

POLICY: INTERNAL CONTROL

J PAUL TAYLOR ACADEMY

www.jaultayloracademy.org

Adoption date: August 15, 2018

The J. Paul Taylor Academy (JPTA) will establish procedures to provide a reasonable assurance that the school will accomplish its objectives of safeguarding assets, providing reliable financial information, promoting operation efficiency, and ensuring compliance with laws, regulations, and established school policies and procedures. JPTA's internal control policies will include:

Personnel: The Executive Director will recruit properly certified personnel for the position of Business Manager (BM). The BM and Executive Director will train the staff regarding the established policies and procedures governing all financial transactions and securing equipment and materials purchased for the school.

Segregation of Duties: The BM, Executive Director, and Governance Council (GC) Treasurer will have access to the Financial Management System. Segregation of duties including staff completing a purchase requisition, the Executive Director approving purchase requisitions, the BM generating the PO and entering financial transactions into the Financial Management System and the Secretary receiving and rectifying invoices and receipts will ensure that multiple staff members are aware of all purchases.

Transaction Authorization: If the Executive Director determines that the requested purchase supports the mission and goals of the Academy, and the BM verifies that money is available in the proper account, the BM will generate a PO and give it to the Executive Director.

Transaction Recording: All POs will be recorded at the time of authorization. The BM will be responsible for the classification of purchases to the appropriate accounts. POs will be printed on official school forms and sequentially numbered with the number logged at the time of issue. Any PO that is voided will be marked as such and kept on file.

Record Reconciliation: The BM will reconcile bank statements and other financial records monthly. All discrepancies found during the reconciliation process will be researched and corrected by the BM at the time they are detected. The Executive Director and the GC Finance Committee will be required to review all bank statements and reconciliations on a monthly basis.

Journal Entries: All Journal entries will be entered by the Business Manager after review and approval by the Executive Director.

Audit: The yearly audit will ensure compliance with the Public School Finance Act, Sections 22-8-1 through 22-8-42, NMSA, 1978, Budget Preparation and Maintenance Standards, NMPED Regulations, Public School Accounting and Budgeting Supplement 6, Manual of Procedures, and New Mexico State Auditor Rules and Regulations pertaining to audits of state and local government divisions.

Records Retention and Disposition: JPTA will follow State Records Center rules in determining the retention and disposition of school records. Records will be retained for at least five (5) years or until any litigation, claims, or audit exceptions have been resolved. Records of federal funds will be maintained for five (5) years following the completion of the funding period in accordance with 20 USC 12327. All financial records and documents will be stored in fire and theft proof vaults or cabinets. Financial record books and annual reports will not be destroyed. The following SRC rules

will be adhered to: 1 NMAC 3.2.90.20; 93-09, July 31, 1994; 1 NMAC 3.2.90.30; and 92-08, May 7, 1993.

System Descriptions:

Budget

All staff members will be invited to participate in the budget development process under the direction of the Executive Director and an open forum will be conducted with JPTA parents and interested parties. At least one GC Member will be part of the process to ensure transparency and understanding.

JPTA will identify financial accounting software that best meets the school's management needs. The financial system must be maintained using an accrual basis. JPTA in accordance with GASB 34, will prepare financial statements using full accrual accounting. JPTA will also apply depreciation requirements for its fixed assets as required by GASB 34. The selected software must fulfill this requirement. The proposed operating budget will be submitted to the GC at least ten (10) days prior to the NMPED submission date for questions, discussion and approval. Once approved, the operating budget will be submitted to the New Mexico Public Education Department (NMPED) pursuant to the Public School Finance Act and the 1999 Charter Schools Act.

Budget adjustments which do not alter the total amount of the budget will be processed as follows:

Intra-Budget Transfers: Transfers between expenditure codes within the same function will be presented to the GC for approval. Once all approvals are in place, the change will be recorded in the Financial Management System as an adjustment to the original budget.

Inter-Budget Transfers: Transfers between expenditures codes outside of the same function will be presented to the GC for their approval. Once that has been granted, these transfers will be submitted to the NMPED for approval. Once all approvals are in place, the change will be recorded in the Financial Management System as an adjustment to the original budget.

Payroll

The Executive Director is responsible for monitoring the employment status of employees, authorizing salaries, initiating employment contracts, and maintaining the staffing levels approved in the annual budget by the GC. The approved employment contracts and the salary worksheets prepared for payroll by the BM will be entered into the Employee Management System. Any extra-hours agreements must be approved by the Executive Director prior to the completion of the tasks as well as when tasks are completed. The extra-hours earnings will be included in the next regular payroll check the employee receives if at all possible. Records of salary worksheets and extra-hours agreements will be kept in employee files as well as employee contracts, certification records, employee eligibility verification, state and federal withholding allowance certificates, Educational Retirement Account plan application and direct deposits.

Absentee Reports will be approved by the Executive Director each Friday, and these reports will be submitted to the BM to update employee leave balances. Leave taken without sufficient leave balances will constitute leave without pay and will be proportionately deducted from the next regular payroll check.

All insurance and other deductions will be submitted to the Executive Director on the proper forms. Records of these deductions will be kept by the BM in employee files. The BM will ensure that the correct income and social security taxes are withheld and that these funds are remitted within fifteen (15) days of the pay period. The BM shall notify the Executive

Director in writing within three days of the deposit of state and federal withholding taxes to the respective governmental entities.

Purchasing

The purchasing process will be initiated by the staff member submitting the required, purchase requisition to the Executive Director for review and approval and concluded upon payment to the vendor. Please see procurement process for a detailed explanation of the process.

Encumbrances

The amount of each PO will be recorded as an encumbrance on the Financial Management System by the BM when the PO is issued until the order is complete and ready for payment.

Receiving

A copy of the receipt or invoice will be signed by the Secretary to document the receipt of the specified goods and to authorize the release of payment to the vendor. This receipt or invoice is then forwarded to the BM and retained for processing.

Accounts Payable

The BM will match the signed vendor invoice or receipt to the encumbrance copy of the PO. Once the documents are matched, the items invoiced will be matched to the items listed on the approved purchase order. The account distribution will be verified and any necessary changes noted on the invoice. The BM will retain all vendor invoices.

The BM will verify each invoice or receipt by checking extensions, discounts and freight terms. The BM will enter each invoice to be paid in the designated fund. An edit listing will be generated from the Financial Management System and used to verify the accuracy of the information entered for each check. Upon completion of the verification, the check batch is posted and the payable checks printed. The financial management system will generate a check register, a schedule of checks to be written and a remittance advice report. A check register by fund will be generated.

The BM will verify the checks against the ledger and forward them to the GC Treasurer or, in his/her absence, an authorized check signer to get the second required signature.

Receipts and ledgers will be available for review at all times.

As indicated, all bank accounts will be reconciled on a monthly basis by the BM. The BM, the Executive Director and the GC Finance Committee will verify and approve the bank reconciliations and make any adjustments necessary to the general ledger.

Travel

Employees and GC Members of the school may be entitled to reimbursement of registration fees, mileage, per diem and other costs associated with authorized trips for official school business if the request has been made in advance and the Executive Director has signed a leave request indicating the sum eligible for reimbursement. The Executive Director retains a copy of the request.

The Executive Director must authorize all reimbursement for in-state or out-of-state travel. Reimbursements will be processed in accordance with the Per Diem and Mileage Act, as outlined in DFA regulations. All receipts for out-of-pocket expenditures for transportation, registration, and miscellaneous expenses will be required for reimbursement. Any meals and/or lodging costs included in the registration fee will be deducted from the per diem reimbursement. The reimbursement cannot exceed the amount on the leave request. Every reasonable effort will be made to provide the reimbursement checks on the next payroll date.

Handling of Cash

Money given to members of staff or representatives of J. Paul Taylor Academy by pupils or the general public immediately becomes 'public money' and must be accounted for in the Academy's accounting system. Staff members should always advise administration of the potential collection of public money and should always seek their advice should they be in any doubt as to how to apply this policy and procedure. These guidelines apply to all types of receivables, including currency, coin, paper checks, or money orders, collected for any activity such as field trips, fundraisers, etc.

All student activity receipts must be turned over to the school Secretary or Executive Director for deposit by the end of each school day. Any funds collected must be deposited within 24 hours. If an event occurs after hours or on weekends, prior arrangements must be made to turn all monies collected in to the Executive Director or designee immediately following the event.

Under no circumstances may student activity funds be stored overnight in an office or classroom, be brought home, be left in a vehicle, or be deposited into a non-school bank account.

Any checks collected must be made payable to J. Paul Taylor Academy. Checks and money orders may not be made payable to a specific student or employee. Checks must be written for the correct amount (we cannot give change), and may not be postdated. All checks require a name, address, and original signature.

Funds collected may not be used for "petty cash" purposes; all monies collected must be banked through the front office into school accounts and apportioned as appropriate through the Academy's established purchasing procedures. If expenses are incurred in preparation for an event, an itemized receipt and reimbursement request must be turned in to the Executive Director. Upon approval the Business Manager will issue a reimbursement check.

All monies collected must be turned in with a cash reconciliation sheet that will be signed by both the person turning in the funds and the office staff person receiving the funds. All funds must be turned in "intact", meaning you may not substitute a check for cash or vice versa.

Accounts Receivable

The BM will be responsible for billing and monitoring the collection of all amounts due from outside agencies, as approved by the Executive Director.

The BM will be responsible for tracking and verifying the cash balances for all federal, state, and other grants and contracts awarded to JPTA. The BM will prepare the required cash requests, reimbursement reports and invoices necessary for collection of amounts due for various programs, as approved by the Executive Director.

Petty Cash

No petty cash fund will be used by JPTA.

Safeguarding Material Items

Fixed asset inventory records will be maintained by the BM. The inventory database will include asset number, a description of the item, the serial number, the purchase number, the acquisition date, the fund code, and its location. The Executive Director and BM will sign the certification of the annual inventory.

Requests for removal of surplus property, deletions, and discards must be approved by the Executive Director. Equipment will not be removed or discarded without proper documentation and GC approval.

The Secretary will be in charge of checking keys and/or cards in and out. By signing out a key and/or card, the employee recognizes that he/she is responsible for the key and that it can only be used by a school employee or GC member. Further, the employee recognizes that he/she may be required to rekey the building if he/she loses a key with information that could identify the school.

It is the responsibility of the Executive Director or designee to ensure that all doors and windows are locked nightly and any alarm system activated.

Special Revenue Funds

All proposals prepared by school staff for special funding will require administrative approval from the Executive Director.

Anti-Donation Stipulation

JPTA will abide by the Constitution's anti-donation clause indicating that state funds may not be used to improve non-state owned property or leased property.

Reports to the NMPED

The Business Manager will ensure that reports are submitted to the NMPED on the proper forms in a timely manner.

The general ledger will be submitted to the NMPED no later than 30 days after the end of the school's fiscal year.

The BM, with the assistance of the Secretary if necessary, will prepare the documents required for the external auditors selected by the state. The Academy accepts the responsibility of paying for the audit.