

# 4000 Financial Management Policies

Policy #4000, Adopted 3/17/2016

## ***Policy Goal:***

This policy has been prepared to document the internal accounting procedures for Franklin Discovery Academy. Its purpose is to ensure that assets are safeguarded, that financial statements are in conformity with state rules and regulations, and that finances are managed with responsible stewardship. All personnel with a role in the management of Franklin Discovery Academy fiscal operations are expected to uphold the procedures in this manual. It is the intention of Franklin Discovery Academy that this accounting manual serves as our commitment to proper, accurate financial management and reporting.

## ***Philosophy***

This philosophy is governed through conservative methodology in seeking after the best financial position for Franklin Discovery Academy. Accurate bookkeeping and regular audits will maintain fiduciary accountability and integrity in the management in the school finances. It is the philosophy of Franklin Discovery Academy to use the funding received responsibly and efficiently. The expenditures and investments will be carefully analyzed to ensure low risk and achievement of the desired educational outcomes.

## ***General Financial Management***

In general, the Board and Administration of Franklin Discovery Academy (or “Franklin Discovery Academy”) shall manage the financial affairs of Franklin Discovery Academy based on the following guidelines: (1) comply with all applicable laws or bond covenants, if applicable, (2) provide the best educational services to the students of Franklin Discovery Academy consistent with the school’s charter, and (3) get the most effective and cost efficient services possible in all areas at Franklin Discovery Academy.

The Franklin Discovery Academy Board understands that the school is a steward over the financial resources and assets entrusted to them by the state of Utah. The Board recognizes the need to abide by all applicable laws and regulations including the following acknowledgements: (i) fiscal procedures will be consistent with generally accepted financial management standards; and (ii) neither the chartering entity nor the state, including an agency of the state, is liable for the debts or financial obligations of Franklin Discovery Academy or persons or entities who operate Franklin Discovery Academy, unless agreed to in writing with Franklin Discovery Academy.

In accordance with state law, Franklin Discovery Academy, prior to June 30th of the each fiscal year, prepares an annual operating budget for the next fiscal year. The budget is designed so

that Franklin Discovery Academy priorities, as established by the Board, are met. All budgets and budget amendments are Board approved, being voted upon in a public meeting in accordance with the Utah Open and Public Meetings Act. Subject to appropriation limits with object codes and other restrictions, Franklin Discovery Academy reserves the right to reallocate funds from one line item in the budget to another as prescribed by the Board if purchasing practices or conservation result in an expenditure different from the budgeted amount. The Board may choose to add undistributed reserves from Franklin Discovery Academy operational budget to the following year and/or may reallocate them to the current fiscal year's budget, at its discretion. The budget and cash flow projections utilized by Franklin Discovery Academy provide sufficient detail to enable reasonably accurate projections of revenues and expenses, separation of capital and operational items, cash flow, and subsequent audit trail documentation.

In addition, Franklin Discovery Academy understands and complies with all applicable fiscal rules/regulations, including completion and submission of an annual financial audit of the current fiscal year conducted by an independent certified public accounting firm by November 30th of the following fiscal year, submission of October and December student counts in accordance to state mandated deadlines, Utah Money Management reports, wages and benefits negotiation reports, Utah Transparency Act reports and updates, and any other regular enrollment and financial reports as required by the State Office of Education.

Purchases are authorized and carried out in accordance with the Cash Receipt and Fiscal Policies adopted by the Board and the Utah Procurement Code.

Franklin Discovery Academy utilizes a fixed asset inventory system that, in accordance with federal guidelines, tracks all of Franklin Discovery Academy fixed assets. This inventory system is implemented in accordance with Franklin Discovery Academy Capitalization Policy. Franklin Discovery Academy has adopted procedures for the disposal of fixed assets to ensure proper reconciliation of inventory records at the end of the fiscal year. Regular inventory counts are performed, and the Board holds the administration, teachers, and custodial/maintenance staff responsible to inventory items assigned to their classroom, office, or role at Franklin Discovery Academy.

Franklin Discovery Academy assigns a representative to attend school finance and statistics training and all required finance training. Franklin Discovery Academy will continue to take the measures necessary so that its representative(s) attend future trainings as announced or provided to ensure accounting and management of Franklin Discovery Academy resources are in compliance with any revisions to rules and laws governing Franklin Discovery Academy.

### ***Minimum Reserve and Coverage Levels***

Franklin Discovery Academy will maintain minimum reserve and coverage levels that the Board determines are consistent with long-term financial health. The board treasurer, administration,

business manager and accounting staff will regularly monitor the status of reserve and coverage ratios and report that information to the Board. Franklin Discovery Academy will ensure that it satisfies minimum reserve and coverage levels as required by law or applicable bond covenants.

Franklin Discovery Academy will take reserve and coverage levels into consideration when making budgeting, financial planning, and other financial decisions, including decisions regarding major purchases.

### ***Financial Forecasting and Budgeting***

Throughout the fiscal year, the financial manager, administration, and accounting staff will meet regularly to discuss the budget, Franklin Discovery Academy financial status, and any changes. The Board will be fully engaged in the budgetary process and informed of such issues on a regular, monthly basis.

The board treasurer, administrator, business manager and accounting staff will meet to prepare a tentative budget. Franklin Discovery Academy's budgeting philosophy will be to conservatively project both revenues and expenses while achieving the level of accuracy required by state standards. The tentative budget will be circulated to the Board for further review and discussion. The tentative budget will be scheduled for discussion on a board meeting agenda, further discussed, and adopted at the annual board meeting.

As Franklin Discovery Academy receives new revenues, the Board will be updated on new figures. In order to account for these changes, the Board will approve revisions and amendments to the budget over the course of the fiscal year, as needed and appropriate.

### ***Debt and Disclosure (or Post Issuance Compliance)***

Debt: Franklin Discovery Academy will seek to avoid debt to the extent possible. Franklin Discovery Academy's plan is to only assume debt as absolutely necessary or when the benefits of a purchase will, in the judgment of Franklin Discovery Academy's board, benefit Franklin Discovery Academy's students for the life of such debt. The Board recognizes that the ability to take on debt will be governed by the covenants of existing indebtedness and pending indebtedness. Franklin Discovery Academy's accounting staff, administration and financial manager will be informed of the requirements affecting Franklin Discovery Academy ability to incur debt. Any debt assumed by Franklin Discovery Academy will therefore comply with applicable laws and any existing bond covenants.

As economical or in its best interests, Franklin Discovery Academy will seek refunding opportunities to either lower its debt profile, meet bond covenants or other advantageous benefits realized through a restructure of its debt.

Disclosure: Franklin Discovery Academy first issued debt in 2015, and has been committed to complying with all disclosure and post issuance requirements on their debt since that date, and is proud of its record. Franklin Discovery Academy remains committed to full compliance with such requirements on any debt that is Franklin Discovery Academy's responsibility going forward.

Throughout the fiscal year, the financial manager, administration, business manager and accounting staff will meet regularly to discuss how best to comply with all debt obligations using the most effective, efficient and honest methods available. The full Board will be updated at least once a year on the compliance with such requirements.

In the event of a material violation of any post issuance requirement, or allegation by any source of a material violation, the Board of Franklin Discovery Academy will be informed in writing by the financial manager, administration, business manager or accounting staff, and the Board shall meet promptly to discuss how best to deal with the material violation or alleged material violation.

## ***Division of Duties and Internal Controls***

To properly segregate duties and maintain appropriate internal controls within the Board and the School, financial transactions will involve several responsible parties. The following is a list of personnel who have responsibilities within the financial department.

Fiduciary Members: Fiduciary members or authorized signatories for Franklin Discovery Academy are the Chair of the Governing Board, the Executive Director, and the Treasurer of the Governing Board. In the event that one of these members cannot fulfill his/her duties, the Vice Chair of the Governing Board shall have fiduciary responsibilities.

Board of Directors:

1. Reviews and approves all yearly financial reports.
2. Reviews and approves annual budget.
3. Reviews and approves all contracts for goods and services that will exceed \$5,000 in one fiscal year.

Board Chair:

1. Signatory authority for contracts that exceed \$5,000 in one fiscal year.
2. Approves single transactions of greater than \$1,000 (in addition to approval by the Executive Director).
3. Purchasing authority and agent for the planning year and initial operating budget.

Executive Director:

1. Reviews and approves all financial reports.
2. Approves purchase and reimbursement requests of less than \$1,000.

3. Approves purchase and reimbursement requests greater than \$1,000 (in addition to approval by the Board Chair).
4. Delegates budget authority on a budget line item to appropriate school personnel, such as allocating a room allowance to a teacher.
5. With the Business Administrator, develops the annual budget.
6. Reviews pending purchase orders, check reimbursements and check disbursements.
7. Reviews all invoices for those checks which require his or her signature.
8. Reviews bank reconciliations.
9. Ensures all state and federal reports are submitting in a timely manner.
10. Purchasing authority and agent for the planning year and initial operating budget.

#### Business Manager:

1. Reviews the payroll summary for the correct payee, hours worked and checks amount.
2. Processes the payroll, including payroll tax returns.
3. Disburses all payroll checks.
4. With the Executive Director helps develop the annual budget.
5. Processes all receipts, disbursements, and reimbursements.
6. Prepares cash receipts and verifies all cash deposits made by staff.
7. Takes all deposits to the bank.
8. Prepares all financial reports.
9. Reconciles the bank accounts.
10. Reconciles the statement of credit card deposits and service charges.
11. Double checks all reimbursement requests against receipts provided.

#### Front Office Employee

1. Act as purchasing agent.

#### Operations Employee

1. Acts as receiving agent.
2. Documents receiving of purchased items.
3. Reviews packing slips and ensures accuracy of items received.
4. Ensures all items paid for are received.
5. Returns items that are sent in error.
6. Enter assets into the asset tracking system
7. Distribution of inventory and assets to their appropriate school location.

## ***Electronic Records***

As described in the Record Management Policy (a subsection of the Governance Policy), the Governing Board encourages, and in some instances requires, that records be maintained in an electronic format. Records are maintained and stored according to the Records Management Policy. Documents covered under the Records Management Policy should be maintained electronically. Administrative and financial procedures should be set up in a way that records

are created electronically at the beginning without the need for intermediate physical records. Processes should begin and end electronically whenever feasible. Processes will include the necessary steps for electronic back-ups.

For purposes of this policy, an electronic signature (including email) shall be considered the same as a written signature. Electronic records should be maintained in a way that creates an audit trail of who created or modified an electronic record.

## ***4100 Fiscal Policies***

### Capitalization Threshold

An asset is defined as physical property with value in excess of \$5,000 and has a durable life in excess of 2 years.

Assets will be tracked using an electronic tracking system. Information included in the asset tracking will include date purchased, price, vendor, durable life, and current location of the asset at the school.

### Bank Accounts

The Board may authorize bank accounts for general or specific purposes. School assets shall be kept at any bank or financial institution that is approved by the Utah Money Management Council. All bank accounts shall be reconciled as often as statements are available, typically monthly.

### Budgets

A planning budget, developed by the Business Manager and the Executive Director, will be presented in April. The annual budget will be submitted for adoption to the Governing Board before May 30th each year. Monthly operational budgets, with actual from previous months, will be presented at the monthly Board meetings.

Annually a budget is given to the teachers in order to purchase required classroom supplies. Any amount spent outside of the budgeted amount must receive prior written approval from a fiduciary or that dollar amount will not be reimbursed.

### Financial Reporting

An independent auditing company will complete all required financial reporting and may include the Fall Enrollment Count and IRS form 990. The Executive Director will work closely with the auditing company to insure all information required is provided.

## Compliance

Franklin Discovery Academy will comply with all federal and state mandated financial policies. All financial policies and procedures will be in accordance with the state approved charter and Franklin Discovery Academy Bylaws.

## Donations

Donations may be requested from local sources such as businesses, student families, and corporate partnerships. Donations may be restricted by the donor. Any restrictions imposed by the donor must be approved by the Governing Board. Unrestricted donations may be dispersed at the discretion of school administration. Asset donations become property of the school. Restricted donations will be used in accordance with the restriction, but also become property of the school.

## Fundraising

Fundraising is generally permitted within the school to allow the school to raise additional funds to supplement school-sponsored academic and co-curricular programs. Fundraising at the school level is only authorized and administered by the Director. The Board shall annually review the fundraising activities of the school and of all activities that support or subsidize the school. The Board shall ensure that revenues raised during fundraising activities or through activities that support the school (local funds) are raised within established cash handling policies. All expenditures shall be made in accordance with established school policies and procedures. The Board shall ensure that all activities of fundraising and parent organizations are adequately reviewed and considered with the school's insurer to evaluate and manage risks associated with such activities. All monies raised through fundraisers for school-sponsored activities are considered public funds. This includes all donations to the school, regardless of whether or not such donations are part of any fundraising activity or event;

## Purchase Requests

All purchase requests must be approved by the Executive Director. The director may delegate purchasing authority for specific budgetary line items. Planning year and first operating budget purchase requests may be approved by the Governing Board chair.

## Reimbursement

Before purchasing any item, approval must be given by a fiduciary. After a purchase is made, receipts are submitted for approval and storage in the electronic record keeping system. Reimbursement by the business manager will be made for appropriately submitted receipts.

## Political Contributions

No funds or assets of the school may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office. Following are examples of prohibited activities:

- Contributions by an employee that are reimbursed through expense accounts or in other ways;
- Purchase of tickets for political fundraising events;
- Contributions in-kind, such as lending employees to political parties or using the school's assets in political campaigns.

## Record Keeping

To provide an accurate record of all financial transactions (a good audit trail), 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, in either electronic or printed format as appropriate or directed by the Records Retention Policy. Audited financial statements certified by an independent auditor will be prepared annually using a modified accrual basis of accounting as directed by state requirement. Further, the school specifically requires that:

- 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;
- Receipts and disbursements must be fully and accurately described in the books and records;
- No false or fictitious vendors, invoices or entries may be made on the books or records nor any false or misleading reports issued.

Records will be stored and maintained in accordance with the Record Management Policy in Section 1000.

## Security of Financial Data

The school's accounting software will be maintained to ensure that adequate internal controls and security measures are established to minimize unauthorized access to school data (i.e., proper password protection). The system's accounting data shall be backed up periodically to ensure the recoverability of financial information in case of failure. The backup file(s) must be stored separately and properly secured. All other financial data, petty cash box(es), check stock, etc. will be secured from unauthorized access.

## Audit

The Board contracts annually with a qualified independent certified public accounting firm to conduct a fiscal audit of the school's financial records and statements. The audit is performed 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). The selected firm must be familiar with these standards and related state regulations in order to properly conduct the fiscal audit.

## Audit Committee

The Board shall establish an audit committee per Administrative Rule R277-113, comprised exclusively of Board members, which shall:

- Seek to understand its role and duties as outlined in the GFOA Audit Committees guide;
- Review, audit and initial original bank statements and account reconciliations from the accounting system for each period reconciled;
- Review, in a public meeting, audit reports provided to the Committee directly by outside firms;
- Review the school's risk assessment processes and procedures to ensure adequate internal controls are maintained;
- Ensure timely resolution of matters reported by internal audits or by outside firms;
- Ensure that outside firms are selected through a competitive-bid process;
- Be responsible for the appointment, compensation, retention, and oversight of the work of any independent accountants engaged for the purpose of preparing or issuing an independent audit report or performing other independent audit, review, or attest services;
- Periodically review this policy, no less than once every five years, to assess its continued adequacy;
- Possess knowledge of and experience in finance, auditing, or accounting if possible;
- Review the annual audit, and any other work performed by a contracted auditor, prior to its submission to any outside party or authority, and report to the Board that it has discussed the financial statements with management, with the independent auditors in private, and privately among committee members, and believes that they are fairly presented, to the extent such a determination can be made solely on the basis of such conversations.

## ***4200 Procurement Policy***

Purpose: To establish policy and procedure governing the initiation, authorization, and review of all expenditures of Franklin Discovery Academy.

Scope: These policies, guidelines, and procedures are applicable without exception to all funds owned or administered by Franklin Discovery Academy. All expenditures of Franklin Discovery Academy are to be consistent with applicable state and federal laws and regulations; any restrictions, rules, or regulations placed on the use of the funds by donors and granting agencies; and prudent management practices. In addition, all expenditures must be reasonable and necessary for carrying out the programs and activities of Franklin Discovery Academy. This policy applies to all Franklin Discovery Academy administration, licensed educators, staff, students, organizations, and individuals that initiate, authorize, or process cash disbursements

on behalf of Franklin Discovery Academy. The scope includes all activities at Franklin Discovery Academy and in all locations where Franklin Discovery Academy activities and public funds are expended.

It is expected that in all dealings, Franklin Discovery Academy employees will act in an ethical manner that is consistent with Franklin Discovery Academy's code of ethics, the Utah Educators' Standards, the Public Officers' and Employees' Ethics Act, and State procurement law.

Segregation of Duties: Wherever possible, duties such as custody of purchase cards and blank checks, initiating expenditures, approving expenditures, maintaining electronic or physical documentation, issuing checks or ACH deposits and reconciling records should be segregated among different individuals. When segregation of duties is not possible due to small size and limited staffing, compensating controls such as management supervision and review of cash disbursement records by independent parties should be implemented.

#### Definitions:

1. "Public funds" are defined as money, funds, and accounts, regardless of the source from which the funds are derived, that are owned, held, or administered by the state or any of its political subdivisions, including Franklin Discovery Academy [Utah Code 51-7-3(26)].

#### General Policies:

1. All checks or check stock, credit/purchase cards, access to bank accounts and statements, etc. shall be secured and controlled by the Executive Director, the Board Chair or Board Treasurer.
2. All disbursing of funds at the school should be done through the Executive Director, the Board Chair or Board Treasurer.
3. Expenditure transactions must be approved by an individual having sufficient knowledge and authority to evaluate the transaction for reasonableness and appropriateness. The school shall designate employees by title or job descriptions who are authorized to approve various dollar amount levels of disbursements.
4. All expenditures made using cash, checks, credit/purchase cards, electronic fund transfers, etc. shall be recorded in Franklin Discovery Academy's accounting records.
5. Passwords should be established on user access to the accounting system and changed periodically.
6. Checks should be made payable to specified payees and never to "cash" or "bearer."
7. All disbursement activity should be substantiated by supporting documents. Documents should be available, and should demonstrate that proper disbursement controls are in place (written or electronic approvals, written or electronic purchase requests, receipts, invoices, bids or quotes, reimbursement requests, travel forms, journal entries, reconciliations, etc.).
8. Quotes shall contain the following information:
  - a. Date received or dates that the quoted price is valid, delivery date
  - b. Company name, address, salesperson

- c. Each item, description or specifications, unit, total price, and quantity listed
  - d. Shipping and freight charges
  - e. Salesperson and contact information
  - f. Vendor, Franklin Discovery Academy employee name and position
9. Quotes may be obtained and documented by recording pages from a website; however, all of the quote elements must be documented. Better prices are usually obtained by contacting vendors directly. Telephone quotes must be documented and include all quote elements. Written quotes should be requested on vendor's letterhead.
  10. Bank and credit card statements should be reviewed and accounts reconciled in a timely manner. Activity accounts should be reviewed quarterly by the custodian of the activity.
  11. The school must comply with applicable Franklin Discovery Academy and state purchasing laws.
  12. Expenditures will follow the guidelines outlined in the State Procurement Code (Utah Code 63G-6a) and federal purchasing laws.

## Franklin Discovery Academy Procurement Thresholds:

### Purchasing

All purchasing will follow the Utah procurement code as applicable to a public entity. In accordance with that code, purchasing will following these steps.

Purchases under \$1,000 require no bid process and may be purchased as an expense with approval from one fiduciary member.

Asset purchases between \$1,000 and \$50,000 require an informal bid process, using at least two different vendors. Documentation of the bid process must be maintained. The exception to this requirement is if the purchase is through a state approved vendor. As required by procurement code, asset purchases are required to be made with price being given the most weight in selecting the vendor. These purchases require approval from the Governing Board. Typically, these expenses are included in the annual budget approved by the Governing Board. If the expense is included in the approval annual budget, no further approval from the Board is required. The budget will serve as approval.

Non-asset/service purchases between \$1,000 and \$50,000 do not require a bid process if only one service provider exists or there is only one service provider in a reasonable geographic area. If multiple companies provide the same service, an informal bid process is required. Documentation of the process must be maintained. If no bid process is required, a statement to the fact should be included with the invoice. For professional services, other factors besides prices may be considered, including qualifications of the service provider, reputation, references, and ability to meet time requirements. These purchases require approval from the Governing Board. Typically these expenses are included in the annual budget approved by the

Governing Board. If the expense is included in the approval annual budget, no further approval from the Board is required. The budget will serve as approval.

All purchases over \$50,000, regardless of the nature, must have a formal bid process (as described in Utah Procurement Code) and require Governing Board approval. A justification for these purchases should be made both in writing and verbally to the Governing Board a minimum of 30 days prior to purchase. These purchases should be included in the approved annual budget.

Hospitality Gift: "Hospitality gift" means a promotional or hospitality item, including, a pen, pencil, stationery, toy, pin, trinket, snack, nonalcoholic beverage, or appetizer. This does not include money, a meal, a ticket, admittance to an event, entertainment for which a charge is normally made, travel, or lodging (Utah Code 63G-6a-2304.5). Utah Code 63G-6a-2304.5 states that the total value of all hospitality gifts given, offered or promised to, or received or accepted by, the "procurement participant" or "contract administrator" in relation to a particular procurement or contract must be less than \$10; the total value of all hospitality gifts given, offered or promised to, or received or accepted by, the "procurement participant" or "contract administrator" from any one person, vendor, bidder, responder, or contractor in a fiscal year must be than \$50. Any hospitality gift exceeding the \$10 and \$50 threshold is considered a gratuity, and the provisions below apply. Gratuities shall not be accepted and are subject to provisions and penalties in Utah Code.

## Cash Disbursements:

### General Procedures

- Franklin Discovery Academy's tax exempt status number should only be used in conformity with the Utah State Tax Commission's guidelines.
- Franklin Discovery Academy has designated State Procurement Code as its purchasing policy.
- If an outside entity reimburses employee expenses (meals, travel, etc.), these expenses should not be submitted to Franklin Discovery Academy for reimbursement.
- No disbursing of funds is to be done in other offices or at unapproved off-site activities or functions.
- Purchases of goods or services for personal use or personal benefit of any amount are strictly prohibited.
- Any purchases should be equitable for both male and female students and comply with Title IX.

### Reimbursement Requests

- Employees seeking reimbursement for Franklin Discovery Academy expenditures made with employee funds must submit appropriate documentation, electronically or in writing, and approved by the employee's immediate supervisor. An administrator or board employee's immediate supervisor may be the director or board chair.

- Supporting documentation, including detailed receipts and justification for departure from the standard purchase order process, is required. Authorization must be documented by the immediate supervisor.

#### Franklin Discovery Academy Issuance of Checks

- All checks, check stock, access to bank accounts, and bank statements shall be kept secured and controlled by the Executive Director, the Board Chair or Board Treasurer.
- An employee who does not have the ability to issue checks shall review the issued check and accompanying supporting documentation to ensure all policies and procedures are followed prior to signing the check
- Each disbursement shall be substantiated with supporting documentation, such as an invoice, receipts, quotes (according to the procurement policy above), reimbursement information, contracts, travel information, etc. All expenditures shall be recorded in Franklin Discovery Academy's accounting records.
- Signature stamps should not be utilized, and blank checks or checks made payable to "cash" or "bearer" should never be signed.
- It may be necessary to void a check. If this occurs, the word "VOID" should be written on the check, and the actual check shall be retained.

#### Journal Entries/Electronic Fund Transfers

- All electronic fund transfers and journal entries shall be kept secured and controlled by the accounting/front office with limited access. Password should be kept secured and changed periodically.
- Each journal entry or electronic fund transfer should be substantiated by supporting documentation.
- Each journal entry or electronic fund transfer should be recorded in Franklin Discovery Academy's accounting records.
- Administration or an individual without cash disbursement duties shall document approval of journal entries or electronic fund transfers.
- Periodically, Franklin Discovery Academy's finance committee or designee should review and approve the journal entries and electronic fund transfers.
- Review process:
  - Monthly, bank reconciliations) should be performed on all Franklin Discovery Academy-approved accounts, including credit card transactions. If the bank reconciliation is completed by someone who has access to the accounting system and the bank accounts, it should be reviewed and approved by another person, such as the Executive Director or director, or a member of the finance committee or board.
  - Monthly, administration should review bank statements and bank reconciliations, as well as credit card statements, and document the review and approval. Franklin Discovery Academy's finance committee or Franklin Discovery Academy management should ensure that monthly bank reconciliations and credit/purchase card statement reconciliations are occurring.

- Periodically, administration or designated members of management shall review cash disbursements to verify that all Franklin Discovery Academy and State policies and procedures are being followed.

## ***5201 Cash Receipts Policy***

**Policy Purpose:** To establish Franklin Discovery Academy policy and procedure for the handling of all cash receipts, to include currency, coin, checks, ACH transactions, and credit card transactions. These policies should mitigate theft, fraud, carelessness, and human error.

**Scope:** This policy applies to all Franklin Discovery Academy administration, licensed educators, staff, students, organizations, and individuals that handle cash receipts or accept payment in any form on behalf Franklin Discovery Academy. The scope includes all activities at the school and in all locations where Franklin Discovery Academy activities and public funds are collected.

**Segregation of Duties:** Wherever possible, duties such as collecting funds, maintaining documentation, preparing deposits and reconciling records should be segregated among different individuals. When segregation of duties is not possible due to limited staffing, compensating controls such as management supervision and review of cash receipting records by independent parties should be implemented.

**Definition:**

“Public funds” are defined as money, funds, and accounts, regardless of the source from which the funds are derived, that are owned, held, or administered by the state or any of its political subdivisions, including Franklin Discovery Academy. [Utah Code 51-7-3(26)].

**Policy:**

1. Franklin Discovery Academy will comply with all applicable state and federal laws.
2. Provisions should be made for cash receipting/collection at approved off-site activities or functions.
3. Appropriate internal controls and segregation of duties should be implemented for all cash activity.
4. Periodic reviews should be performed for all cash activity. Bank reconciliations should be performed monthly on all school-approved accounts. Bank statements and reconciliations should be approved monthly by a board member and school administration during the finance committee meeting.
5. All activities involving cash must be supervised by a Franklin Discovery Academy employee or authorized volunteer to ensure adequate controls are in place.

Petty Cash

Petty cash funds may be established for incidental, non-recurring cash advances, local expense reimbursement, and small-dollar vendor purchases, provided proper documentation is furnished with each request. No fund shall exceed \$500 or individual payment shall be greater than \$100. Petty cash funds are recorded on the balance sheet as a cash account. The petty cash account is balanced periodically by the business office.

### Administrative Rules:

1. All receipting of funds at the school should be done at the front office through the financial secretaries. No receipting should take place in the classroom or in unapproved off-site locations. Employees shall instruct payers to take all cash, checks, credit card transactions to the front office for receipt.
2. All funds (cash, checks, credit card payments, school lunch funds, etc.) received must be logged and recorded in the school's accounting records. A Franklin Discovery Academy employee independent of the cash receipting process shall verify that the daily receipt or register detail reconciles to the validated deposit slip. Passwords should be established on the accounting system computers and changed periodically.
3. All funds shall be kept in a secure location controlled by the front office until they are deposited in a school-approved fiduciary institution. Funds should be deposited within three days after receipt, in compliance with Utah Code 51-4-2(2)(a), in a school-approved account. Cash receipts should not be taken home by employees or volunteers, or left in classrooms.
4. Cash count sheets will be used for cash receipts at school-sponsored activities after hours or off-site. These sheets will be completed by two individuals, signed by a member of school administration on the day of the collection, and retained for verification in the daily receipt or register detail.
5. All checks are to be made payable to Franklin Discovery Academy. Checks are not to be made payable to an employee, a specific department, or a program.
6. Franklin Discovery Academy employees and volunteers associated with school-sponsored activities should not open bank accounts, outside of the control of Franklin Discovery Academy, for the receipting or expending of public funds associated with school-sponsored activities.
7. Mail should be opened by an individual independent of the cash receipt process, and funds received should be documented on a cash receipts log.
8. Internal Controls may include tickets, deposit slips, cash tally sheets, receipt registers, cash reconciliations, reports, etc. Cash should always be verified. Where verification is difficult, cash should be counted by two individuals.
9. Documents should be available, and should demonstrate that proper cash controls are in place (deposit log, reconciliations, etc.).
10. Under no circumstances are disbursements to be made directly from cash receipts (i.e., for purchases, reimbursements, refunds, or to cash personal checks).
11. Training should be given to those involved in handling cash.
12. Detailed activity budget vs. actual statements should be reviewed by program directors, coaches, teachers, etc. on a quarterly basis for accuracy and reasonableness.

13. All payments of fees shall correspond with the approved fee schedule, as required by Board Administrative Rule R277-407.

### ***5103 Asset Depreciation / Disposal***

#### **Assets**

A fixed asset inventory list will be maintained by the business office to ensure compliance with state code.

#### **Depreciation**

All purchases of assets with an expected life of 2 years or more with an individual cost of \$5000 or more will be depreciated. A list of depreciable assets with an original purchase price net accumulated depreciation will be kept by the business office. Assets will be depreciated according to the following schedule:

- Office/Computer Equipment 3 to 5 years
- Furniture and Fixtures 5 years
- Leasehold Improvements 5-10 years
- Buildings 37-40 years

Franklin Discovery Academy has adopted procedures for the disposal of fixed assets to ensure proper reconciliation of inventory records at the end of the fiscal year. Regular inventory counts are performed and the board holds the administration, teachers and custodial/maintenance staff responsible to inventory items assigned to their classroom, office or role at Franklin Discovery Academy.

The board finance committee shall review all asset disposals and reconcile the budget accordingly.

### ***5200 Risk Management***

As a nonprofit corporation and public school, Franklin Discovery Academy shall actively seek to avoid unnecessary risks to the greatest extent possible. Franklin Discovery Academy shall always maintain insurance at the highest amount that is either (a) required by law, (b) required by existing bond covenants, (c) is reasonable and customary for a Utah Charter School, or (d) is considered prudent by Franklin Discovery Academy's board after consulting with qualified professionals. In the event any material risk is identified by Franklin Discovery Academy's board or administration that is not covered by existing insurance, a qualified professional shall promptly be engaged to evaluate such risk and recommend the appropriate action.

The board will work with qualified professionals to recognize and avoid risks associated with its governance of Franklin Discovery Academy. In particular, the board will be cognizant of financial risks that are addressed by the provisions above, compliance with applicable laws, including but not limited to the Utah Open and Public Meetings Act and the Government Records Access and Management Act. The Board will periodically review the policies that it has adopted to ensure that it has all necessary policies in place and that the policies that have been adopted comply with current law, adequately address issues at which they are aimed, and cover all areas requiring board guidance. The Board may periodically request that the Administration provide evidence that Board Policies are being complied with. In the event the board learns that policies are not being complied with, it will request the Administration to create a plan to remedy any deficiencies and establish procedures to ensure that the policies are complied with in the future.

The Administration is also directed to work with qualified professionals, including Red Apple Financial and loss control representatives of Franklin Discovery Academy insurer, to recognize, manage and avoid risks associated with the operation of Franklin Discovery Academy. In particular, the Administration will be cognizant of risks associated with human resources activities, student safety and security, facility matters, and state and federal legal compliance, including civil rights issues. The Administration will establish administrative procedures in order to address key issues pertaining to Franklin Discovery Academy operations and will ensure that all Franklin Discovery Academy employees and, to the extent necessary, students and parents, are aware of such procedures. The Administration will periodically review and revise administrative procedures in order to ensure that they adequately address the pertinent issues and are consistent with Franklin Discovery Academy situation and needs.