

Inquiry Charter School
ACCOUNTING
POLICIES AND PROCEDURES
Manual
Internal Financial Controls

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I. Introduction

The purpose of this manual is to describe all accounting policies and procedures currently in use at the Inquiry Charter School and to ensure that the financial statements conform to generally accepted accounting principles; assets are safeguarded; guidelines of grantors and donors are complied with; and finances are managed with accuracy, efficiency, and transparency.

All Organization's staff with a role in the management of fiscal and accounting operations are expected to comply with the policies and procedures in this manual.

These policies will be reviewed annually and revised as needed by the staff and approved by the CAO (Chief Administrative Officer/School Leader) and the Board of Trustees.

II. Division of Responsibilities

The following is a list of personnel who have fiscal and accounting responsibilities:

Board of Trustees

1. Reviews and approves the annual budget
2. Reviews annual and periodic financial statements and information
3. Reviews CAO (School Leader)'s performance annually and establishes the salary
4. Two members of the school will be appointed by the board to be authorized signers on the bank accounts
5. Reviews and approves all contracts over \$5,000
6. Reviews and approves all non-budgeted expenditures over \$2,500
7. Reviews and advises staff on internal controls and accounting policies and procedures
8. Determines whether the organization should have an audit and, if so, chooses and contracts with the auditor

Chief Administrative Officer (School Leader)

1. Reviews and approves all financial reports including cash flow projections
2. Sees that an appropriate budget is developed annually
3. Reviews and signs all issued checks and/or approves check signing procedures
4. Reviews and approves all contracts under \$5,000
5. Reviews and approves all grant submissions
6. Approves inter-account bank transfers
7. Is on-site signatory for all bank accounts
8. Opens all bank statements, reviews for any irregularities, and reviews completed monthly bank reconciliations
9. Oversees the adherence to all internal controls
10. Approves all program expenditures
11. Monitors program budgets
12. Monitors grant reporting and appropriate release of temporarily restricted funds

Outside Business Manager

1. Reviews all payrolls and is responsible for all personnel files
2. Reviews and manages cash flow
3. Reviews all reimbursements and fund requests
4. Processes all inter-account bank transfers
5. Assists CAO (School Leader) with the development of annual and program budgets
6. Reviews all incoming and outgoing invoices

7. Monitors and manages all expenses to ensure most effective use of assets
8. Oversees expense allocations
9. Monitors and makes recommendations for asset retirement and replacement
10. Reviews, revises, and maintains internal accounting controls and procedures
11. Reviews all financial reports
12. Overall responsibility for data entry into accounting system and integrity of accounting system data
13. Processes invoices and prepares checks for signature
14. Maintains general ledger
15. Prepares monthly and year-end financial reports
16. Reconciles all bank accounts
17. Manages Accounts Receivable

Bookkeeper (School Personnel)

1. Manage all petty cash funds
2. Receives and opens all incoming accounting department mail except bank statements
3. Initiates donor thank you letter acknowledgements
4. Makes bank deposits
5. Processes invoices and prepares checks for signature
6. Mails vendor checks

III. Chart of Accounts and General Ledger

Inquiry Charter School has designated a Chart of Accounts specific to its operational needs and the needs of its financial statements as required by the Pennsylvania Department of Education. The Chart of Accounts is structured so that financial statements can be shown by natural classification (expense type) as well as by functional classification. The Outside Business Manager is responsible for maintaining the Chart of Accounts and revising as necessary.

The general ledger is automated and maintained using the accounting software of the Outside Business Manager. All input and balancing is the responsibility of the Outside Business Manager with final approval by the School's CAO (School Leader).

The Outside Business Manager reviews the general ledger on a periodic basis for any unusual transactions.

IV. Cash Receipts

Cash receipts generally arise from:

1. Contracts and Grants
2. Student Funding
3. Direct donor contributions
4. Fundraising activities

The principal steps in the cash receipts process are:

The Receptionist receives incoming mail and forwards it unopened to the Administrative Assistant. The Administrative Assistant opens, date stamps, and distributes the mail. The Administrative Assistant enters all checks into a log, stamps all checks "for deposit only," and makes two (2) copies of each check. The checks are kept in a locked cabinet until handed to the Bookkeeper for processing and deposit.

Weekly (or more often if necessary), the Bookkeeper the deposit and takes it to the bank for deposit. A copy of the deposit slip is attached to the deposit. The deposits are put in a file to attach to the bank statement. The deposit log book is returned to the Administrative Assistant.

All cash received will be counted, verified, and signed off by Bookkeeper and another available staff member. The cash will immediately be posted using the appropriate allocation. A receipt will be given to the paying party and a copy kept for internal purposes. The cash will be kept in a locked, secure location and deposited within 24 business hours.

V. Inter-Account Bank Transfers

The Outside Business Manager monitors the balances in the bank accounts to determine when there is a shortage or excess in the checking account. The Outside Business Manager recommends to the CAO (School Leader) when a transfer should be made to maximize the potential for earning interest. The Outside Business Manager is directed in writing when to make a transfer and in what amount.

VI. Cash Disbursements & Expense Allocations

Cash disbursements are generally made for:

1. Payments to vendors for goods and services
2. Payroll
3. Taxes/license fees
4. Staff training and development
5. Memberships and subscriptions
6. Meeting expenses
7. Employee reimbursements

Checks are processed weekly. Invoices submitted to the Bookkeeper by Wednesday will be processed and paid by Wednesday of the following week. Checks can be prepared manually within one day, but this should be limited to emergency situations.

Requests for cash disbursements are submitted to Accounting in three ways:

1. Original invoice
2. Purchase request (submitted on approved form)
3. Employee expense report or reimbursement request

All invoices must have the account code written on them and approved by the CAO prior to being submitted to accounting.

Every employee reimbursement or purchase request must be documented on the approved form with travel authorization, receipts, nature of business, program allocation, and funding source (if applicable) before approving for reimbursement as follows:

Lodging - an itemized receipt from the hotel detailing all charges, the person(s) for whom the lodging was provided, and the specific business purpose.

Meals and Entertainment - a receipt must be provided showing the cost of food, beverage, and gratuities, including the names of every person for whom food or beverage was provided, and the specific business purpose.

Other Expenditures - a receipt from the vendor detailing all goods or services purchased (including the class of service for transportation) and the specific business purpose.

The Outside Business Manager with the Bookkeeper review all requests for payment and:

1. Verifies expenditure and amount
2. Approves for payment if in accordance with budget
3. Provides or verifies appropriate allocation information
4. Provides date of payment taking into account cash flow projections
5. Submits to the CAO (School Leader)/Board for approval
6. Immediately enters them into the Accounts Payable module

7. Submits checks, with attached backup documentation, to CAO (School Leader) for approval and signature. All checks require a second signature from the Outside Business Manager; Stamps invoice "paid"
8. Mails checks and appropriate backup documentation
9. Files all backup documentation in the appropriate file
10. Runs an accounts payable aging at the middle and end of each month and submits to the CAO (School Leader) to assure timely payment of all invoices

Expense Allocations

Most non-salary expenses that benefit more than one cost center (administration, fundraising, and program) are spread across centers using a shared cost method. Under this method, the number of full-time equivalents (FTEs) within a department are divided by the total number of FTEs at the organization to determine the percentage of shared costs they should bear. This is done on a monthly basis by the Outside Business Manager.

VII. Credit Card Policy and Charges

All staff members who are authorized to carry an organization credit card will be held personally responsible in the event that any charge is deemed personal or unauthorized. Unauthorized use of the credit card includes: personal expenditures of any kind; expenditures which have not been properly authorized; meals, entertainment, gifts, or other expenditures which are prohibited by budgets, laws, and regulations, and the entities from which the School receives funds.

The receipts for all credit card charges will be given to the Outside Business Manager within two (2) weeks of the purchase along with proper documentation. The Outside Business Manager will verify all credit card charges with the monthly statements. A record of all charges will be given to the Bookkeeper with applicable allocation information for posting. A copy of all charges will be attached to the monthly credit card statement when submitted to the CAO (School Leader) for approval and signing.

The CAO (School Leader)'s credit card usage will be provided to the Board Chair and the Board Treasurer.

VIII. Accruals

To ensure a timely close of the General Ledger, The School may book accrual entries. Some accruals will be made as recurring entries.

IX. Bank Account Reconciliations

1. All bank statements are given unopened to the CAO (School Leader). The CAO (School Leader) reviews the statements for unusual balances and/or transactions.
2. The CAO (School Leader) gives the statements to the Outside Business Manager for timely reconciliation as follows: a comparison of dates and amounts of deposits as shown in the accounting system and on the statement, a comparison of inter-account transfers, an investigation of any rejected items, a comparison of cleared checks with the accounting record including amount, payee, and sequential check numbers.
3. The Outside Business Manager will verify that voided checks, if returned, are appropriately defaced and filed.
4. The Outside Business Manager will investigate any checks that are outstanding over six months.
5. The Outside Business Manager will attach the completed bank reconciliation to the applicable bank statement, along with all documentation.

X. Petty Cash Fund

Petty cash funds are maintained by the organization. The funds are to be used for miscellaneous or unexpected purchases and the same approval procedures apply as mentioned in the cash disbursement section.

1. The petty cash fund will not exceed \$1500.
2. The Bookkeeper oversees the petty cash fund.
3. All disbursements made from petty cash are acknowledged in writing by the receiving party.
4. All money returned to the petty cash fund is counted and verified by the Bookkeeper and another staff member. Receipts for items purchased with petty cash must be included with the return and should include appropriate account allocations as well as supervisor approval.
5. The Outside Business Manager and the Bookkeeper together will periodically count the cash in the petty cash fund.
6. No checks will be cashed by the petty cash fund.

XI. Property and Equipment

Property and equipment includes items such as:

1. Office furniture and equipment
2. Computer hardware
3. Computer software
4. Leasehold improvements

It is the organization's policy to capitalize all items which have a unit cost greater than two thousand five hundred dollars (\$2,500). Items purchased with a value or cost less than two thousand five hundred dollars (\$2,500) will be expensed in the period purchased.

The depreciation period for capitalized assets is as follows:

Computer Hardware	36 months
Office Equipment	60 months
Office Furniture	60 months
Computer Software	36 months
Leasehold improvements	Length of lease

1. A Fixed Asset Log is maintained by the Outside Business Manager including date of purchase, asset description, purchase/donation information, cost/fair market value, donor/funding source, identification number, life of asset.
2. The Log will be reviewed by the Outside Business Manager.
3. Annually, a physical inspection and inventory will be taken of all fixed assets and reconciled to the general ledger balances.
4. The Outside Business Manager shall be informed in writing of any change in status or condition of any property or equipment.
5. Depreciation is recorded at least annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

XII. Personnel Records

1. All personnel files contain the following documents: an application and/or resume, date of employment, position and pay rate, authorization of payroll deductions, W-4 withholding authorization, termination data where applicable, a signed confidentiality agreement, a signed acknowledgement of receipt of Employee Handbook, an emergency contact form, and other forms as deemed appropriate by the Outside Business Manager.
2. All employees will fill out an I-9 form and submit the allowable forms of identification to the Human Resources Manager.
3. The completed I-9 forms will be kept in a secure location separate from the personnel files.
4. All employees must have a child abuse clearance certificate on file.
5. All employees must have a criminal background (Pre 2008 hiring date) or an FBI background check (Post 2008) on file.
6. All teachers must provide a copy of their teacher's certificate.
7. All personnel files are to be kept in a secure, locked file cabinet and accessed only by authorized personnel.

XIII. Payroll Processing

1. Timesheets are to be prepared by all staff on the approved form and submitted on the Tuesday prior to the pay check week. If the reporting date for the weeks falls on a holiday, the timesheets are to be submitted the day prior to the weekend or holiday. Exceptions to the submittal date may occur and will be communicated accordingly.
2. Timesheets are to be kept on a daily basis and completed in ink – unless prepared electronically.
3. Any corrections to timesheets are to be made by making a single line through the error and writing in the correction. Correction fluid and/or tape are not allowable.
4. Timesheets are to be signed and dated by the employee and the employee's supervisor for submission to the HR Manager.
5. Any changes to the standing information of the payroll register from the prior period including addition of new employees, deletion of employees, or changes in base pay rate must be accompanied by an Employment Information Form and signed by the CAO (School Leader) before the change can be made.
6. The Bookkeeper will process payroll in a timely manner and record vacation time, holiday hours, sick time, and any other information deemed necessary to properly reflect time worked.
7. Manual Paychecks will be distributed by the HR Manager on the Thursday or Friday of the pay week. If the pay date falls on a weekend or holiday the paychecks will be distributed the day before.
8. If the employee requests that his/her check be turned over to a third party, the request must be made in writing prior to distribution.
9. Employees may choose direct deposit to a designated bank account. Their paycheck is deposited directly into the designated account on the payroll date. The employee will receive a verification stub.
10. The Outside Business Manager will review payroll expenditures and allocations monthly.
11. All quarterly federal and state payroll reports will be prepared and filed appropriately.
12. All W-2 statements are issued to employees prior to January 31st of the following year for the prior calendar year.

XIV. End of Month and Fiscal Year-End Close

1. The Outside Business Manager will review and sign off on all month and year-end journal entries. They will be printed and filed for audit trail purposes.
2. At the end of each month and fiscal year end, the Outside Business Manager will review all balance sheet accounts including verification of the following balances: cash accounts match the bank reconciliations, fixed assets accounts reflect all purchases, write-downs and retirements, accounts receivable and payable accounts match outstanding amounts due and owed.
3. The income and expense accounts review will include reconciliation to amounts received and expended and verification that payroll expenses match the payroll reports including federal and state payroll tax filings.
4. Once the final monthly and fiscal year-end financial statements are run, reviewed, and approved by the Outside Business Manager and CAO (School Leader), no more entries or adjustments will be made into that month or year's ledgers.
5. At the end of the fiscal year, the Outside Business Manager will prepare the annual Return for Organization Exempt from Income Tax (IRS Form 990). The return will be presented to the CAO (School Leader), the Board Finance Committee, and the Board Chair for their review and approval. The Outside Business Manager will then file the return with the Internal Revenue Service by the annual deadline.
6. All other appropriate government filings including those required by the state tax board and attorney general's office will be completed and filed with the appropriate agency.

XV. Financial Reports

The Outside Business Manager will prepare the monthly and annual financial reports for distribution to the CAO (School Leader) and Board of Trustees. The reports will include: balance sheet, statement of income and expenses, budget versus actual report for each program which has an established budget, a budget versus actual report for the organization, accounts receivable aging, accounts payable register and aging, cash flow projection, and any other requested reports.

Periodic and annual financial reports will be submitted to the Finance Committee and Board of Trustees for review and approval.

Any employee who handles cash (either its receipt or disbursement) or who holds a position of financial trust must have fidelity bond insurance coverage. The adequacy of such coverage shall be subject to board review with the School's insurance agent on an annual basis at a minimum.

Annually, an Independent Auditors conduct an audit in accordance with auditing standards generally accepted in the USA and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. An Independent Auditor's Report of the Financial Statements for the current Fiscal Year are issued after completion of the Audit to the Board of Trustees.

XVI. Fidelity Insurance Coverage

Any employee who handles cash (either its receipt or disbursement) or who holds a position of financial trust must have fidelity bond insurance coverage. The adequacy of such coverage shall be subject to board review with the School's insurance agent on an annual basis at a minimum.

XVII. Fiscal Policy Statements

1. All cash accounts (except petty cash) owned by the School will be held in financial institutions which are insured by the FDIC. No bank account will carry a balance over the FDIC insured amount.
2. All capital expenditures which exceed two thousand five hundred dollars (\$2,500) will be capitalized.
3. Employee or public personal checks will not be cashed through the petty cash fund.
4. Salary advances will be made under extreme emergencies only. The amount will be limited to 1 bi-weekly paycheck and repayment terms will be no longer than the remaining of the school year (June 30th).
5. No travel cash advances will be made except under special conditions and pre-approved by the CAO (School Leader).
6. Reimbursements will be paid upon complete expense reporting and approval using the official School's form. Reimbursements to the CAO (School Leader) will be authorized by the Board Chair.
7. Any donated item with a value exceeding \$500 will be recorded and a letter acknowledging the donation will be sent to the donor within two weeks of the receipt of the donation.
8. The CAO (School Leader) and one designated Board member are the signatories on School's bank accounts. Checks over \$2,500 require approval from the Board of Trustees if not budgeted.
9. Bank statements will be reconciled monthly. All bank statements will be given unopened to the CAO (School Leader) for review.
10. Correction fluid and/or tape will never be used in any accounting documents.
11. Accounting and personnel records will be kept in locked file cabinets in the finance office and only parties with financial and/or HR responsibility will have access to the keys.