

LTA Financial Controls

Financial Processes and Procedures

- 1. Process and Management of Budget2
- 2. Asset Protection Policies4
- 3. Management Policies4
- 4. Accounting Policies and Procedures5
- 5. Internal Control6
- 6. Conflicts of Interest7

1.

Process and Management of Budget

Liberty Tree Academy (LTA) is an organization that annually manages government and private sums of money. The Board of Directors (the Board), the Principal, the Business Administrator, and other members of staff each have roles and accountabilities in the exercise of fiscal due diligence and prudence in operating and managing the schools. This document sets out these responsibilities in more explicit terms, to ensure that all involved understand the scope (and limitations) of their individual and collective responsibilities.

- Summary of Accountabilities:
 - a) The Board - It is the Board's fiduciary responsibility to provide corporate financial oversight and financial direction (including short-term and long-term fiscal goals and targets) to the Principal and Business Administrator. The Board approves the annual operating budget and shall oversee the school's financial performance and compliance with legal requirements, operating budgets and financial plans.
 - b) The Principal - Ultimate staff accountability for executing the financial plans of the organization is vested in the Principal. The Principal is supported in this task by the Business Administrator who is directly responsible for ensuring that financial operations are within the boundaries of the board approved budget.
 - c) The Business Administrator – The Business Administrator is directly responsible for detailing and implementing the financial plan and ensuring day to day compliance with both the intent and specifics of the plan.
 - e) Every LTA staff member has an accountability to follow leadership direction and guidelines and to exercise financial prudence and conservatism in every action and decision made on behalf of the Liberty Tree Academy.
- Budget Control:
 - a) Budget - The Board will receive a working draft of the annual budget for the upcoming year by or before March 15th. The final budget will be presented to the Board for their approval and forwarded to D49 no later than June 15th.
 - b) Budget Flexibility – Actual totals for any expense line item within a program or school will usually not match the budget exactly. The Principal may proactively request approval from the Business Administrator to re-allocate budget dollars from one budgeted expense line to another. For example, if office supplies expense is budgeted at \$1,000 and it becomes evident that the annual total will be \$1,500, the Principal should request approval to reduce another expense line-item budget (within the same department) by \$500 (such as Principal Fund expense) and to increase the budget for office supplies expense by \$500. The request should be submitted to the Business Administrator in writing. The same process may be initiated by the Business Administrator with consultation with the Principal and reported to the Board.

The board approved budget will not change with these staff approved budget changes. Rather, the changes will be tracked in a "Projected Year-End" column next to the "Board Approved Budget" in the monthly income statements. This way, the "Projected Year-End" numbers become the "Working Budget" and the comparison of monthly and year-to-date totals to the (Projected Year-End) budget does not lose its effectiveness as a management tool.

At the end of the year, any variance between the board approved budget and the actual June 30 numbers must be explained to the Board and to the independent financial auditors so that any necessary explanations can be included in the financial audited reports.

This flexibility is granted to the Business Administrator because the purpose of the budget is to provide an effective management tool that will allow for the successful completion of planned programs and activities within the financial framework established by the Board approved operating budget.

c) Budget Revisions - If a change in circumstances or an unforeseen event cause staff to believe that the current budget has become unrealistic and that it is no longer possible for staff to operate within the boundaries of the budget, staff will give a full report of the circumstances to the Board along with recommendation for a course of action. The Board may approve a revised budget or give the staff other direction.

- Cost & Commitment Control:
Staff is responsible and accountable for budget compliance.

The LTA Leadership Team has full accountability for delivering the revenue stream projected and maintaining expenses at or below those outlined in the board approved budget.

Even after the budget has been approved, the Business Administrator must pre-approve financial commitments and purchases initiated by the LTA staff.

- Reporting:
Monthly financial statements will be distributed to the Leadership Team and the Board. The Principal is expected to review the monthly statements in a timely manner. When potential problem areas are detected, it is the Principal's responsibility to bring them to the attention of the Business Administrator. It is imperative that staff is proactive rather than reactive in managing budget variances.

Financial Report Distribution

Monthly:	Board of Directors Principal
Quarterly:	D49
Annual Audited Report:	Board of Directors Principal Business Administrator D49 CDE

2. Asset Protection Policies

Staff may not allow assets to be unprotected, inadequately maintained nor unnecessarily risked. Accordingly:

1. Must insure against theft and casualty losses and against liability losses to board members, staff, or the organization itself to beyond the minimally acceptable prudent level.
2. Must not allow un-bonded personnel access to material amounts of funds.
3. Must protect facilities and equipment from improper wear and tear caused by insufficient maintenance or supervision.
4. Protect the organization, its board, or staff from unnecessarily expose to claims of liability.
5. Make any purchase to ensure that normally prudent protection has been given against conflict of interest.
6. Make any purchase more than \$10,000 after obtaining competitive pricing or a minimum of three (3) bids unless specifically waived by the Principal and Business Administrator. Exceptions may be granted in the case of

required curriculum that is only available through one vendor. Generally, the term of any contractual relationships shall not exceed three (3) years, at which time it will be re-bid.

7. Have Board approval of any purchase of \$10,000 unless it is specifically included in the current budget.
8. LTA is to maintain the following insurance coverages:
 - Commercial Package:
 - Property
 - Crime
 - Business Income
 - Money & Securities
 - General Liability
 - Non-Owned and Hired Automobile
 - Owned Automobile
 - Directors and Officers Liability
 - Workman's Compensation Insurance

Each year the Business Administrator will take the appropriate actions to ensure that quality coverages are secured at the most favorable premiums available.

3. Management Policies

Contractual Commitments – The Principal or Business Administrator may sign contracts up to \$1,000. For contracts between \$1,001.00 and \$9,999.00 require both signatures. Contract \$10,000 or above will need Board President or Treasurer approval. The LTA's policy is to schedule/make payments after goods and/or services have been successfully received unless the Principal and Business Administrator have given their approval to 'pre-pay' an expense. The Business Administrator should review contracts that include scheduled payments before execution to ensure the availability of sufficient cash. The Principal and Business Administrator must be copied with every finalized contract.

Value-In-Kind (VIK) Donations – Value-In-Kind (VIK) donations to Liberty Tree Academy are only to be accepted with Principal and/or Business Administrator approval.

Check Signature Policy – Checks must be signed by two Board approved signees.

Board of Directors Meetings - Directors will be reimbursed for their expenses as dictated by the approved budget.

Minimum Fund Balance – LTA will maintain a minimum fund balance equal to 90 days of operating expenses as soon as possible after the start of LTA in 2018-19.

4. Accounting Policies and Procedures

Purchases – All purchases must be pre-approved by the Business Administrator before LTA will be financially obligated.

Orders for office supplies should be emailed to the Business Office who will cause the supplies to be delivered to the respective department. Requests for authorization to purchase other (non-supply) items will be processed as follows:

- (a) A completed Request for Purchase will be emailed to the Business Administrator and/or Purchasing Agent.
- (b) If the Business Administrator approves the request, the Purchasing Agent will assign a Purchase Order number, place the order, receive the order, and distribute the order.
- (c) When the invoice is received by the Business Office, it will be paired up with the Purchase Order in which the Purchasing Agent has marked received, given to the Business Administrator for final approval, and will then be paid.

Accounts Payable – LTA will only pay expenses upon receipt of an invoice and approved purchase order. LTA will not pay in response to a statement of account. Invoices will be paid when due and discounts offered for prompt payment will be taken if available. The supporting documentation will be filed alphabetically by vendor.

Check Requests – This form is to be used to initiate a pre-payment or expense reimbursement. Generally, if one has received pre-approval to purchase something (via purchase order when possible) and an employee personally paid for the purchase, a copy of the paid invoice will be forwarded to the business office attached to a check request referencing the respective purchase order number so that an expense reimbursement can be processed. The Check Request includes space for the purpose, amount and description of the purchase, and the name of the program/account to which it should be charged; and must be approved by the Business Administrator before payment.

Company Credit Card Receipts – The use of a company charge card is a privilege. Any use of a company charge card for personal charges will not be tolerated. It is the cardholder's responsibility to use safeguards with the card and to turn in receipts to the Business Office as soon as possible. Violations of these requirements may result in the loss of this privilege and may constitute termination of employment. Credit card purchases must still be pre-approved by the Business Administrator.

Charge receipts and the itemized sales/food slip must be forwarded to the Business office at the earliest time possible. The receipt must include a detailed description of the expense (covering the why, where, when, how much and for whom), signed and submitted to the Business Office for processing (account number assigned and matched with previously approved purchase request).

Outgoing Mail – If you have any outgoing mail, bring it to the Business Office for postage and mailing. Please let the Business office know in advance that you have a large mailing (i.e. report cards) and they will direct you the best way to expedite the process.

Bank Deposits – When cash and checks are collected, a receipt should be given to the person who paid the money at that time. Checks should immediately be endorsed with the bank stamp. All cash and checks will be delivered to the Business Office immediately and will be stored in a safe or locked filing cabinet. Deposits will be completed by the Business Office staff (always a minimum of two unrelated personnel to count, verify and complete deposit slips). The verified deposit will be taken to the bank within two days if more than \$500.

Month-end Procedures – Financial statements are produced and distributed each month. For the reports to be accurate and timely, it is imperative that all personnel recognize the importance of submitting packaging slips and invoices to the Business Office immediately upon receipt but no later than the last day of each month.

Petty Cash – The Business Office Manager will maintain petty cash that may be used when staff needs to make an impromptu, routine purchase for an operating expense that will cost less than \$100.00.

1. The amount in petty cash is not to exceed \$500.
2. There will be **no** cash advances of any sort from petty cash.
3. Reimbursement from petty cash requires the submission of the original receipt and the staff member receiving petty cash must sign a petty cash voucher.

Returned Checks – Liberty Tree Academy (LTA) will charge \$15.00 or the charge by the bank, whichever is greater, for each check that is returned by the bank due to insufficient funds.

5. Internal Control

LTA proactively implements internal control procedures in order to:

- a) Encourage adherence to prescribed managerial policies
- b) Promote operational efficiencies
- c) Safeguard business assets from misuse, fraud, and theft

- d) Ensure accurate and reliable accounting data

Basic principles considered in the development of LTA's system of internal control are:

- a) Responsibilities should be clearly established
- b) Adequate records should be maintained
- c) Assets should be insured, and employees bonded
- d) Record keeping and custody will be separated
- e) Responsibility for related transactions should be divided
- f) Personnel should be rotated
- g) Employees should be informed
- h) The system should be under constant review
- i) Appropriate documentation should exist
- j) Prescribed policies and procedures should be consistently applied
- k) Confidentiality of information

Operating Controls - Some specific controls that have been implemented are: a segregation of duties in regard to cash disbursements, bank statements and signing authority; locked cabinets for payroll, personnel records and monies to be deposited; checks are stamped for deposit upon receipt; the purchase order system; and a line of authority have been established for all check requests.

Internal controls are regularly reviewed by the Principal and Business Administrator as well as by independent auditors during financial audits.

Legal Contracts - Contracts will be reviewed by the Principal and/or Business Administrator and a copy of the finalized contract will be kept on file.

Cash Advances – When staff is required to go out of the office on business, whether in-state or out, they may request a cash advance to cover anticipated expenses. If per-diem applies for meals (see Per-Diem below), a cash advance could be requested to cover non-meal related expenses. The request is initiated by using a check request with a description of the event and expected expenses. As with any other purchase or event, the expense must have been pre-approved by the Business Administrator through a written approval or Purchase Order. Once the event or travel is over, an expense report should be completed with itemized receipts and turned into the Business Office. Cash advances will not be approved for any employee who has an outstanding cash advance that has not been accounted for.

Cash advances may also be requested for approved purchases that will be made by an employee.

Employees are liable for cash advances until their expense report with attached itemized receipts have been approved by the Business Administrator.

Expense Reports – An expense report must be completed for each cash advance. It should include a date and description of the event, the purpose of the event, the names and relationship of persons for whom expenses were paid. The receipts should be taped to an 8 ½" by 11" sheet of paper, numbered and stapled to the expense report. The forms are available in the business office. Personal expenses, such as personal telephone calls or entertainment costs are the responsibility of the staff member and may not be used in any accounting for a cash advance. No alcoholic beverage is approved.

Per Diem – Per-Diem may be approved for staff meal expenses for out-of-town trips on behalf of LTA. The per diem rate will depend on the location of the event and per IRS regulations. When you receive per-diem for your meals, you are not required to submit an expense report or receipts. If you are aware of meals that will be provided by your host, that meal should not be calculated into your per-diem. For example, if you are going to a seminar and know that a lunch will be provided, you should deduct that per-diem lunch rate from your daily rate for that day. Also, if you have requested per-diem for a meal and someone else picks up your check, that amount should be refunded to LTA upon your return to the office. For example, if you have per-diem for dinner, and a host, friend, business associate pays for your dinner you

should refund that meal per-diem upon your return to the office. You may request per-diem by submitting a Per Diem Worksheet (referencing the approved Purchase Order number) to the business office with the Business Administrator's signature.

6. Conflicts of Interest

Note effective February 2020:

Approved in the February 2020 Board Meeting:

While there is a familial relationship, The Business Administrator, Mrs. Jeanette Hands, while acting in this role, will continue to work with the Principal on budgets and other financial responsibilities as normal but will report directly to the LTA Board instead of the Principal due to the familial relationship. The Principal, Mrs. Shannon Wilson, while in this capacity, will still be able to hire or fire or set compensation for Mrs. Hands, but only after the Board's approval.

Financial transactions will be monitored as usual by the Board. Any payments/reimbursements to the Principal, the Business Administrator, and/or any family member to such, will be approved by the Board Treasurer before checks are written. Payroll compensation for all other employees will be approved by the Principal, timesheets will be processed by a third unrelated staff member along with the Business Administrator and then given to the Accountant for processing.

There will always be a third party to provide the separation of duties/responsibilities while there are these two familial positions.