

Internal Control Policy

Adopted by NCCS: November 13, 2012

Revised: March 14th, 2017

This policy is designed to be used in conjunction with current procedures, and to incorporate procedural guidelines established by the Naytahwaush Community Charter School (NCCS) Board of Directors and their independent auditors.

The procedures set forth in this policy follow the Generally Accepted Accounting Principles.

Budget requirements

- The NCCS Board adopts a budget for all funds in accordance with state statutory requirements. Approved budget by June 30, of every year.
- The NCCS Board approves all budget revisions.

Capital Assets

- Capitalization threshold (\$500 or more), Cost of asset includes freight, tax and installation.
- Depreciation method is straight-line method.
- Maintain subsidiary ledger (Smart Finance), reconcile to control account.
- Sales of assets formally approved by responsible officials.
- Fixed asset tags used.

Journal Entries

- Adequate documentation will be maintained to support all journal entries.
- The Director reviews, approves and signs journal entries on a monthly basis.

Purchases

- Purchases over \$50,000 will be required to undergo a competitive bid procedure in accordance with the Minnesota Legal Compliance Manual.
- Purchases over \$10,000 will be required to be approved by the Board

Bank Accounts: Authorization and Reconciliation

- NCCS maintains a general business checking account and money market account at: Midwest Bank in Waubun, MN.
- ~~NCCS maintains additional investment CDs at: Community Development Bank in Ogema, MN.~~

Credit Card Use Procedure

- Staff will submit to the Director a requisition form of items needed. If approved by Director, staff will sign the credit card sign out sheet located in Directors office. Director will also sign. When card is returned, a receipt will be submitted.

Authorizations

- NCCS Board of Directors reviews and approves the openings and closings of bank accounts. Two appointed board of directors members are authorized to sign checks. All checks require two of these signatures.
- The **Business Manager** maintains an up-to-date list of authorized check signers and keeps the banks informed of any changes.

Reconciliation

- The NCCS Business Manger reviews outstanding checks over 90 days, finds the problem, takes appropriate action to remedy it.

Responsibility

Action

Director

1. Receives the unopened bank statements, opens and Examines and gives them to the Business Manager for reconciliation.

Business Manager

2. Reconciles checking account monthly, using Smart Finance accounting software and the bank statement.

Director

3. Initials and dates prepared reconciliation's and files in bank reconciliation file for finance committee review.

Director

4. Reviews reconciled statements and corresponding documents for unidentified variances and unusual reconciling items and initials them.

Cash Receipts

- NCCS receives revenues, direct deposit, from the Department of Education in the form of federal grants and funds from the State of Minnesota Department of Education.
- All checks or money orders are made payable to NCCS.
- NCCS does not accept currency from personnel to pay for personal copying, phone calls or other reimbursement.
- Other checks and cash, which NCCS might receive, come from charitable donations and private foundations.

Responsibility

Action

Business Manager

1. Receives money, restrictively endorses all checks with the NCCS stamp and prepares pre-numbered receipt form and attaches to deposit.

2. Prepares a deposit tracking form containing date received, payor (if necessary), amount, date deposited. Photocopies checks and attaches copy of receipts.

3. Prepares bank deposits showing detail of receipt.

Business Manager

4. Delivers deposits to the bank. While receipts are waiting to be delivered to bank for deposit, all monies are stored and locked in a locked cabinet, within the locked business manager's office.

5. Codes and Records total deposit into Smart Finance accounting system.

6. Maintains deposit records.

Director &

Finance Committee

7. Reviews and approves monthly cash receipts for board approval.

Disbursements

- All disbursements are made by check, OAP card, or electronic fund transfers for payroll. All disbursements are accompanied by a bill/invoice, voucher and supporting documentation. All electronic fund transfers have written confirmation of each transaction within one business day.
- The NCCS Board of Directors resolves annual delegation of authority to make electronic fund transfers to Director. The identification of all initiators of electronic transfers are kept on record at NCCS (director responsibility).
- The disbursing bank of electronic fund transfers keep a certified copy of delegation of authority, and the NCCS Business Manager keeps accurate and up to date information regarding current vendors who receive payment.
- The supply of checks are kept in a locked cabinet within the locked business managers office.
- The NCCS Business Manager assures that voided checks are properly filed (signature area torn away) and retained for audit review, and assures that blank checks are not signed.

Examples of adequate supporting documentation are:

Advance expenditure-

Purchase Requisition for approval of purchase requests.

Travel advance-

Agenda and registration at time of request, proof of payment following completion of travel.

Staff reimbursement- Invoice or receipt showing items have been received or purchased.

Bill from vendor- Bill or invoice, shipping or receiving documents.

Responsibility

Action

All Staff

1. Prepares travel authorization or Purchase authorization request and attaches the supporting documentation where there is no vendor.

Business manager indicates what expense code will be affected and routes the purchase request to the Director's for approval via signature.

2. Business manager prepares Smart Finance Purchase Order and orders items, makes reservations, or makes travel arrangements.

Business Manager

3. Receives and dates all bills, invoices, etc., received in the mail.

Business Manager & Director

4. Examines invoices, bills, etc. and supporting documentation for correctness. (i.e., original invoice attached.)

5. Prepares checks for paying the item.

6. Board reviews monthly checks and approves.

Business Manager

7. Mails checks along with any remittance notices or correspondence needed.

8. Organizes and files the vouchers alphabetically.

Finance Committee

9. Approves list of checks monthly for board approval.

Payroll

NCCS does not allow salary advances.

Responsibility

Action

General

1. The Director and Business Manager prepare payroll that is sent to EdVisions for processing.
2. A record of personal and sick leave time is maintained for each employee by the Business Manager. It includes the time accrued and taken and the available balance.

Business Manager

3. Prepares and enters payroll data into Smart Finance between the dates of the 20th and the 25th of each Month.
4. EdVisions makes tax deposits, PERA deposits, prepares quarterly tax returns.

Director

5. Approves /Signs Payroll Register each payroll.

Financial Statements

NCCS has a fiscal year, which runs from July 1 to June 30. NCCS contracts with Region 1 for its accounting software, Smart Finance, and for the software support. It enables NCCS to departmentalize the accounting (revenues & expenses) by programs. It additionally enables the **Business Manager** to print a number of financial statements for management information. The **Business Manager** is primarily responsible for accumulating and entering financial data into the computer and for printing the financial statements.

Statements are prepared each month for review by the Finance committee. Included in these statements are a list of checks issued for the month and a cash flow statement documenting expenses. Financial statements are approved and submitted to the Board of Directors for consent agenda approval on a monthly basis.

Financial Records

NCCS financial records are retained for a minimum of six years.

Audits

An external accounting firm is employed to conduct an independent, timely audit of the NCCS books in conformance with Generally Accepted Accounting Principles. Policy is for the audit to be complete and delivered to MDE by December 31 following the end of the fiscal year.

At the end of the fiscal year it is the duty of the **Business Manager** to accumulate all the accounting information that the auditor needs to complete the audit. Necessary data

includes financial statements for each month of the fiscal year, all checking and savings deposit slips, bank reconciliation's, all grant award letters and financial documents tying out expenses to each grant, any information that has been received from the bank throughout the year, monthly vouchers (attached to bills and invoices), check stubs, salary schedules, payroll ledgers, employee time logs.

When the audit is complete, copies are submitted to the Finance Committee as well as the Board of Directors. A motion is necessary to accept the audit as presented. The audit is available to be submitted to the granting agencies along with a letter of intent to correct any discrepancies the audit lists. It is imperative that NCCS follow the recommendation set forth in the audit and every effort is made to comply with those specifications as stated.

The auditing firm is additionally contracted to complete the annual 990 return and all other applicable forms and statements.

Charter Sponsorship

NCCS is in contract with Volunteer of America for its charter authorization. VOA receives monies from NCCS on a yearly basis based on enrollment.

Annual Report is required to VOA, as well as the monthly financial statements.