



Highpoint Virtual Academy of Michigan

FISCAL POLICIES & PROCEDURES

K12 Managed Schools

Policy Overview

The purpose of this document is to provide an overview of internal control policies followed by K12 when providing services to K12 Managed Schools. The policies cover accounting, financial reporting, information technology and human resource services.

Internal controls are the methods and procedures used to provide reasonable assurance to items including:

- Safeguard assets
- Ensure validity of financial reports and records
- Promote adherence to policies, procedures, regulations and laws
- Promote effectiveness and efficiency of operations
- Ensure financial systems are secure and backed up as needed

Audience

This policy is intended for the School Board, School Management and K12 employees.

Policy Exceptions

Regulatory requirements and service agreements may modify the policy for an individual school; however, these changes must be documented in an addendum and approved by the School Board.

Treasury

Authorization and Approval

- School Board must authorize the opening of a bank account.
- Head of School (HOS) and the Operations (Ops) Manager / Department Head (or Board Member, where applicable) are the signatory / agents for *all -Virtual Academy* bank accounts. Two signatures are required for expenditures greater than \$5,000.
- Cash balances shall not be reduced below zero.
- Public fund balances over \$250K must be insured (collateralized).
- Checks outstanding and unpaid for a period of one (1) year shall be declared void, included as receipts and removed from the outstanding check listing unless state escheatment treatment is required.
- Any adjustments to cash, such as the write-off of old outstanding checks, must be approved by the HOS.
- Upon termination or change in job responsibility of a check signer the bank authorized signatures must be updated immediately.
- The HOS will review the bank authorized signatories semi-annually and confirm review to Regional Finance Manager. HOS will also review access to PayPal accounts.
- Debit cards issued on school bank accounts are not authorized.

- Purchasing Card (P-Card) expenses must be approved and reconciled monthly by the Managed School Services Accountant. Access to P-Cards will be limited and managed by the HOS.
- School credit card and P Card limits require an approval to be increased by Regional Vice President.
- Pay Pal Accounts may be established through the Regional Finance Managers to manage incidental student activities (field trips, events etc.) where absolutely necessary. The accounts must be tracked through the General Ledger and follow the standard monthly account reconciliation and review process.

Custodial and Security Arrangements:

- A board member maintains custody of the starter check stock. Access to check stock is separated from those with the ability to sign checks.
- Check stock is stored in a secure/locked area.
- A record of the starter check sequence is supplied to K¹² MSA and the Board member holding the starter check stock is kept by the Board Treasurer.
- Checks voided for any reason are maintained by MSA. The signature section is marked out or removed and the reason the check was voided is noted on the check
- Petty cash funds are discouraged; however, where necessary, cash fund should not exceed \$500. A log of cash expenditures must be kept by the school administrator and reconciled prior to any replenishment.

Accounts Receivable

- Deposits of state student funding and federal grants should be routed to automatically deposit into the school bank account. A copy of all backup documentation for direct deposits must be sent to K¹² Shared Services by the Ops manager / Department Head.
- Use of a bank lockbox for payment is highly encouraged. Cash should not be sent directly to the school. In the limited cases where checks are received by the school the following process must be followed:

Administrative Assistant opens mail and maintains a ledger of all checks received. The ledger is forwarded monthly to MSA.

Checks are deposited into the school bank account by the Ops Manager / Department Head or HOS within one day of receipt. The Ops Manager / Department Head provides a copy of all deposit backup documentation to K¹² MSA.

Monthly Bank Reconciliations

- Bank reconciliation are performed and reviewed monthly for all bank and PayPal accounts.

Bank statements must be available to MSA through online access (view only) or by hard copy from the school.

Bank reconciliations are performed by MSA and include a beginning cash balance, listing of cleared checks/payments, deposits/credits, un-cleared checks/payments, deposits/credits and the ending cash balance. All variances are researched and explained

The bank reconciliation, with a copy of the bank statement, is included in the monthly financial pack and reviewed/approved by the HOS.

All PayPal deposit and payment activity, if applicable, must be provided to MSA for accounting purposes. Accounts must be reconciled on a monthly basis by MSA and be reviewed / approved by the HOS. Reconciliation must include a tie out of funds deposited and expenditures paid to remaining PayPal balance.

New Vendors

All new approved vendors will require an approved vendor set-up form and a W-9 to accompany new vendor invoice in order to be entered for processing in the accounting. Exception - ISP check runs do not require W-9's.

Expenditures - General Funds

Authorization and Approval

- The HOS and Ops Manager / Department Head are approved by the Board to approve and make expenditures on behalf of the school for operational purchases as outlined in K12/School Services Agreement.
- Purchase requisitions under \$5,000 must be approved by the HOS or Ops Manager / Department Head. Purchase requisitions greater than \$5,000 require approval by both the HOS and Ops Manager / Department Head.
- The School must get three formal, documented quotes for purchases over \$10,000. Three competitive bids must be obtained for purchases over \$25,000

The Regional IT team must be consulted on technology purchase and implementation decisions. The IT team will assist in the securing of competitive pricing for computers, monitors, printers, software and school technology infrastructure components.

- Equipment must be supportable by the K12 technology infrastructure and meet necessary requirements to ensure the security and privacy of sensitive school data.
- All service contracts must be supported by a current written contract.
- All technology purchases must be approved by the Regional Technology Manager and either the HOS or Ops Manager / Department Head via a purchase requisition. Any purchases over \$10K will require BOD approval. Once approved by the BOD, the approval will be attached to the PR prior submitting. Including but not limited to:

Database and system development

Hosting of systems

Hardware and software purchases

Vendor support

- The Regional IT team must be consulted on technology purchase and implementation decisions. The IT team will assist in the securing of competitive pricing for computers, monitors, printers, software and school technology infrastructure components. This will also ensure the equipment is supportable by our technology personnel and that it meets the necessary requirements to ensure the security of sensitive school data.
- Loans to employees and Board members are prohibited under all circumstances.
- Compensation and any other payments for goods and services may not be paid in advance with the exception of: insurance, rent, facility/room rentals and software licenses and a contract for each service must be tied to the service.
- All invoices must be paid in a timely manner within 30 days. The turnaround time for payment processing with MSA is 5-10 business days.
- For payments to be processed the following must occur:

Purchase Order Processing:

- 1) A purchase requisition (PR) is entered into the system by a SCHOOL purchase submitter.
- 2) The submitter codes the purchase requisition with the proper GL account and dimensions.
- 3) The SCHOOL purchase supervisor gets notified that there is a new PR that needs to be approved.
- 4) The supervisor checks the items and cost
- 5) If the items and cost are approved an MSA accountant is notified. If the items and cost are not approved, the PR goes back to the submitters queue.
- 6) The MSA accountant checks the GL account code on the PR for accuracy. If the GL account code is approved, a SCHOOL finance user gets notified. If the GL account code is not approved, the PR goes back to the submitters queue.
- 7) The SCHOOL finance user checks the PR to see if it fits into the budget. If the budget is approved, the HOS gets notified. If the budget is not approved the PR goes back to the submitters queue. Any PR's over the \$10k limit will require BOD approval and this approval will be attached to the PR record.
- 8) If the HOS approves the PR it is converted to a PO. If the PR is not approved it goes back to the submitters queue.
- 9) If K12 has already received an invoice for the PO before goods are received, then the PO is matched to the invoice.
- 10) If K12 receives the goods or service before the invoice, then the PO is converted to a Purchase Receiver which will be matched to the invoice once the invoice is received.
- 11) Once the receipt of goods is processed and an invoice matched PO Receiver is converted to a vendor invoice in the purchasing module which creates the bill in the AP module and posts the transaction to AP sub-ledger.

Non-Purchase Order Invoice Processing:

- 1) AP invoices are sent to a school specified mailbox.
- 2) MSA AP user enters invoice. When an invoice is received for goods or a service for which a PO was not cut, the invoice is entered straight into purchasing as a vendor invoice, not a PR or PO,

by an MSA AP user. This non-PO process is created by a completely separate vendor invoice transaction definition in the purchasing module than the vendor invoice transaction definition used in the PO process.

- 3) The SCHOOL Ops Manager gets notified that an invoice was created in the system so they can review it. If the invoice is approved an MSA AP approver is notified. If the SCHOOL Operations Manager rejects the invoice it goes back the MSA AP users queue.
- 4) The MSA AP approver checks to see if the Invoice has the correct GL account code. If the GL account code is approved a SCHOOL finance user is notified. If the MSA AP approver rejects the invoice it goes back the MSA AP users queue.
- 5) The SCHOOL finance user checks the invoice to see if it fits into the budget. If the budget is approved the HOS is notified. If the budget is rejected, the invoice goes back to the MSA AP users queue.
- 6) If the HOS approves the invoice it is posted to AP

- For purchases of Gift Cards the following must be documented:

Preapproval by the HOS is required prior to purchase. Documentation must include the purpose of the gift cards, intended recipients and timing of distribution.

Gift card must be locked in a secure location with restricted access.

- Monthly reconciliation of remaining gift cards and card distribution must be provided to MSA and included in the monthly financial pack review by the HOS.
 - All gift cards distributed to teachers must be reported to payroll and is considered imputed income.
- Checks must never be written for cash.

K12 Invoices for Payment

Management and Technology fees:

All K12 invoices must be approved by the Board or Board designee prior to payment in accordance with the Educational Services Agreement (ESA).

- Management and technology fee invoices are reviewed by the HOS and Ops Manager / Department Head to confirm compliance with the Services Agreement.

Student computer, On-line School (OLS) invoices and materials:

- Invoices are reviewed against student records and approved by the Ops Manager / Department Head

Other K12 Billing:

- Invoices include Study Island, Payroll and other costs that are paid on behalf of K12 and charged back to the school according to the Services Agreement

Oversight fees:

- Oversight invoices (exception) are reviewed by the HOS and Ops Manager / Department Head to confirm the fee is compliant per the Services Agreement. Once approved by the HOS and Ops Manager / Department Head, the invoices are forwarded to K¹² Shared Services to process the related check, unless netted out with the state funding. If the Oversight Fees are netted against funding reconciliation is completed as funding deposits are made to the Academy

Student Family Internet Service Provider (ISP) payments {As per School Policy}

- The Ops Manager / Department Head processes ISP payments twice a year
- The Ops Manager / Department Head downloads student and family information and completes a payment report based on approved enrollment dates and withdrawal dates, as well as the grade level students. Payments are pro-rated if students have not been enrolled during the entire service period.
- The HOS reviews and approves the payment report prior to sending to K¹² Shared Services which are then outsourced to a third service provider for check processing, signing and mailing to the families designated on the approved listing.

Expense Reimbursement

- The Ops Manager / Department Head reviews and approves all expense reports to:
 - Ensure compliance with the School Board approved Travel and General Expenses policy, in accordance with federal or state requirements, if applicable.
 - Confirm inclusion of supporting documentation.

Manual-(Board Members)

- 1) A Board Member enters their expenses on an excel expense template, once entered the expense report is emailed with the supporting documentation to the HOS for review.
- 2) A W-9 will be required in order for the 1⁵¹ time vendor (board member) to be added to the system.
- 3) The HOS reviews the expense report for compliance and appropriate supporting documentation. If the HOS finds missing supporting documentation, he/she will contact the Board Member for the additional support. Once, all compliance and support is deemed appropriate, the HOS will send to MSA A/P.
- 4) If the expense passes the AIP review it is scanned as part of an AP batch to an MSA accountant for entry into the accounting system. The support is attached to the vendor file.
- 5) The check is processed thru the normal AIP cycle, printed at the school, signed and sent to the Board Member.

Intacct Expenses:

- 1) A SCHOOL employee enters their expenses via the Intacct expense reimbursement portal, and their manager is notified.
 - 2) If the manager approves the expense, the HOS is notified. If the manager rejects the expense the SCHOOL employee is notified.
 - 3) If the HOS approves the expense, it is sent to MSA to audit/review. If the HOS rejects the expense the SCHOOL employee is notified.
 - 4) If the expense passes the expense review, it is posted to Employee Expense sub ledger and is ready for reimbursement. If the expense doesn't pass the review, the SCHOOL employee is notified to submit a correction.
 - 5) The employee expenses are then selected to be reimbursed through the time and expense module select to pay process.
- If applicable, checks along with expense report and supporting documentation are sent back to the school or with Intacct, checks are cut at the school location. The HOS reviews and signs the checks. The Ops Manager / Department Head photocopies the signed checks and files them with their respective expense report.
 - The HOS approves the Ops Manager / Department Head expense reports and the Regional Vice President approves the HOS expense reports.

Expenditures- Restricted Funds

Authorization and Approval

Expenditures for Restricted Funds follow the same policies for General Funds with the following exceptions:

- The HOS and Operations Manager/Department Head must pre-approve all Restricted Fund employee expenses.
- Purchase requisitions must be completed for all restricted fund purchases and other one-time purchases. All purchase requisitions must show the amount of the purchase, if known, or if not known an estimate must be made. Prior to approving grant expenditures, the HOS and Ops Manager / Department Head must be certain that the expenditures are in accordance with federal or state requirements. Approvals must be secured.
- Prior to purchase. Quotes and/or other backup information must be attached to the purchase requisition. Items requiring purchase requisitions include but are not limited to the following: technology purchases such as computers, printers and software, fixed assets, furniture and equipment such as file cabinets, memberships and training or professional development costs.
- Compensation and any other payments for goods and services must not be paid in advance of receipt of goods or services
- For payments to be processed, there must be a fully itemized invoice, invoice must be approved and coded to the proper restricted fund by the appropriate person and matched to a purchase

requisition (if required). Once approved, scanned copies of the documents must be sent to MSA for payment (only for those schools that utilized the Shared Services Dept. for accounting / reporting purposes). All technology purchases must be approved by the Regional Technology Manager and either the HOS or Ops Manager / Department Head.

- All special education provider payments must be approved by the designated SPED Manager.
- All items (assets and inventory) purchased with restricted funds need to be tagged with an asset tag, tracked for physical location and inventoried annually. The tag must read "Purchased with XYZ funds for XXVA". Any item (asset or inventory) assigned to a student or teacher also needs to be tagged, tracked for physical location and inventoried annually
- Gift cards may not be purchased with restricted funds.

Payment Processing

- MSA initiates the payment process in the Accounting System once all approvals have been received.
- MSA will select invoices ready for payment, and will communicate with the school that checks are in the queue ready to be printed. Operations manager (or designee) will print checks using blank check stock and a MICR printer cartridge stored in a secure location. Once printed and confirmed, checks will be mailed to vendors from the school location. Should support be required to be sent with the check, the vendor invoice is contained electronically in the system and can be viewed and printed as necessary.
- The Ops Manager / Department Head photocopies the signed checks and files them with their respective invoices.
- In the event of overpayment to a vendor, a refund or credit must be obtained and recorded as such.

Fixed Assets - General

The School is required to establish a fixed asset accounting system that will contain sufficient data to permit:

- The preparation of fiscal year-end financial statements in accordance with Generally Accepted Accounting Principles (GAAP)
- Adequate insurance coverage
- Control, accountability and security

Criteria for Fixed Asset Capitalization

- The asset has a useful life of one (1) year or more
- The cost of the asset is greater than \$2,000.00

Valuation

Fixed assets are to be valued at purchase cost.

Donated fixed assets shall be valued at the donor's estimated fair market value at the time of gifting.

Depreciation

Assets will be depreciated using straight-line depreciation. Estimated life for fixed assets shall follow IRS guidelines.

Classification

Fixed assets shall be classified as follows:

- Furniture - 7 years
- Equipment- 7 years
- Software- Amortized 3-5 years
- Structures and improvements- 15 years
- Land- Unlimited useful life
- Improvements other than buildings- 15 years

Information

The following information shall be maintained for all fixed assets:

- Description
- Asset classification
- Location
- Purchase price
- Vendor
- Date purchased or leased
- Accumulated depreciation
- Method and reason of disposal, if applicable

Fixed Asset Disposal

Any asset with a fair market value greater than or equal to \$5,000 must be approved by the board prior to retirement. Approval is required by the Ops Manager / Department Head and Head of School for assets purchased with a fair market value of less than \$5,000, prior to retirement. The Fixed Asset Inventory will then be updated to include reason for retirement and date of write-off.

Examples of reasons for retirement:

- Asset is damaged beyond repair.
- Asset is damaged and the cost to repair it exceeds the current fair market value.

- Asset is not able to support current technology needs.

Any impairment to Fixed Assets needs to be communicated to the Regional Technology Manager and/or HOS immediately in order to assess the impairment.

- Fixed assets that are deemed obsolete or beyond repair should be communicated to the SS Accountant prior to disposal.

Physical Asset Controls:

- An annual inventory must be performed.
- Physical inventory must be performed for all capitalized items, as well as, all computers that do not meet the capitalization threshold.

The inventory is performed to determine that all assets are present, in usable condition, located in the assigned area, and accurately recorded on the fixed asset or inventory records.

Upon completion, the Ops Manager / Department Head must review and approve the results. Review includes a comparison of physical inventory to accounting records and fixed asset schedule.

Any discrepancies must be communicated to the HOS.

- Computer and software asset list must be submitted to the Regional Technology Manager for maintenance of IT equipment inventory to ensure continued supportability, license compliance and information security.
- All fixed assets are tagged with a School fixed asset tag.

Tracking and Reconciliation

- A fixed assets schedule is to be maintained by the Ops Manager / Department Head according to the Fixed Asset Policy.
- The fixed asset schedule must be updated monthly to include new purchases, retirements or transfers of assets.
- The Ops Manager / Department Head must also reconcile the fixed asset schedule to the accounting records and submit to MSA for review and confirmation.

Physical Assets Purchased with Restricted Funds

- All items purchased with restricted funds need to be tracked and inventoried by the school. The information must be maintained in a secure environment (i.e. system or network) with restricted access.

- All items (assets and inventory) purchased with restricted funds need to be tagged with an asset tag, tracked for physical location and inventoried annually.

The tag must read "Purchased with XYZ funds for XXVA".

Any item (asset or inventory) assigned to a student or teacher also needs to be tagged, tracked for physical location and inventoried annually

An annual inventory must be performed. The physical inventory must be performed for all restricted fund purchase to catalog for restricted fund audit purposes

Physical assets purchased with restricted funds meeting the following criteria must also follow the fixed asset policy in the previous section in addition to the criteria laid out above.

- All items the asset has a useful life of one (1) year or more
- The cost of the asset is greater than \$2,000.00

Tracking and Reconciliation

- A restricted fund fixed asset schedule must be maintained by the SPED /Ops Manager / Department Head.
- The restricted fund schedule must be updated monthly to include new purchases, retirements and/or transfers of assets.
- The SPED/Ops Manager / Department Head must also reconcile the restricted fund schedule to the accounting records as part of the month-end financial reporting process