



Kua O Ka Lā

A New Century Public Charter School

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Kua O Ka La's Financial/Accounting Policies & Procedures

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KUA O KA LA PUBLIC CHARTER SCHOOL
Fiscal/Financial Policies

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INTRODUCTION

Kua O Ka La Public Charter School, as a government entity, has the responsibility to ensure that the entire 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 manual 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 includes 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 asset register.

Payroll

The Director and the Governing Board have the oversight over hiring employees. Pay will be determined by the Director, and will be based on the appropriate union scale, if applicable. The Fiscal Manager, Director, and Human Resources Manager will provide the oversight over internal controls over payroll.

Ceridian 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 Director, in writing, by the use of a Personnel Action Form.
- The process of entering payroll data, approving payroll data, and submitting payroll data will be separated.
- Any changes to pay will require written documentation and must be signed and approved by the Director.

Policy & Procedure – Newly hired employees

1. The Director, after examining the Governing Board's approved budget, will initiate the request for new employees.
2. The Director and Human Resources Manager will collaborate to determine the appropriate union scale, if applicable, based on the experience of the individual to be hired.
3. A contract will be created which will indicate the term of the contract, pay scale, and all other wording deemed necessary by the Governing Board and State regulation.
4. The Human Resources Department is responsible for overseeing the contract process, and will then create a Certified Personnel Action Form, for all Ceridian Employees. If the employee is to be paid using FMS, the Human Resource Manager will ensure the proper documentation is timely submitted to the Public Charter School department of the State Office of Human Resources.
5. Once a signed contract has been executed by both the new hire and the School, the Human Resources Manager enter the payroll data information into the Ceridian payroll system, entering relevant pay and withholdings as appropriate.
6. The Human Resources Manager will forward a copy of the Certified Personnel Action Form to the Fiscal Manager for payroll processing.
7. All paperwork will be filed in the employee's file and retained as required.
8. Any changes to pay or withholdings will be completed in writing, and approved by the Director.

Policy & Procedure – Payroll Processing

1. All employees must either sign in and out 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 their direct supervisor for approval.
3. The supervisor will ensure all timesheets are accurate, investigate and correct any abnormalities, and sign off and forward to the Director.
4. The Director will provide a second review and sign off. Once approved, timesheets are forwarded to the Human Resources Manager for processing. A second copy is sent to the Fiscal Manager.
5. The Human Resources Manager will turn in FMS timesheets to the OHR on the appropriate date. Hours for all Ceridian-paid employees will be entered into the system and the Fiscal Manager will be informed of its completion.

Payroll (continued)

6. The Fiscal Manager will log into the Ceridian 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 Human Resources Manager.
7. Once the trial register is complete, it is sent to the Director for final approval. The Director will sign off on the trial register as approved.
8. The Fiscal Manager will then submit the payroll for processing.
9. On the date of payroll, the Ceridian reports will be picked up at the bank by the Fiscal Manager. The processed report will be turned over to the Director, who will compare the processed payroll report to the approved trial register.
10. Approved trial registers and processed Ceridian reports will be filed together by the Fiscal Manager, who will then be responsible for entering the information into QuickBooks.

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Cash Receipts

This process will include the Fiscal Manager, Director, Governing Board Treasurer, and office staff 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 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 employees.
- All cash and other receipts will be stored in a secure location with limited access, and deposits are made in a timely fashion.

Policy & Procedure

1. All mail will be picked up and opened by the front office staff. If checks are received, they will be immediately stamped "for deposit only" and forwarded to the Director. The Fiscal Manager will also be notified of the funds arrival via email.
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 book. The receipt will include the name of the payer, amount and purpose of payment, the form of payment, and a signature of the office staff making the collection.
3. Receipts will be secured immediately in a lock box, which is permanently stored in a safe.
4. The front office staff will make a copy of all checks received.
5. On a weekly basis, deposits are prepared by the office staff and brought to the bank for depositing.
6. 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.
7. The Fiscal Manager will be responsible for filing all deposit documentation.
8. The Board Treasurer will be forwarded the unopened bank statement, via online banking, on a monthly basis and review for any abnormalities. The statement is then forwarded to the Fiscal Manager for reconciling.

Accounts Payable/Disbursements

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

Internal controls

- Pre-numbered checks and dual signatures are required, if over \$500.00.
- Approved purchase order is matched to invoices and other source documentation.
- Separation of duties to the extent possible given the size of the School.
- The Board Treasurer will review bank statement, via online and a hard copy signature will be sent to fiscal Manager.

Policy & Procedure – Approval to Purchase

1. Purchase orders are required for all goods and services. A completed Purchase Order Form is submitted to the Director for approval.
2. The Director and Fiscal Manager will compare the purchase order to the budget to ensure funds are available for the expense.
3. The Director will review and approve the form, noting the funding source and expense account for the purchase.
4. Once approved by the Director, 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.

Policy & Procedure – Employee Reimbursement

1. Pre-approval for purchases is required before any reimbursements are granted.
2. Employee reimbursements require approval by the Director. A completed Employee Reimbursement Form is submitted to the Director for approval.
3. A completed request will include original receipts and/or all other applicable source documentation.
4. The Director will review and approve the form, noting the funding source and expense account for the purchase and compare to the budget.
5. The Director 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.

Policy & Procedure – Accounts Payable and Disbursement

1. The process begins with the Director receiving and approving invoices from preapproved product or service providers.

Accounts Payable/Disbursements (continued)

2. Approved invoices are signed by the Director and matched to the approved purchase order form. The Director will investigate any discrepancies noted.
3. The invoices are forwarded to the Fiscal Manager for processing. Checks are processed on a weekly basis, or as needed.
4. Checks are attached to source documentation and returned to the Director for final approval and signature.
5. A copy is made and filed of all signed checks.
6. The Fiscal Manager will receive back the source documentation and check stub for filing.
7. Blank checks are kept in a locked safe with access only to the Director, Fiscal Manager, and Treasurer.

Policy & Procedure – Travel

1. If a 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 (cost not to exceed preapproved meal cost plan)
 - h. Parking (economy only)
2. Employees will be given checks or petty cash for purchases and may not use their personal funds unless it is an emergency, and has been verbally approved by the Director.
3. The Director must provide written justification for travel
4. Budgets for travel must be preapproved before expenses and reimbursements are settled.
5. Employees seeking reimbursement for travel expenses must complete a Travel Report and submit receipts and all other source documentation stapled to the form where personal funds were used.
6. The completed Travel Report is submitted to the Director for approval, then turned over to the Fiscal Manager for processing, where procedures for all other employee reimbursement will be followed.

Policy & Procedure – Bank Cards/Credit Cards

1. The use of bank/credit cards will be limited to the School Director and one other employee assigned by the Director, who is independent of access to documents pertaining to disbursements and accounts payable.
2. Credit and debit cards are to be used only to provide significant efficiency, lower costs, or decrease financial risk.
3. The Governing Board will be notified immediately of any changes to card holders.
4. Any purchases made by the assigned card holder require preapproval by the Director. A Purchase Order Form must be signed by both parties, and forwarded to the Fiscal Manager when completed.
5. After the approved purchase is made, an original receipt must be provided to the Fiscal Manager within (1) day of purchase. The Director is also required to submit original receipts to the Fiscal Manager within (1) day of purchase, or as soon as feasible.

Accounts Payable/Disbursements (continued)

6. The office staff is responsible for picking up mail. The Director will review all debit card purchases on the bank statement. Oversight for the Director's purchasing is performed by the Board Treasurer when the bank statement is reviewed.
7. Credit Card statements are received by the front office staff. Credit card statements are to be opened by the Board Treasurer whenever possible, who will review the Director's purchases for reasonableness and investigate any abnormalities. The Director will perform a second review of credit card statements, sign off as such, and forward to the Fiscal Manager for processing.
8. The Fiscal Manager will ensure the QuickBooks system reflects the outstanding balance of all credit cards.

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Bank Reconciliations

Internal Controls

- Bank statements are reconciled by the Fiscal Manager within one week of receiving the bank statement.
- Bank statements will include copies of canceled checks.
- The bank reconciliation will be reviewed by the Director on a monthly basis.

Policy & Procedure

1. Bank statements are received by Board Treasurer via online banking.
2. The Director will review canceled checks, debit purchases, and deposits, noting any unusual items or discrepancies. The Director and the Fiscal Manager will collectively investigate any abnormalities, and if unresolved, will bring to the attention of the Board Treasurer.
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 Director, who will review for accuracy. Outstanding items will be reviewed and discussed.

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Petty Cash

Internal Controls

Petty cash will be handled solely by the Director and will be physically secured by use of a lockbox located in the Director's office. At no time will cash on hand exceed \$500. All purchases will be made by check, only those that are under \$100 should petty cash be used and will require the submission of original receipts or other source documentation.

Policy & Procedure

1. The petty cash procedure is initiated by an employee requesting a purchase for less than \$100.
2. The Director will be the sole authorizer over the approval and disbursement of the funds.
3. If approved, the Director 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 Director 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 Director, signed off as such, and forwarded to the Fiscal Manager for reconciling in the QuickBooks account. A check will be prepared upon the Director'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.

Physical Property & Equipment

Kua O Ka La Public Charter School will maintain detailed records of all its property and equipment. All acquisitions of property and equipment must be based on the approved annual budget, and subsequently approved by the Director. A physical inspection will 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/Theft Report or a Destroyed/Inoperable 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 \$5,000 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

- A physical log 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 and must be approved by the Director.
- Physical inspections will be performed each year.

Policy & Procedures

1. When equipment is purchased, the Fiscal Manager 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 will tag each item with the following information: (1) purchase order number, (2) funding source, (3) date of purchase, (4) School's name and (5) a distinctive equipment number.
3. A detailed log will be updated by the Fiscal Manager which includes the information on the tag, and additionally includes the location of the item and assigned individual in charge of the equipment.
4. The Fiscal Manager will then send the updated log to the Director, along with the delivery receipt for approval. The Director will perform an inventory of newly arrived equipment and sign off as such.
5. Only after being tagged and approved by the Director is the equipment to be disbursed to the appropriate classroom/office.
6. The Fiscal Manager will ensure all equipment is stored properly and securely. If 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.
7. At the close of the School year, a physical inspection will be completed jointly by the Director and Fiscal Manager, and any missing equipment will be investigated. The Director may request that all laptops be returned to a single location for counting and securing.

Financial Reporting

All transactions should 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 Revised Statutes, will be performed annually.

Internal Controls

- Monthly financial reports will be presented to the Governing Board which accurately reflect the financial position of the School

Policy & 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 each month for the Governing Board 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 each month, to ensure the long-term financial well-being of the School.

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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. A copy of both the cloud password and QuickBooks password will be kept with the Fiscal Manager, Governing Board Treasurer, and Director.

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 Director

Purchasing and Procurement

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.

Internal Controls

- The school must develop a cost effective and efficient purchase requirement control in order to achieve full and open competition. Delivery schedules have to also be beneficial to KOKL. Inventory control and expedited purchasing must always be taken into consideration when purchasing new equipment and/or services.
- For contracts under \$1,000, the Director and Fiscal Manager will use best practices when procuring goods and services.
- For contracts from \$1000 to \$5000, KOKL seeks price quotes from at least three vendors and awards the contract to the responsible vendor offering the supply or needed service for the lowest price.
- For contracts greater than \$5000, KOKL conducts a formal advertised competition using sales bids or proposals. An award is offered to the qualified bidder who meets KOKL's specifications and offers the lowest price.
- KOKL selects the most responsive and responsible vendors to provide required materials and services, and promotes competition in order to obtain fair and reasonable prices.
- The Governing Board must approve purchases equal to or exceeding over \$25,000 prior to contract/purchase order finalization.
- KOKL will adhere to federal procurement guidelines should purchases be made with federal funds.

Purchasing requirements:

1. Based on the above guidelines, an approval by the Governing Board is noted in the minutes for purchases of \$25,000 or greater. For purchases of \$5,000 to \$25,000, the Director will receive three quotes from various vendors and maintain those quotes on file.
2. A Purchase Order is created and must include a description of items ordered, a cost estimate, the required delivery information, and a statement of the nature and purpose of the procurement/purchase.
3. The Director approves purchase requisitions, after the review of the remaining budget.
4. The Director keeps a copy of all purchase requisitions (in case the overall director or the Governing Board needs to audit a transaction) and gives the original to the Fiscal Manager.

Obtaining Bids and Quotations

1. The director requests bids or quotations verbally on transactions not expected to exceed \$1000, and in writing for transactions between \$1000 and \$5,000. Items greater than \$5000 will require formal bid requests and evaluation before purchase order is issued.
2. In evaluating bids received, the director performs and documents an analysis of bids received

Negotiation and Award

1. Consistent with KOKL's goal of expanding opportunities for Hawaiian own business enterprises, companies own by Hawaiians, 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 situation, the Director shall prepare a justification statement for such awards, furnishing a brief explanation of the factors leading to such decision.