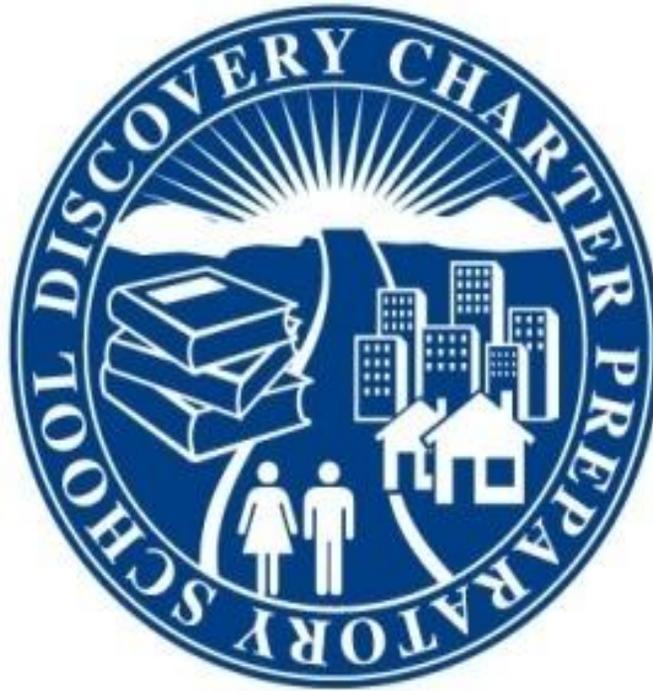


DISCOVERY CHARTER PREPARATORY SCHOOL
ACCOUNTING POLICIES AND PROCEDURES



Revised: October, 2018

**DISCOVERY CHARTER PREPARATORY SCHOOL
ACCOUNTING POLICIES AND PROCEDURES**

INTRODUCTION

The Discovery Charter Preparatory School Accounting Policies and Procedures provide the policies and procedures for financial transactions within the school. All policies must be followed by all staff. It also provides guidelines Discovery Charter Preparatory School will use to administer these policies, with the correct procedure to follow.

Discovery Charter Preparatory School will keep all financial policies current and relevant. From time to time it may be necessary to modify and amend some sections of the policies and procedures manual, or to add new procedures.

Any suggestions, recommendations or feedback on the policies and procedures in this manual are welcome.

These policies and procedures apply to all employees.

**DISCOVERY CHARTER PREPARATORY SCHOOL
ACCOUNTING POLICIES AND PROCEDURES**

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DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Overview

The Board of Directors of Discovery Charter Preparatory School has reviewed and adopted the following policies and procedures to ensure the most effective use of the funds of Discovery Charter Preparatory School to support the mission and to ensure that the funds are budgeted, accounted for, expended and maintained appropriately.

- The Board of Directors formulates financial policies and procedures, delegates administration of the policies and procedures to the Principal and Chief Financial Officer (Key Officers), and reviews operations and activities on a regular basis.
- The Key Officers have responsibility for all operations and activities related to financial management.
- Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts, disbursements, payroll, and reconciliation of bank accounts.
- The Board of Directors will hire an independent third-party Auditing Firm to perform its annual financial audit. Any audit exceptions and/or deficiencies will be resolved to the satisfaction of the Board of Directors and the charter-granting agency. The Board of Directors will approve the final audit report, and a copy will be submitted to the required agencies by December 15 of the fiscal year following the audited fiscal year.
- The Board of Directors can appoint someone else to perform the Key Officers' responsibilities in the case of absence.

DISCOVERY CHARTER PREPARATORY SCHOOL

ACCOUNTING POLICIES AND PROCEDURES

Bank Accounts

This policy sets out the types of banking institutions/accounts and the requirements for use of these accounts, including opening and closing authorization, bank payment authorizations, variations to bank account terms and conditions, bank reconciliations, and other bank account transactions.

Types of Banking Institutions/Accounts

All funds will be maintained at a high quality financial institution approved by the Board of Directors.

All funds will be maintained in liquid accounts, unless prior approval has been obtained from the Board of Directors.

Record of all financial institution transactions will be kept in accordance with the Record Retention Policy as outlined in this document.

Opening Bank Accounts

Any new bank accounts to be opened must have the authorization of the Board of Directors. Once the account is opened, the financial system must be updated and the bank account registered by the Chief Financial Officer.

Closing Bank Accounts

Where it is decided that a bank account is no longer necessary, the Board of Directors will authorize the closure of the bank account.

The Chief Financial Officer will then be required to complete the following:

- Ensure all transactions with respect to the account have been completed;
- Submit a letter to the bank, signed by the Board Treasurer and the Chief Financial Officer, as authorized signatories, advising of the closure of the account;
- Meet the bank's requirements with respect to account closure; and
- Update the financial system and bank account register.

Bank Payment Authorizations

The Chief Financial Officer is authorized to make payments from any bank account, by check, EFT, or other online payment method for regular monthly transactions. For transactions that fall outside the normal course of business (i.e. payments on construction contracts, contracts needing Board approval, etc.), there must be two persons authorizing each payment.

The authorized persons for bank account payments are:

- Chief Financial Officer
- Board Treasurer

DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Each payment made must be supported by invoice, receipt, or other appropriate documentation and the authorizations must be attached to this documentation.

Variations to Bank Account Terms and Conditions

Any variations to banking arrangements can be made or varied by the Board Treasurer and/or the Chief Financial Officer. The Chief Financial Officer is responsible for updating the financial system and/or bank account register with the new information.

Bank Account Reconciliation

Bank statements will be received directly, unopened, by the Chief Financial Officer.

Reconciliation of all accounts must be completed by the 5th of each month.

Upon completion, bank reconciliations will be reviewed by the Board Treasurer, initialled, and dated as proof of the review. Bank reconciliations will be made available to the Board of Directors upon request.

Bank statements will be provided to the independent third-party Auditing Firm as part of the annual Audit.

Other Bank Account Transactions

All deposits received must be banked within a week of receipt.

Checks outstanding for more than six months will be voided and reallocated back to the school through the financial system, unless there is a valid reason for allowing the check to remain outstanding for an additional, reasonable period of time.

The Chief Financial Officer will be responsible for putting a Stop Payment on a check, when necessary, and carrying out the following duties:

- Verify that the check has not already been presented to the bank for payment;
- Use the bank's on-line system to place the Stop Payment; and
- Obtain and file confirmation of the Stop Payment request.

DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Cash Receipts

This policy sets out guidelines for the handling of cash receipts.

Handling of Cash Receipts

A deposit slip must be completed for all cash and checks received.

All checks must be immediately endorsed with the school deposit stamp, containing the following information: "For Deposit Only; School Name; Bank Name; and Bank Account Number."

All funds must be deposited within a week of receipt.

Fund funds received via Electronic Funds Transfer must be recorded when "Payment Voucher" is received from depositing agencies.

DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Petty Cash

This policy sets out the requirements for the use of petty cash funds.

Petty Cash Fund Limits

Petty cash, in the amount of \$1,000, will be kept by the Administrative Assistant and can be used to pay for small business expenses up to \$300 where payments through accounts payable or credit card are not justified or appropriate.

In rare instances, the Chief Financial Officer may write a Petty Cash check in excess of the \$1,000 Fund Limit for one-time cash purchases. These purchases will be approved by the Board Treasurer prior to the issuance of the check.

Issuing Petty Cash

Petty cash disbursements must be approved before any cash is issued.

A maximum of \$300 can be disbursed at any one time.

All petty cash disbursements will be issued by the Administrative Assistant.

Once the petty cash is used, a receipt or invoice must be returned, with any unspent funds, to the Administrative Assistant.

Personal and/or Payroll checks will not be cashed through petty cash.

Reconciling Petty Cash

Petty cash will be reconciled as needed, and/or upon request. While reconciling, employee reimbursements will be reviewed to ensure all appropriate approval signatures have been obtained. This is the responsibility of the Chief Financial Officer.

All petty cash expenditures must be entered into the financial system once the petty cash has been reconciled.

The balance of monies and expense documentation must equal \$1,000 at all times.

Reimbursement of petty cash will be initiated by the Chief Financial Officer and authorized by the Principal.

Petty cash reimbursement checks will be made out to "Petty Cash", but will not be written until just prior to the trip to the bank.

DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Payroll

This policy sets out guidelines for payroll processing.

Personnel

The Chief Financial Officer is charged with the responsibility of maintaining the personnel files of all employees.

Each personnel file should contain the following:

- Resume
- Employment Application
- Employment Agreement – Date of Employment, Position, Rate of Pay, Etc.
- LiveScan Fingerprint Results
- Credentials and all supporting documentation
- W-4 Form
- I-9 Form
- Emergency Form
- Authorization of Payroll Deductions
- Termination Date, when applicable

All personnel records will be kept locked in a secure location.

Timesheets

All classified employees will be responsible for completing a timesheet including vacation, paid time off, and holiday time. The employee must sign the completed timesheet.

The completed timesheet will be submitted to the Office Manager by 9:00am the day after the last working day of the designated payroll period. The Office Manager will then submit Payroll to the independent Payroll Processing Service.

Incomplete timesheets will be returned to the employee and late timesheets will be held until the next pay period. No employee will be paid until a correctly completed timesheet is submitted.

If an employee is unexpectedly absent and therefore prevented from turning in the timesheet, the employee is responsible for notifying the Office Manager and making arrangements for the timesheet to be submitted and sign the completed timesheet upon return.

Overtime

Overtime only applies to classified employees and is defined as hours worked in excess of forty (40) hours per week and hours worked in excess of eight hours per day. Employees must have all overtime approved by the Principal or the Chief Financial Officer, in advance, if possible.

**DISCOVERY CHARTER PREPARATORY SCHOOL
ACCOUNTING POLICIES AND PROCEDURES**

Payroll Processing

Payroll will be processed twice a month through an independent Payroll Processing Service.

For the pay period of the 1st through the 15th of the month, checks will be distributed on the 20th. For the pay period of the 16th through the last day of the month, checks will be distributed on the 5th of the following month.

When a payday falls on a holiday, employees will be paid on the last working day before the holiday. When a payday falls on a Saturday or Sunday, employees will be paid on the Friday before the weekend.

Payroll will then be reconciled and entered into the current accounting software by the Chief Financial Officer.

All related returns and reports will be filed by the Chief Financial Officer on or before their due date. These documents include, but are not limited to:

- State & Federal Payroll Tax Returns
- 403(b) Thrift Plan Deposits

Record Keeping

The Chief Financial Officer will maintain written records of all employees' use of paid time off. Should an employee exceed their annual allotment, employee will not be paid for those hours.

DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Business Credit Cards

This policy provides guidelines for the issue and use of business credit cards.

Issuing Business Credit Cards

Only the Principal and the Chief Financial Officer will be issued Business Credit Cards.

Credit cards will bear the names of both Discovery Charter Preparatory School and the cardholder.

Debit cards are not allowed.

Use of Business Credit Cards

The business credit card can only be used for expenses as approved by the Board of Directors. They include, but are not limited to, travel, purchase of small value expenses, or equipment.

No cash advances are to be taken using the business credit card.

The business credit card can not to be used for personal expenses.

If a business credit card is lost or stolen, then the owner of that card is to notify the Chief Financial Officer who is responsible for notifying the issuing agency and ensuring the card is cancelled.

All holders of business credit cards are required to provide the Chief Financial Officer with all expense receipts so that they may be reconciled with the monthly credit card statement.

Upon reconciliation of the monthly credit card statement, all expenses and account payment documentation must be approved by the Board Treasurer.

All business credit cards are to be returned when requested by the Board Treasurer or when an employee has been terminated the school.

Use of Business Credit Card Reward Points

The earnings and redemptions of Reward Points on the business credit cards will be monitored and reconciled each month by the Chief Financial Officer and approved by the Board Treasurer. Appropriate uses of the Reward Points include:

- Flights for student college visits
- Flights for staff conferences and travel
- Educational Equipment
- Educational Supplies

DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Purchasing

This policy provides guidelines for the purchase of goods, services, equipment, and assets for the school. This policy is applicable to all purchases.

Request for Purchase

Purchases must be approved by the Principal and/or the Chief Financial Officer. When approving purchases, it must be determined:

- If the expenditure is budgeted;
- If funds are currently available for expenditures (i.e. cash flow);
- If the expenditure is appropriate and consistent with the vision, approved charter, school policies and procedures, and any related laws or applicable regulations; and
- If the price is competitive and prudent.

Individuals other than those specified above are not authorized to make purchases without pre-approval.

Authorized purchases will be promptly reimbursed by a check upon receipt of appropriate documentation of the purchase.

Individuals who use personal funds to make unauthorized purchases will not be reimbursed.

All purchases must be requested through a purchase order. A request for purchase must address:

- Specific item needed;
- Number of item needed;
- Estimated cost; and
- Why the purchase is necessary.

All requests must have prior approval from the Principal and/or Chief Financial Officer

For items over the value of \$5,000, three quotations must be obtained and submitted with the request.

Receipt of Purchases

All purchases received are to be checked against the purchase order, noting any discrepancies or order completion.

Packing slip will be attached to the purchase order, pending receipt of invoice.

DISCOVERY CHARTER PREPARATORY SCHOOL

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Fixed Asset Management

The policy outlines the appropriate management of Fixed Assets.

Definition

An asset is defined as an item, purchased or donated, with a value of \$5,000 or more and with a useful life of more than one year.

Purchase of Fixed Assets

All equipment and asset purchases/leases must be pre-approved by the Board of Directors.

All equipment and asset purchases/leases (depending on type of lease) of \$5,000 or more must be capitalized.

All equipment and assets must be added to inventory in the financial system by the Chief Financial Officer with the following details:

- Date of purchase;
- Asset description (i.e. make, model, etc.)
- Purchase price; and
- Estimated useful life.

Inventory

A physical inspection and inventory of all fixed assets will be taken before the end of each fiscal year and reconciled to the general ledger.

All material changes in the status of property and equipment must be noted, and adjustments for dispositions should be made.

The Chief Financial Officer should be notified immediately of all cases of theft, loss, damage, or destruction of assets.

**DISCOVERY CHARTER PREPARATORY SCHOOL
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Accounts Payable

This policy provides guidelines for the handling and payment of invoices.

Processing of Invoices

All original invoices will immediately be forwarded to the Chief Financial Officer.

The Chief Financial Officer will carefully review each invoice, attach all supporting documentation, and verify that the specified services and/or goods were received.

Once reviewed by the Chief Financial Officer, the Request for Payment Form will be completed with all required information, and approved by the Principal or Board Treasurer.

Accounts Payable checks will be run at least once a week to ensure timely payment of invoices.

DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Employee Expense Reports

This policy provides guidelines for the handling and payment of Employee Mileage/Expense Forms.

Handling of Employee Expense Reports

Employees will be reimbursed within ten (10) days of presentation of their Employee Mileage/Expense Forms and supporting documentation.

Employees must complete an Employee Mileage/Expense Form, when necessary, and submit to the Chief Financial Officer.

All completed Mileage/Expense Forms must have the following details included:

- Date;
- Name of person requesting reimbursement;
- Amount of expense;
- Details of expense;
- Invoice or receipt;
- Signature of person receiving submitting form; and
- Signature of person that approved the expense.

Employee Expense Reports must be signed by the employee and a Key Officer.

Key Officer's Employee Expense Reports must be approved by a member of the Board of Directors.

Expenses greater than six months old will not be reimbursed.

DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Contracts

This policy provides guidelines for the handling and payment of Contracts.

Obtaining Contracts

Consideration will be given to in-house capabilities to accomplish services before contracting for them.

Key Officers will approve proposed Contracts under \$5,000.

Competitive bids will be obtained for any Contracts of \$5,000 or more, and/or where required by law.

All Contracts of \$5,000 or more must be approved by the Board of Directors.

Potential conflict of interest when considering Contractor bids must be disclosed upfront and the Key Officer and/or member of the Board with the conflict must excuse themselves from bid discussions and voting on the contract.

Contract Requirements

Written Contracts must be executed for all services and clearly define the work to be performed by all independent contractors and sub-contractors.

Contractors must show proof of being licensed, and bonded, if applicable.

Contractors must have all required insurances and provide a Certificate of Insurance and an Additional Insured Endorsement, naming the School as Additional Insured, prior to the commencement of all work.

Payment of Contracts

Key Officers will be responsible for ensuring the terms of all Contracts are fulfilled.

An IRS Form W-9 must be provided by Contractors prior to the submission of all requests for payment.

Contractors will be paid in accordance with approved Contracts as work is performed.

Copies of all Contracts will be kept in accordance with the Record Retention Policy as defined in this document.

DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Service Agreements

This policy provides guidelines for the handling and payment of Service Agreements.

Obtaining Service Agreements

Consideration will be given to in-house capabilities to accomplish services before contracting for them.

Key Officers will approve proposed Service Agreements under \$5,000.

Competitive bids will be obtained for any Service Agreements of \$5,000 or more, and/or where required by law.

All Service Agreements of \$5,000 or more must be approved by the Board of Directors.

Potential conflict of interest when considering Service Agreement proposals must be disclosed upfront and the Key Officer and/or member of the Board with the conflict, must excuse themselves from proposal discussions and voting on the Service Agreement.

Service Agreement Requirements

Written Service Agreements must be executed for all services and clearly define the work to be performed by all independent contractors and consultants.

Contracted service providers must show proof of being licensed, and bonded, if applicable.

Contracted service providers must have all required insurances and provide a Certificate of Insurance and an Additional Insured Endorsement, naming the School as Additional Insured, prior to the commencement of all work.

Payment of Service Agreements

Key Officers will be responsible for ensuring the terms of all Service Agreements are fulfilled.

An IRS Form W-9 must be provided by contracted service providers prior to the submission of all requests for payment.

Contracted service providers will be paid in accordance with approved Service Agreements as work is performed.

Copies of all Service Agreements will kept in accordance will the Record Retention Policy as defined in this document.

DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Finance

This policy provides guidelines for Financial Reporting, Fund Balances, Loans, Insurance, and Record Retention.

Financial Reporting

The Chief Financial Officer, with input from all stakeholders, will prepare the annual budget. The budget must be approved by the Board of Directors prior to the beginning of each fiscal year.

The Chief Financial Officer will prepare Financial Statements, including but not limited to, a Balance Sheet, Income Statement, and a Cash Flow projection each month. The Financial Statements will be reviewed and approved at the monthly Board of Directors meetings.

The Chief Financial Officer is responsible for completing and submitting all required financial reporting to LAUSD, LACOE, State, and Federal offices.

Fund Balances

A fund balance reserve of at least 3 months will be maintained.

Loans

The Board of Directors must 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 lenders in accordance with the loan documents.

Once a loan is approved, a promissory note will be prepared and signed by the Board of Directors and the Key Officers before funds are borrowed.

Loans to employee are not allowed.

Insurance

Appropriate insurance coverage must be maintained at all times with an A-Rated insurance agency.

Insurances will include, but not be limited to, General Liability, Umbrella, Professional Liability and Director/Officer coverage, Worker's Compensation, and a student accident policy. Supplementary coverage may cover after-hour and weekend activities. Coverage will be in line with the limits listed in the school's approved charter petition.

**DISCOVERY CHARTER PREPARATORY SCHOOL
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The Chief Financial Officer will maintain the files of all insurance policies, including an up-to-date copy of Certificates of Insurance, Insurance Procedures, and related claim forms.

The Chief Financial Officer, with input from Insurance Carriers, will carefully review insurance policies on an annual basis prior to renewal. Any recommended changes must be brought to the Board of Directors for approval prior to implementation.

Record Retention

Financial records, such as transaction ledgers, canceled/duplicate checks, attendance and entitlement records, payroll records, and any other necessary fiscal documentation will be retained for a minimum of seven (7) years. At the discretion of the Governing Board or Key Officers, certain documentation may be maintained for a longer period of time.

Financial records will be shredded at the end of their retention period.

DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Fundraising

This policy provides guidelines for fundraising and the appropriate handling of funds raised.

Events/Drives

Students are the primary groups involved in raising funds for class activities, athletic teams and clubs.

All funds raised by student groups are to be held in a trust within the General Account maintained by the Chief Financial Officer. Each student group will have a separate Custodial Account listed in the general ledger.

All student groups must have a staff or coach sponsor to provide guidance and assistance during the fundraising time period. The duties and responsibilities of the sponsor include, but are not limited to:

- Submit Event Form to Principal at least 10 school days before the start of event.
- Submit the approved Event Form to the Chief Financial Officer at least 10 days before start of fundraising activity.
- Monitor student purchase of sale items.
- Supervise the event.
- Collect and count money.
- Give funds to the Chief Financial Officer on a daily basis.

Snack Shed

Snack shed sign-ups must be coordinated by the Student Activities Director (SAD) and are assigned on a rotating two-week basis.

Items sold are prepackaged items only.

The SAD will provide the fundraising group a startup fund of \$200. These funds are to be used for the purchase of sale items and as the daily cash box till. The startup fund must be returned to the SAD by Wednesday of the second week of sales.

All student groups must have a staff or coach sponsor to provide guidance and assistance during the fundraising time period. The duties and responsibilities of the sponsor include, but are not limited to:

- Submit Event Form to Principal at least 10 school days before the start of event.
- Submit the approved Event Form to the Chief Financial Officer at least 10 days before start of fundraising activity.
- Monitor student purchase of sale items.
- Supervise the event.
- Collect and count money.
- Give funds to the Chief Financial Officer on a daily basis.

DISCOVERY CHARTER PREPARATORY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

Sale of School Spirit Wear

School spirit sales are done on a pre-sale basis only.

All student groups must have a staff or coach sponsor to provide guidance and assistance during the fundraising time period. The duties and responsibilities of the sponsor include, but are not limited to:

- Submit Event Form to Principal at least 10 school days before the start of event.
- Submit the approved Event Form to the Chief Financial Officer at least 10 days before start of fundraising activity.
- Supervise student pre-sales.
- Collect and count money.
- Give funds to the Chief Financial Officer on a daily basis.

Pre-sale items will be purchased and received by the Chief Financial Officer through the School's Purchase Order System.

Acceptable Fundraising Activities

- Dances
- Door Prizes (at dances or during other student activities)
- Venue Night (i.e. Shakey's, McDonald's, etc.)
- Professional Programs
 - Magic Shows
 - Entertainment Shows
- Talent Show
- Staff Show
- Photography
- Publications
 - Selling of ads for programs
 - Yearbook
- Salvage Drive
 - Recycling
 - Newspaper
 - Toner / E Cycle
- Athletic Events
- Student Body Activity Cards
- Concession Stand