



## **Kua O Ka Lā New Century Public Charter School**

### **Fiscal/Financial Policies and Procedures**

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# KUA O KA LA PUBLIC CHARTER SCHOOL

## Fiscal/Financial Policies

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## **Introduction:**

Kua O Ka Lā Public Charter School, as a government entity, has the responsibility to ensure that the community has confidence and believes in the integrity of the School's activities. A set of internal controls and operational procedures have been created to promote operational efficiency and effectiveness, provide reliable financial information, safeguard assets and records, encourage adherence to prescribed policies, and comply with applicable laws and regulations. This manual addresses tasks and functions for the effective and efficient operations of Kua O Ka La Public Charter School. The Manual is intended to be used as a reference by administrators and staff members that have Budgetary and Finance responsibilities. Its purpose is to provide an efficient, control and accountability system that will help assure appropriate use of public funds. It must be understood that the principles of the manual are based on Generally Accepted Accounting Principles (GAAP). The main objectives of internal control include the following:

- **Validity**-To ensure that all financial transactions are recorded, that they are soundly supported by appropriate documentation and that the accounting records report the true financial position of the School in a clear manner. This ensures they can be relied upon with confidence to provide a basis for informed financial decision making.
  
- **Authorization**-To ensure that transactions are properly authorized and processed by persons acting within their designated authority.
  
- **Completeness and Accuracy**-To give assurance that the financial records include all transactions and that these transactions can be completely verified. That nothing is omitted either purposely or by mistake, and that the financial reports represent the whole picture of the School's financial position.
  
- **Timeliness**-To ensure that all transactions are recorded as close as practicable to the time of occurrence, so that at all times the accounting records reflect the actual situation and can be verified.
  
- **Security**-To provide assurance of the safe keeping of assets and records.
  
- **Physical Existence**-To ensure that all assets are recorded on the inventory.

These policies and procedures will be reviewed and signed off annually by the members of the Administration team. (effective 6/2019)

## **Payroll:**

The Principal and the Governing Board have the oversight over hiring employees.

Pay will be based on the appropriate union scale. The Fiscal Manager, Principal, and Office Manager will provide the oversight over internal controls over payroll. Altres Payroll Services and the State of Hawaii's Financial Management System (FMS) is utilized for payroll purposes.

### *Internal Controls*

- Salaries and wages will be approved by the use of a Personnel Action Form.
- The process of entering payroll data and reviewing/submitted payroll data will be separated.
- Any changes to pay will require written documentation and must be signed and approved by the Principal.

### *Policy & Procedure – Newly hired employees*

1. The Principal will initiate the request for new employees based upon the Governing Board approved budget.
2. The Principal, and Office Manager will collaborate to determine the appropriate union scale, if applicable, based on the experience of the individual to be hired.
3. If the employee is to be paid using FMS or Altres, the Office Manager will ensure the proper documentation is timely submitted to the Public Charter School department and/or DOE.
4. The Office Manager will forward a copy of the Personnel Action Form to the Fiscal Manager for payroll file.
5. All paperwork will be filed in the employee's file and retained as required.
6. Any changes to pay or withholdings will be completed and signed and approved by the Principal.

### *Payroll Processing*

1. All non-exempt employees must either sign in each day or complete a timesheet on a daily basis.
2. On the day prior to payroll processing, hourly employees must turn in their timesheets to the Human Resources for approval.
3. Hours for all Altres-paid employees will be entered into the system and the Fiscal Manager will be informed of its completion.
4. The Office Manager will log into the Altres Solutions system and run a trial register. The register will be compared to all Personnel Action Forms and timesheets, ensuring the proper pay and time records for each employee. Any discrepancies will be investigated and corrected, if needed, by the Fiscal Manager.
5. The Fiscal Manager will then review and submit the payroll for processing
6. Payroll will be delivered by the bank by the Fiscal Manager.
7. Approved trial registers and processed Altres reports will be filed together by the Fiscal Manager, who will then be responsible for entering the information into QuickBooks.

### **Cash Receipts:**

This process will include the Fiscal Manager, Principal, Governing Board Treasurer, and Registrar to ensure the safety and integrity of the asset (i.e. cash) is protected against misappropriation. The School must record cash receipts completely and accurately.

#### *Internal Controls*

- The pickup and opening of mail is assigned to an employee with responsibilities independent of access to the files or other documentation related to accounts receivable or cash.
- Electronic fund transfers will be utilized whenever feasible to accelerate deposits and increase safety of funds.
- Cash and other receipts are counted by at least two people together.
  - All cash and other receipts will be stored in a secure location with limited and secure access, and deposits are made in a timely fashion.

### *Procedure*

1. All mail will be picked up and opened by the Registrar. A postal log is kept of all incoming mail. If checks are received, they will immediately be stamped which include the received date and initialed and then given to the Fiscal Manager who confirms the receipts of the checks on a log and initials the log.
2. If cash or checks are received by the front office, a receipt book will be utilized. The receipts will be in triplicate and numbered. One copy will be given to the payer, one will accompany the cash or check, and the third will remain in the receipt book. The receipt will include the name and signature of the payer, amount and purpose of payment, the form of payment, and a signature of the office staff making the collection.
3. The Fiscal Manager will make a copy of all checks received.
4. On a weekly basis, or upon receipt, deposits are prepared by the office staff and brought to the bank for depositing.
5. The verified deposit slip, along with copies of the checks and associated receipts are attached together and given to the Fiscal Manager for recording into QuickBooks.
6. The Fiscal Manager will be responsible for filing all deposit documentation.
7. The Principal and Board Treasurer will review the bank statement on a monthly basis for any abnormalities. The signed bank statement is then forwarded to the Fiscal Manager for reconciling and filing.

### **Accounts Payable/Disbursements:**

The Principal, Fiscal Manager, and Governing Board Treasurer each have a part in the processing of accounts payable disbursements. Only valid accounts payable transactions based on documented vendor invoices, or other approved documentation shall be recorded as accounts payable. Vendors and suppliers are paid as their payment terms require, taking advantage of any discounts offered.

### *Internal Controls*

- Pre-numbered checks and dual signatures are required. (For checks over \$500.)
- Approved purchase order is matched to invoices and other source documentation.
- Separation of duties should occur to the extent possible given the size of the School.
- The Principal will receive the bank statement monthly and review copies of all canceled checks for abnormalities. The Principal will sign the bank statement upon completion of the review.
- The Board Treasurer and Principal will provide a second review of the bank statement, via email and will send it back signed indicating approval.

### *Approval to Purchase*

1. Purchase orders are required for all goods and services. A completed Purchase Order Form is submitted to the Principal for approval.
2. The Principal and Fiscal Manager will, when necessary, meet to discuss and review the purchase order to the budget to ensure funds are available for the expense.
3. The Principal (Governing Board Treasurer for a Principal's request not to exceed \$250.00) will review and approve the Requisition, noting the funding source and expense account for the purchase.
4. Once approved, the purchase order is submitted to the Fiscal Manager for ordering and processing.
5. When the purchase is completed, all supporting documentation is attached to the purchase order and filed by the Fiscal Manager in preparation for payment.

### **Employee Reimbursement**

1. Pre-approval for purchases is required before any reimbursements are granted.
2. Employee reimbursements require written via P.O. approval by the Principal (Governing Board Treasurer for a Principal's request not to exceed \$250.00). A completed Employee Reimbursement Form is submitted to the Principal, Development Director or Governing Board Treasurer for approval.
3. A completed request will include original receipts and/or all other applicable source documentation.
4. The Principal will review the form, noting the funding source and expense account for the purchase, a comparison of the budget to actual will be made and then the Principal will approve as deemed necessary.
5. The Principal will forward the completed and approved Reimbursement Form to the Fiscal Manager for processing
6. The Fiscal Manager will attach the approved reimbursement form, source documentation, and a check stub and file.

### **All Other Payables and Disbursements**

1. The process begins with the Principal (Governing Board Treasurer for a Principal's request not to exceed \$250.00) approving the Requisition.
2. Once approved, the invoices are forwarded to the Fiscal Manager for processing. Checks are processed on a weekly basis, or as needed.
3. Checks are attached to source documentation and returned to the Principal for final approval and signature.
4. A copy is kept of all signed checks.
5. The Fiscal Manager will then file the source documentation with the check stub.
6. All temporary and blank unused checks are kept in a locked cabinet with dual control access only by the Principal and Fiscal Manager.

### **Travel**

1. A Requisition Form (current) and Travel Request Form (effective 5/2019) must be filled out and approved by the Principal. Other source documentation /evidence of the trip purpose should be included ie. Agenda, flyer, invitation.
2. If the trip is approved, the following expenses will be covered by the School: a. Air fare (economy only) b. Train (economy only) c. Bus (economy only) d. Car (economy/least expensive) e. Accommodations (least expensive) f. Conference or applicable convention fees g. Meals (see §34-2019 GSA) h. Parking (economy only)
3. Employees seeking reimbursement for travel expenses must complete a Reimbursement Form and submit receipts and all other source documentation stapled to the form where personal funds were used.
4. The completed Reimbursement Form is submitted to the Principal for approval, then turned over to the Fiscal Manager for processing, where procedures for all other employee reimbursement will be followed.
5. Travel purchases with a school credit card need a Purchase Order Form completed and approved. Upon completion of the travel, all source documentation will be provided to the Fiscal Manager.
6. If a trip is funded using Federal funds, a boarding pass, itinerary of event, must be provided.



## **Credit Cards and Other Liabilities**

*Debit card & ATM policy. This policy prohibits the use of school debit cards unless they are coded to block cash withdrawals, and is aligned with the procurement policy. No ATM cards are permitted.*

*Credit cards - This policy prohibits the use of school credit cards for personal purchases or expenses or to circumvent the procurement policy. Additionally, credit cards must be paid in full before incurring any interest or debt and in accordance with HRS 37D-2. Line of Credit This policy prohibits the school from entering into any agreement to establish a line of credit with any bank or institution.*

1. The use of credit cards will be limited to the Principal, and other Board approved card holders. Cards to be kept under lock and key and accessed by the Fiscal Manager.
2. The Governing Board will be responsible for approving any changes to card holders and card limits.
3. Any purchases made by the assigned card holder require approval by the Principal or Governing Board Treasurer. A Purchase Order Form must be signed and forwarded to the Fiscal Manager when completed.
4. After the approved purchase is made, an original receipt must be provided to the Fiscal Manager within (5) days of purchase.
5. The Principal or Governing Board Treasurer will review all credit card purchases on the bank statement. Oversight for the Principal purchasing is performed by the Board Treasurer when the bank statement is reviewed. (effective 4/2019)
6. Credit Card statements are received, opened, and stamped by the Registrar. The statements are then provided to the Principal and Governing Board Treasurer for review and signing.
7. The Fiscal Manager will ensure the QuickBooks system reflects the outstanding balance of all credit cards, ensuring a zero balance occurs each month.

## **Bank Statements & Reconciliations**

### *Internal Controls*

- Bank statements are received and reviewed by the Governing Board Treasurer within one week of receiving the bank statement.
- Bank statements will include copies of check images.

The bank and credit card reconciliations will be performed by a Board approved external CPA.

- The bank reconciliation will be reviewed by the Principal on a monthly basis and signed off by the Principal. Any missing receipts must be reported by the Fiscal Manager to Principal on a monthly basis.

### *Procedure*

1. Bank statements are received, reviewed and signed off on by the Governing Board Treasurer via email.
2. The Principal or Governing Board Treasurer will review the cancelled checks and deposits, noting any unusual items or discrepancies. The Principal and the Fiscal Manager will collectively investigate any abnormalities, and if unresolved, will bring to the attention of the Board Finance Committee.
3. Once reviewed, a copy of the bank statement is forwarded to the Fiscal Manager to be reconciled.
4. When completed, a print out of both the summary and detail report will be turned over to the Principal, who will review for accuracy. Outstanding items will be reviewed and discussed.

## **Petty Cash**

### *Internal Control*

Petty cash will be handled solely by the fiscal Manager and will be physically secured by use of a locked cabinet located in the office. At no time will cash on hand exceed \$100. All school purchases will be made by checks/credit card and only those purchases that are required immediately and are under \$100 may petty cash be used. These purchases using petty cash will require the submission of original receipts and/or other source documentation.

### *Procedure*

1. The petty cash procedure is initiated by an employee requesting a purchase for less than \$100.
2. The Principal will be the authorizer over the approval and disbursement of the funds. (Governing Board Treasurer for a Principal's request above \$250.00)
3. If approved, the Fiscal Manager will issue the appropriate amount of funds to the employee and enter the date, amount involved, purpose, and employee's name onto a Petty Cash log.
4. The employee will return original source documentation to the Fiscal Manager within one day and any differences between the amount requested and amount paid will be reconciled. Unspent funds will be returned to Petty Cash.
5. On a monthly basis, or as the funds require replenishing, the log of disbursements and corresponding vouchers will be reconciled by the Fiscal Manager, signed off by the Principal and reconciled in the QuickBooks account. A check will be prepared upon the Principal's approval to replenish the Petty Cash fund.
6. Any discrepancies to the Petty Cash log will be immediately brought to the attention

of the Governing Board Treasurer and investigated.

7. Petty cash will be kept under dual custody access in a locked box.

### **Physical Property & Equipment:**

Kua O Ka La Public Charter School will maintain detailed records of all its property and equipment exceeding \$500.00. All acquisitions of property and equipment must be based on the approved annual budget, and subsequently approved by the Principal. A physical inspection shall be performed at the end of each School year and any lost or misappropriated equipment must be recorded and accounted for (either through a Lost/Damage/Theft Report).

Fixed assets will be recorded at their initial cost plus any related incidental costs. If an asset is recorded with a corresponding liability, such as a capital lease, the asset will be recorded at the present value of the payments. All fixed assets with a cost of \$1,000 or greater will be capitalized and depreciated using the straight-line method based on the following schedule of estimated useful life:

- Computers 3 years
- Office Equipment 5 years
- Vehicles 5 years
- Office Furniture 7 years Leasehold Improvements The greater of the life of the lease or 5 years
- Building Improvements 20 years
- Buildings 30 years

### *Internal Controls*

- An online inventory will be updated with all incoming equipment and will reflect any items no longer in use.
- Disposal of any items requires the use of an Asset Disposal Form ([asset disposal form.xlsx](#)) and must be approved by the Principal. (new form effective 5/2019)

### *Procedures*

1. When equipment is purchased, the Fiscal Manager or Office Clerk will ensure the equipment ordered and shown on the receipt is entirely accounted for upon the delivery of the physical equipment.
2. The Fiscal Manager or Office Clerk will tag each item with the following information:
  - a. purchase School's name
  - b. bar code. If the item is purchased using Federal funds, then the tag needs to include the Federal Program ID number.
3. A detailed log will be updated by the Fiscal Manager or Office Clerk which includes the information on the tag, and additionally includes the location of the item and the assigned individual in charge of the location of the equipment.
4. Only after being tagged is the equipment to be disbursed to the appropriate place.
5. The Fiscal Manager or Office Clerk will ensure all equipment is stored properly and securely. If the equipment is issued to employees for long-term use, the equipment must be signed out by that individual, and they will assume responsibility for securing, maintaining and tracking all equipment.
6. At the close of the School year, a physical inspection will be completed by members of the Administration team and any missing equipment will be reconciled. The Principal may request that all laptops be returned to a single location for counting and securing.

## **Financial Reporting**

All transactions shall be recorded in a timely manner and consistent with Generally Accepted Accounting Principles (GAAP) in order to ensure the accuracy, completeness and timeliness of financial reporting. Revenues shall be recognized based upon the accrual standard when earned. Expenses will be recognized when services are incurred, or goods are received. An audit, as required under Hawaii's Revised Statutes, will be performed annually.

### *Internal Controls*

- Financial reports will be presented to the Governing Board which accurately reflect the financial position of the School.
- Financial reports will be provided to the commission on a quarterly basis.

### *Procedure*

1. At the close of each month, the Fiscal Manager will ensure that all accounts are properly updated to reflect actual transactions which occurred during the month.
2. A report will be prepared for each Governing Board meeting to review and approve which include the following:
  - Balance Sheet

- Income Statement
- Budget to Actual Accounts
- Payable Summary
- Accounts Receivable Summary
- All other reports that the Governing Board deems necessary for the School's operation

3. The Governing Board will review, question and interpret the financial report at each committee meeting and make a recommendation to the Board of the Whole meeting for acceptance and to ensure the long-term financial well-being of the School.

### **Security of Financial Data and Other School Documents**

The Accounting software for the School is QuickBooks. This software should be updated and reviewed periodically to ensure that all application controls to unauthorized access of data are denied. The system should be guarded by a password, and access to Cloud data will be guarded by a password as well. Quickbooks may be accessed by the Fiscal Manager and our Carbonaro CPA representative (Bonnie). A copy of both the Cloud password and QuickBooks password will be kept with the Fiscal Manager, Carbonaro CPA Representative, the Governing Board Treasurer.

The following School documents should exist in hardcopy and in electronic storage when possible:

1. Tax and relevant documents
2. Charter with all amendments
3. Governing Board meeting minutes
4. Banking documents
5. KOKL contracts and agreements
6. Insurance policies
7. Grant and contract documentation
8. Vendor invoices
9. Inventory control assets and related documentation
10. All community and program documents deemed relevant by the Principal.

### **PROCUREMENT POLICY AND PROCESS**

In order to ensure that goods and services are acquired at fair and reasonable prices, and the highest personal standards of conduct are maintained in all relationships with vendors, suppliers and subcontractors, KOKL will follow purchase requirements, required competition, vendor selection, and internal accounting controls.

**STATE LAW: HRS 302D-12** Governing boards and charter schools shall be exempt from 103D, but shall develop internal policies and procedures for the procurement of goods, services, and construction, consistent with the goals of public accountability and public procurement practices. Governing boards and charter schools are encouraged to use the provisions of chapter 103D whenever possible; provided that the use of one or more provisions of chapter 103D shall not constitute a waiver of the exemption from chapter 103D and shall not subject the charter school to any provision of charter 103D.

**HRS 302D-25(2)(b)** “Charter schools, the commission, and authorizers shall be exempt from 103D, but shall develop internal policies and procedures for the procurement of goods, services, and construction, consistent with the goals of public accountability and public procurement practices. Charter schools, the commission, and authorizers are encouraged to use the provisions of chapter 103D whenever possible; provided that the use of one or more provisions of chapter 103D shall not constitute a waiver of the exemption from chapter 103D and shall not subject the charter school, commission, or authorizer to any other provision of chapter 103D. Charter schools, the commission, and authorizers shall account for funds expended for the procurement of goods and services, and this accounting shall be available to the public.”

**Procurement Policy:** Any procurement of goods and services shall be made by the School Principal and shall be in the best interest of School upon considering the totality of the circumstances surrounding the procurement, which may include but not be limited to: price, equality, availability, timelines, reputation and prior dealings.

**Related Parties:** The School shall not purchase goods or services from any immediate family member of any employee of the school nor from any entity in which any employee may benefit from such a procurement, unless authorized by the Principal after a full disclosure of the potential benefits.

**Contracts:** All contracts will be on the attorney general provided forms or approved by the attorney general.

**Small Purchases:** A small purchase is an expenditure of less than \$25,000.00. Small purchases shall not be parceled by dividing the purchase of same, like or related items of goods, services, or construction, during any 12- consecutive month period, so as to evade the competitive source selection.

**Competitive Proposals:**

1) Unless otherwise provided by policy, contracts of \$25,000 or more for goods, services, or construction shall be made pursuant to the competitive proposal process. Competitive proposals include the solicitation of proposals, contain the scope of work, purchase description, specifications, and the contractual terms and conditions applicable to the procurement.

A minimum of three (3) written proposals are to be obtained if possible and filed at the school. Awards will generally be made to the vendor with the lowest proposal. Awards that are not made to the vendor with the lowest proposal must be justified in writing and approved by the

Board or Principal.

In the case of construction contracts, additional information may be required. 3) A

recurring annual approved contract may be renewed for up to 5 years by the Principal

**Sole Source Procurement:**

Sole procurements are appropriate when only one responsible source can provide the goods/services needed to satisfy the user requirements or when emergency circumstances exist which necessitates an unusual and compelling urgency. Sole source procurements may be authorized by the Principal.

To justify a sole source purchase it must be established that:

(1) The good, service, or construction has a unique feature, characteristic, or capability i.e. curriculum determined by Principal

(2) The unique feature, characteristic, or capability is essential, in order for the agency to accomplish its work; and

(3) The particular good, service or construction is available from only one source. The basis for awarding a sole source contract will be documented and made part of the contract file prior to the award of the contract.

**Breaches of Procurement Policy:** Any breach of the procurement policy will be reported at the time of discovery to members of the Administrative team and the Governing Board or Principal.

***Negotiation and Award*** 1. Consistent with KOKL’s goal of expanding opportunities for Hawaiian and locally owned business enterprises, or companies, to the extent they are available locally and qualified, are given an opportunity to bid on a procurement in KOKL’s selection process. 2. Awards may be made to other than the low bidder in circumstances where the higher bid demonstrates best value contracting procedures to benefit KOKL. In such a situation, the Principal shall prepare a justification statement for such awards, furnishing a brief explanation of the factors leading to such a decision.

**Federal Funds:** KOKL understands that the policy cited above applies to purchases made using non-federal funds. As a condition of the receipt of certain federal funds, federal procurement requirements apply. (i.e. USDA CHILD NUTRITION PROGRAMS: <https://www.fns.usda.gov/nslp> We adopt in full the ‘PROCUREMENT PLAN FOR CHILD NUTRITION PROGRAMS’)

All current Federal procurement procedures shall be compliant with the Uniform Guidance that is published annually. This includes but is not limited to Suspension, Debarment, Micro-purchasing, small purchasing and Internal Controls. Review the most up-to-date link: June 2019 Uniform Guidance Publication – Compliance

Method	Dollar Threshold
Micro-purchase (Note: Financial officer should check this threshold annually as it may change)	Not to exceed micro-purchase threshold (\$3,500.00)
Small purchase procedure	Greater than micro-purchase, not to exceed Simplified Acquisition Threshold (SAT) (\$150,000.00)
Sealed bid	Greater than SAT
Competitive proposal	Greater than SAT
Non- competitive proposal	Greater than micro-purchase

**Sole Source Procurement: Uniform Guidance (UG)** use of sole source in four distinct justifications.

- 1) Product/service is only available from a single source
- 2) Public Emergency Procurement
- 3) Federal Awarding Agency Authorization: the awarding agency specifically authorizes a non-competitive procurement after a written request from the Non-federal entity.
- 4) Inadequate competition after solicitation of multiple sources.

**Note: The “continuity of research” is no longer an acceptable justification for sole source approval. No recurring contracts are allowed with federal funds.**





**Annual Fiscal Policy and Procedures Review**

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  - Sole Source Procurements*
  - Reimbursements*
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  - Negotiation and Award*
  - Federal Funds*

**I have read, understand and commit to follow the Fiscal Policy and Procedures.**

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**Printed Name and Signature**

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**Date**