities also include certain deferred amounts that are not obligated, but are recognized and measured in conformity with generally accepted accounting principles. The following sections describe policies related to the recognition of liabilities.

308 Accounts Payable

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

309 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.

310 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. Liabilities are accrued annually.

311 Accrued Teachers' Salary

The portion of any teachers' salaries paid for a school year that extends into the next fiscal year (e.g., a twelve-month salary schedule from September 1 to August 31 of the following year) should be accrued at the end of the fiscal year for which services were rendered.

312 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.
- B. All short-term debt is approved by the CFO/Director and the Business Manager, with review by the Board of Directors. All long term debt is approved by the Board of Directors.
 - A. 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.

313 Net Assets

Net assets are recorded in accordance with generally accepted accounting principles applicable to special purpose governmental units. Net assets include the following:

- Unrestricted
- Restricted
- Investment in Capital Assets, net of related debt

400 COST ACCOUNTING POLICIES

401 Consistency in Cost Accounting

Practices used by Spectrum Academy in estimating costs in grant/contract proposals are consistent with its accounting practices used in accumulating and reporting costs. Accounting practices used by Spectrum Academy in accumulating and reporting actual costs are consistent with its practices used in estimating costs in its grant and contract proposals.

402 Cost Accounting Period

The fiscal year of Spectrum Academy is July 1st through June 30th. The same accounting period is used for all adjusting entries and accruals.

403 Gain or Loss on Disposition of Assets

Gains and losses from the sale or other disposition of property are recorded as revenue in the year in which they occur, and are reflected as such on applicable financial statements.

500 PROPERTY MANAGEMENT POLICIES

501 Property and Equipment

Spectrum Academy maintains detailed records of all government-furnished property and equipment, with an identification and segregation of property and equipment acquired through government contracts.

502 Identification of Property

Spectrum Academy tags all capital assets upon receipt and assigns an identification number to the property and all applicable documents. Property tag should also include the source of funding.

503 Recording and Reporting of Property

- A. Spectrum Academy maintains a log identifying all capital assets in its possession, as follows:
1. Name and description
 2. Serial number, model number, or other identification
 3. Whether title vests with Spectrum Academy or another entity
 4. Location and condition of the equipment
 5. Ultimate disposition data, including date of disposal and sales price or method of disposal

504 Physical Inventories

- A. Spectrum Academy performs a physical inventory of all tagged capital assets in its possession or control on an annual basis.
- B. The physical inventory records include each asset, the related control number, location, and a brief description of its condition.
- C. The physical inventory is reconciled to the detailed fixed asset subsidiary ledger, and differences, if any, are investigated and reconciled.

505 Disposal of Property and Equipment

- A. No item of property or equipment shall be removed from the premises without prior approval from the CFO/Director and/or the Business Manager or the Board of Directors.

- B. When property is retired, the appropriate asset in the fixed asset subsidiary will be adjusted and properly reflected in the general ledger.

600 PROCUREMENT POLICIES

601 Procurement – Goods and Services

Spectrum Academy procures only those items and services that are required to perform the mission and/or fill a bona fide need. Procurements are made using best value contracting which includes assessing the best value considering quality, performance, timing, and price. Procurement policy will apply to the following amount categories:

1. \$0 -\$1,000 follow regular accounts payable procedures using sound business practices
 2. \$1,000 - \$5,000 obtain two quotes (phone, internet, written, etc.) using sound business practices
 3. \$5,000 and greater, obtain three written bids and School Board approval
 4. Exceptions: Single source and state purchase contract vendors.
- A. 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 and dependable sources of supply.
 5. Obtain maximum value for all expenditures.
 6. Deal fairly and impartially with all vendors.
 7. 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 Spectrum Academy supplier relationships.
- B. All lease agreements will be evidenced by a lease or sublease agreement approved and signed by the CFO/Director. The agreement will identify all the terms and conditions of the lease.

602 Emergency Purchases

An “emergency purchase” is the purchase of goods or services that are so badly needed that the school will suffer financial or operational damage if they are not secured

immediately. A decision to purchase may be declared in an emergency at the school's discretion and "best value" procurement guidelines must be followed. In addition, the purchase must be authorized by the CFO/Director.

700 PAYROLL AND TRAVEL POLICIES

701 Payroll Policies

- A. Employee's time is properly approved by both the individual and the supervisor and reported to the Business Office or designated representative.
- B. All employee payroll amounts are calculated based upon approved rates included in the individual's personnel file.
- C. Any changes to the pay rates or benefits are properly authorized.
- D. All payroll taxes and benefits are properly calculated and any deposits made in a timely manner.
- E. All payroll tax reports are prepared in a timely manner and reviewed by a designated individual for accuracy prior to filing.

702 Employee Mileage Reimbursement

- A. All employees are reimbursed at the standard mileage rate per mile, as approved by the CFO/Director, for use of their own vehicle for business related travel. In addition, parking fees and tolls paid are reimbursable if properly supported.
- 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 30 days after the travel date. Each employee is responsible for detailing the travel and related expenses and including the required supporting documentation.
- C. The travel report must be signed by the employee and approved by their direct supervisor or CFO/Director.

800 CONSULTANTS AND CONTRACTORS POLICIES

801 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.
- B. Invoices or billings submitted by consultants, including sufficient detail as to the time expended and nature of the 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 Spectrum Academy's rights to educational curricula and intellectual property developed.

802 Independent Contractors

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

- A. Be free from the employer's control and direction in performing the service, both under a contract and in fact.
- B. Provide a service that is outside the school's usual course of business or provide a service on a temporary basis.
- C. Must be engaged in an independent trade, occupation, profession, or business of the same type.
- D. Not receive any fringe benefits as such, although their fee may include provision for fringe benefits.
- E. Use contractor's own stationery or time sheet in billing for services.

PART II – RECOMMENDED PROCEDURES

The following section of the *Guide* will provide procedures, which will support the policies contained in Part I of the *Guide*.

1100 GENERAL ACCOUNTING PROCEDURES

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

1101 Overall Accounting System Design

Control Objective

To establish a coding structure that supports financial reporting and management's decision-making.

Major Controls

A. Business Manager Involved in Designing the Chart of Accounts/Coding Structure

To support decision-making, the Business Manager, along with assistance from additional resources, including the Board of Directors, management, and outside consultants, should be involved from the outset in setting the chart of accounts/coding structure. The coding generally follows a four-digit general ledger account number with classes designated for grants or other funding to be accounted for separately.

B. Establishment of Control Accounts

Control accounts for fixed assets, accounts receivable and accounts payable will be established with subsidiary detail listings and will be reconciled monthly to these control accounts.

C. Use of Contra Accounts

If necessary, the accounting structure provides for offsetting contra accounts (e.g. an allowance for doubtful accounts, accumulated depreciation) to adjust historical cost to current levels for financial reporting purposes.

1102 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 indicates 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 Business Manager before entering into the accounting system.
2. Each entry in the accounting system is reviewed and approved by the Business Manager.
3. Non-recurring entries, such as for correcting entries, recording accruals, and recording non-cash transactions, are prepared as circumstances warrant and on an as needed basis.
4. All entries in the books of original entry (e.g., cash receipts journal and disbursements) are made soon after the accounting event from authorized forms, and are prepared and reviewed by qualified accounting personnel. CFO/Director shall not have access to enter information into books of original entry.
5. All General Journal entries are supported by General Journal Vouchers that have supporting documentation attached, and are approved by the Business Manager.

1103 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 cash accounts is prepared by the accounting personnel and reviewed and approved by CFO/Director.

2. Reconciliation between the general ledger control accounts and the subsidiary ledgers are completed by the Business Manager.
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.

1200 CASH MANAGEMENT PROCEDURES

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

1201 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

Spectrum Academy 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

Spectrum Academy 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 is assigned to an employee with responsibilities independent of access to files or documents pertaining to accounts receivable or cash accounts..

1202 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 discounts, if available.

B. Internal Accounting Controls

- (i) Pre-numbered checks.
- (ii) Match disbursement records against accounts payable/open invoice files.
- (iii) Bank statements reconciled to cash accounts and any outstanding checks verified by the Business Manager.
- (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.

1203 Petty Cash Funds

Control Objective

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

Major Controls

Internal Accounting Controls

Reconciliation of petty cash funds by employees with responsibilities independent of cash receipts, disbursements, or custody.

Procedures

1. Spectrum Academy will maintain a petty cash fund with a balance of to be determined by the Business Manager and CFO/Director; the fund shall be maintained and secured by the Business Manager.
2. The Business Manager maintains a log of all disbursements made from the petty cash fund and uses a *Petty Cash Voucher* for all petty cash disbursements.
3. When the fund needs to be replenished, a check request is prepared by the Business Manager, attaching the log of disbursements and the supporting vouchers. See cash disbursement procedure above for payment.
4. Any differences between the check request to bring the fund up to the petty cash amount and total disbursements made are reviewed and a justification is prepared.
5. Fund disbursements are entered into the general ledger by expense category when the fund is replenished.

1204 Prepaid Items

Control Objective

To ensure proper accounting for prepaid expenses.

Major Controls

Internal Accounting Controls

- i. Detailed prepaid expenses reconciled with the general ledger control account. Accruals may be made by the outside certified public accountants to maintain full accrual financial statements for financial reporting purposes.

1400 PAYROLL PROCEDURES

Payroll procedures are organized under six categories: personnel requirements, personnel data, timekeeping, preparation of payroll, payroll payment, and payroll withholdings.

1401 Personnel Requirements

Control Objective

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

Major Controls

Payroll Policies

The School has adopted payroll policies for installing new employees on the payroll system and removing terminated employees from the system, as well as monitoring vacation and sick pay.

Procedures

New Employees

1. Requests for new employees are initiated by the School Director and compared with the approved annual personnel budget.
2. A *New Hire Form* is initiated when hiring a new employee. Included on this form are the job description, approved pay rate, and grant funding, if any. Information on this form is

reviewed by the Business Manager and communicated to the outside payroll service provider, if applicable, or entered into in-house payroll software.

3. New employees complete an *Application for Employment*.
4. New employees complete an *IRS W-4 Form* and *I-9*.
5. A criminal background check is conducted on new employees and their BCI reports are placed in their employment files.
6. New employees are provided with information and enrollment forms for benefit programs, if eligible. Returned forms are forwarded to benefit providers and appropriate entries made into payroll software.

Vacation and Sick Pay

1. Employees accrue personal leave based on policy of Spectrum Academy.
2. Employees' earned personal leave balances are adjusted monthly to reflect vacation time earned and taken and reviewed by the Business Manager and CFO/Director.
3. Personal leave taken is monitored against each employee's available sick time on an electronic spreadsheet and reviewed by the Business Manager and CFO/Director.
4. Before personal leave is paid, an *Absence Request* is to be prepared by the employee, which is reviewed and approved by the Business Manager and CFO/Director.
5. The Business Manager monitors personal leave by maintaining a log for each individual.

Terminations

1. For each terminated employee, a *Termination Form* documenting the reasons for termination is completed and routed to the Business Manager for approval.
2. The approved *Termination Form* is communicated to the payroll service provider, and any benefits providers. If applicable, COBRA procedures are followed.
3. The approved *Termination Form* is maintained in the terminated employee's personnel file.

1402 Personnel Data

Control Objective

To calculate and record payroll data accurately and completely for all employees.

Major Controls

Internal Accounting Controls

- (i) A precise paper trail covering all transactions.
- (ii) Changes in personnel data approved by responsible officials.
- (iii) Separate payroll and personnel files periodically reviewed and reconciled.

Procedures

1. The Business Manager or the CFO/Director authorizes any change to payroll data.
2. Authorized changes are communicated to the payroll service provider or entered into in-house payroll software.

1403 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 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 Reviews

The School personnel monitor the overall integrity of timekeeping.

D. Internal Accounting Controls

Reconciliation of hours charged on time sheets to attendance records.

Procedures

Time Sheet Preparation

1. Hourly and salary employees must clock in and out using the computer based time keeping system.
2. Employees are responsible to review and reconcile/explain any errors or omissions in the time keeping system. All non-corrected errors will be treated as zero hour days.

Approval and Collection of Time Sheets

1. Each employee's time sheet is collected electronically by the system on a bi weekly basis. The Business Manager reviews and approves them for payroll processing

Reconciliation of Payroll to Time Sheets

1. Hours shown on time sheets are reconciled to the hours recorded on the Payroll Register by the Business Manager for each time sheet period.

1404 Preparation of Payroll

Control Objective

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

Major Controls

Internal Accounting Controls

- (i) Time records or contracts are periodically reconciled with payroll records.
- (ii) The responsibility for checking the accuracy of payroll calculations is separated from the responsibility for payroll preparation to the extent possible for the size of Spectrum Academy.

Procedures

1. The system forwards time sheets to the Business Office.
2. The total time recorded on time sheets and the number of employees is calculated by accounting personnel.
3. Recorded hours from the time sheets are accumulated by the accounting personnel and communicated to the payroll service provider or entered into in-house payroll software.
4. The payroll reports received from the payroll service provider are compared with time sheets, pay rates, payroll deductions, compensated absences etc., by the accounting personnel.
5. The accounting personnel verifies gross pay and payroll deductions.
6. The total hours and number of employees are compared with the totals in the Payroll Register by the accounting personnel.
7. The Payroll Register is reviewed and approved by the accounting personnel prior to forwarding of the payroll checks for signature to the CFO/Director or other authorized signers or submission to the outside payroll service.

1405 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.

Major Controls

Internal Accounting Controls

A complete audit trail on all payroll checks and direct deposit with authorizing signatures at each juncture is maintained.

Procedures

1. Checks and payroll register are forwarded to CFO/ Director or other authorized signers for signature or submitted to the outside payroll service.
2. Payroll payments by check, direct deposit or cash are distributed by the School for forwarding to employees and payroll register is entered as an expense and filed.
3. The accounting personnel controls and monitors all undelivered and uncashed payroll checks, respectively.
4. The payroll bank account is reconciled monthly by accounting personnel and reviewed by the CFO/ Director.

1406 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 payroll service provider or in-house payroll software calculates payroll withholdings, which are reviewed and verified by the Business Manager.

Procedures

1. The payroll service provider or in-house payroll calculates payroll withholdings for each employee.
2. Payments for payroll withholdings are reconciled with the amounts recorded in the General Ledger control accounts by the Business Manager.
3. The Business Manager reviews the accuracy and timeliness of payments made to third parties for payroll withholdings.
 1. 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 Manager.

1500 ACCOUNTS PAYABLE PROCEDURES

This section is organized into three major parts: accounts payable, purchasing, and expense reimbursement.

1501 Accounts Payable

Control Objective

To ensure that invoices are accurately recorded on a timely basis for authorized purchases.

Major Control

A. Reconciliation of Accounts Payable Records

Reconciliation of source data, subsidiary ledger totals, and general ledger control accounts is performed periodically to ascertain the accuracy of accounts payable entries.

B. Internal Reviews

Internal reviews are conducted to determine if duplicate payments or overpayments exist.

1600 OTHER LIABILITIES PROCEDURES

This section describes procedures for recognizing and recording accrued liabilities and deferred revenue.

1601 Accrued Liabilities

Control Objective

To accurately control and record accrued liabilities.

Major Controls

A. Maintaining an Accrual Register

To properly set up and monitor accrued liabilities and accrual accounts related to salaries and wages, vacation pay, and payroll taxes.

Procedures

1. An accrual subsidiary schedule is established and maintained by the Business Manager for each type of accrual.
2. The school records all accruals at fiscal year end, or when determined necessary by the Business Manger
3. A general journal entry is prepared at year-end to record all accruals and approved by the Business Manager and the independent auditor.

1700 MANAGEMENT REPORTING PROCEDURES

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

1701 Annual Budget

Control Objective

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

Major Controls

A. Budget Process

The Board of Directors works with the CFO/Director and Business Manager to prepare the annual operating and capital budgets and cash flow projection, with input from the CFO/Director and Business Manager. The budgets and projection are submitted to the Board of Directors for approval.

B. Internal Accounting Controls

Accuracy and completeness of the budgets and projection

Procedures

1. In preparation of the annual operating and capital budgets and cash flow projection, the Business Manager prepares preliminary budgets and the projection for review by the CFO/Director and Board of Directors.
2. To support the budgets and projection estimates, the Business Manager prepares current year-to-date financial data with projections of year-end totals.
3. The CFO/Director and the Board of Directors review the budgets and projection submitted for completeness and reasonableness and makes any changes.
4. The Board of Directors approves and adopts the final budgets and projections.
5. The adopted budget totals are entered in the general ledger by the Business Manager for the new fiscal year, in order to prepare budget to actual reports.

1702 Financial Reporting

Control Objective

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

Major Controls

A. Schedule

Monthly reports are prepared based on a pre-determined 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 Business Manager prepares monthly budget vs. actual financial reports and cash flow projection for the Board of Directors meetings and for submission to the State Office of Education. After the first year of operation, submissions to the State Office of Education may be changed to quarterly.
2. The school submits to an audit of its financial statements by a qualified certified public accounting firm.
3. The school shall submit the audited financial statements to the Office of the State Auditor and the State Office of Education October 1 statutory deadline.

1703 Payroll Tax Compliance

Control Objective

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

Major Controls

A. Preparation

Obtain a payroll service provider or in-house payroll software to assist in the preparation of periodic payroll tax filings.

B. Approval of Tax Returns

Payroll tax documents are reviewed and approved by the Business Manager.

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 941* - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes.
- (iv) *IRS Form 1099 MISC* (also *1099-DIV, 1099-INT, 1099-OID*) - U.S. Annual Information Return for Recipients of Miscellaneous Income.

v. 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 Business Manager for accuracy and completeness.

APPENDIX B: Sample Forms

- The following forms are suggestions and may be modified by Spectrum Academy's business manager

SPECTRUM ACADEMY PURCHASE REQUISITION FORM

To: Business Manager Tel: Fax:

FROM: _____ CLASSROOM : _____

PLEASE ORDER THE FOLLOWING ITEMS FROM:

Vendor Name: _____

Address: _____

Phone : _____ Fax : _____

Catalog No.	Page	Quantity	Description	Price	Total
			Shipping & Handling:		
					\$ _____

Charged to Account _____ Approved _____

School Director or Designee

Account Budget: _____ Approved _____

Business Manager

PO No.: _____

SPECTRUM ACADEMY ASSET DISPOSAL FORM

	Tag #	Asset Description	Book Value	Condition	Fair Market Value	Disposal or Sale
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

Business Manager: _____

Date of Request: _____

School Director Approval: _____

Date of Approval: _____

Business Office Use Only

Account Number: _____

Amount: _____

NOTE: If the fixed assets above were originally purchased by grant funding, ensure that grant disposal policies are followed.

SPECTRUM ACADEMY PERSONAL LEAVE REQUEST FORM

Name of Employee Date Request Made

I request approval of the following day(s) as personal leave:

Monday Tuesday Wednesday Thursday Friday

mo/day mo/day mo/day mo/day mo/day

Classes will be covered by:

Substitute Name: _____ Phone: _____

Directions for Substitute:

Lesson Plans are located _____

Daily Procedures, such as attendance, lunch orders, schedule, dismissal procedures are located:

Comments: (such as individual modifications, parent volunteers....)

Signature of Employee

Please submit this form at least 24 hours in advance to the Administrative Office for approval by School Director.

School Director Date Approved

SPECTRUM ACADEMY VACATION REQUEST FORM

Name of Employee Date Request Made

I request approval of the following day(s) as vacation leave:

Vacation Days used to Date: _____

Monday Tuesday Wednesday Thursday Friday

mo/day mo/day mo/day mo/day mo/day

Classes will be covered by:

Substitute Name: _____ Phone: _____

Directions for Substitute:

Lesson Plans are located _____

Daily Procedures, such as attendance, lunch orders, schedule, dismissal procedures are located:

Comments: (such as individual modifications, parent volunteers....)

Signature of Employee

Please submit this form one month in advance to the Business Manager for approval. Please forward approved copy to School Director.

School Director Date Business Manager Date

SPECTRUM ACADEMY PROFESSIONAL DEVELOPMENT LEAVE REQUEST

Name of Employee Date Request Made

I request approval of the following day(s) as professional development leave:

Monday Tuesday Wednesday Thursday Friday

mo/day mo/day mo/day mo/day mo/day

List nature of professional development (workshop, observation, and meetings):

Classes will be covered by:
Substitute Name: _____ Phone: _____

Lesson Plans and daily Procedures are located: _____
Comments (individual modifications, parent volunteers, etc.):

Fee: _____ P.O. Number _____

Attach copy of registration form.
Business Office will not reimburse unless pre-approved in writing.
Please submit this form at least one month in advance to the School Director.

School Director Business Manager Approval

/ _____
Date of Approval Account No. / Amount

Request not approved for the following reason: _____

SPECTRUM ACADEMY TRAVEL REPORT

Name of Traveler: _____
Dates of Travel: _____
Grant to be charged, if applicable: _____

Auto Mileage: *Total Miles Driven* _____
Less Round Trip to School _____

Reimbursable Miles: _____ @ \$0.XX = \$ _____

Meals and Incidentals Per Diem: _____ days @ \$XX = \$ _____

Air-fare = \$ _____

Train, bus, MBTA, Taxi = \$ _____

Hotel = \$ _____

Tolls/Parking = \$ _____

Other (specify) _____ = \$ _____

Total Expenses = \$ _____

Less Advance Check # ____, if any = \$ _____

Amount Due Traveler = \$ _____

Note: If a balance is due back to Spectrum Academy, please attach a check to this Travel Report.

Traveler's Signature: _____ **Date:** _____
Approved by: _____ **Date:** _____

Note: If a above travel is incurred under a grant agreement, please indicate the grant name and amount to be charged as allowable grant expenditures.

PLEASE ATTACH ALL RECEIPTS TO THE TRAVEL REPORT WHEN SUBMITTING FOR REIMBURSEMENT.