



## Internal Controls Policy

Approved By: TRM Board of Directors

Adopted: 6/27/2019

Amended:

### INTERNAL CONTROLS POLICY

Three Rivers Charter School has incorporated its understanding of significant audit areas into this Internal Control Policy. A standard chart of accounts is used under the UFARS system that is mandated by the Minnesota Department of Education.

#### I. Cash and Investments, Receipts, Revenue, and Receivables

- a. The TRM Board has delegated the duties of investing cash on hand not required for immediate expenditure to the School Director or his designee. Annually, a resolution is passed that allows these individuals to invest idle School cash. This resolution also allows these individuals to designate such depositories where investing takes place. This annual resolution is considered to be the "investment policy" of the School. School Business Solutions and School Accounting & Payroll Manager are responsible for reconciling the bank accounts. The School board treasurer oversees school finances and ensures that reconciled bank accounts agree with the general ledger.
- b. The School's primary revenue sources consist of state/federal grants and aids. State/federal grants and aids are received via wire transfers and by check (received via filing of progress or completion reports or EDRS reports). For amounts received by check, the check is routed to the Accounting & Payroll Manager for inclusion in the next deposit. This information is shared with School Business Solutions, where the appropriate account coding is noted and entered into the accounting system. Other receipts are tallied by the Accounting & Payroll Manager for deposit and reported to School Business Solutions for inclusion into the accounting system. School Business Solutions, on the Finance office's direction, makes Skyward entries, computes and records receivables (accounts, taxes, IDEAS, and state and federal programs), including reconciling amounts with the IDEAS and various grant agreements. The Director and Budgets Manager, with School Business Solutions' help, as needed, work with department heads to identify federal financial assistance. School Business Solutions, the Special Education Director and Budgets Manager reconcile differences between EDRS and UFARS.

#### II. Cash Disbursements, Expenditures for Goods and Services and Accounts Payable

- a. The School's accounts payable/finance office consists of two full-time persons and one on demand person at this time. (Accounting & Payroll Manager; Headteacher; Office Administrator ). Check signers are approved or changed by the Board of Directors. Check signers may access online banking by setting up passwords with the bank. Once the check is signed it is mailed with an invoice copy to the vendor for payment. Since the approved amount was compared to the budget and approved by the Director or department head prior to purchase, the approval process is considered complete. School Business Solutions currently maintains a vendor login Skyward that the Budgets Manager periodically reviews. The school board receives and reviews a disbursement report as part of the monthly financial reports; it lists all checks disbursed, including vendor names. There are additional controls that the district uses to monitor disbursements. A budget-to-actual comparison report and a list of check disbursements (which includes check number and vendor) are prepared monthly by School Business Solutions, and are reviewed by the board treasurer, board finance committee, Budgets Manager, School Director, department heads and Board of Directors.

#### III. Payroll and Related Liabilities

- a. The School uses a separate payroll service, PAYCHEX. Accounting & Payroll Manager, performs Onsite payroll duties. The Budgets Manager would assist in Budgets Manager's absence if needed. All contracted employees are paid twice a month, the 15th and 30th. All others are paid on the 15th and/or 30th for time worked. The Director establishes salaries/rates of pay. Salaried teaching positions are paid based on terms of employment. The Director position is paid based on an individual contract. These employees are not required to complete timesheets, unless their salaries are



funded by a federal grant AND another source of funding. Contracted employees working summer program do complete timesheets, as do other contracted employees performing duties outside their contract. Other salaried or hourly employees are paid based on signed terms of employment, which include pay rate, benefits, date of employment, title, and other employment data. All contracted employees will move from contracts to terms of employment in FY09. Time records are completed by hourly employees, substitute teachers and any employees paid by two or more agencies. Attendance records are kept by Administrative Assistant and Accounting & Director for payroll. All time sheets are approved by the School Director or program director and submitted to Accounting & Payroll Manager for processing. All payroll statements are prepared and signed by computer (digitized signatures). Accounting & Payroll Manager is the only person who has access to the payroll password in the PAYCHEX database. She/he will continue training another employee to perform payroll duties in \_\_\_\_\_. Accounting & Payroll Manager will distribute payroll checks. The School requests that employees use direct deposit. At this time, most of the district's employees use direct deposit (some may not). Federal and state payroll withholdings and PERA are submitted electronically. All other withholdings are submitted by check through the U.S. mail.

#### IV. Debt and Debt Service Expenditures

- a. The School uses separate types of debt to finance operations and to provide funds for capital and other improvements. All debt is approved by the Board. Debt service expenditures are made in accordance with established repayment schedules approved in the original issue. Generally, short-term tax anticipation certificates are used to provide funding for operations and to manage cash flow for the district. Bonded debt, grants, certificates of participation, and/or loans by the School or TRM Building Company are used for capital improvements.

#### V. Fund Equity

- a. Fund equity of the School is accounted for in accordance with prescribed accounts as determined by the Minnesota Department of Education and UFARS. The School is required to maintain reserved fund balances for unemployment, severance, transportation safety, community education, equipment, facilities, disabled accessibility, building construction, and debt service, if school is expending money in those funds. All other fund balances are unreserved. The Budgets Manager or the School Director's designee is the person responsible for ensuring that fund balances are properly adjusted.

#### VI. Federal Grant Programs

- a. The School has approximately twelve (12) federal financial assistance programs. The responsibility for managing each program falls under the School Director or his or her designee. The Finance Office staff and Director of Special Services work with the School Director to track financial information. The board treasurer has oversight of federal grant programs. All external reporting is the responsibility of the applicable program director. The School Director, Director of Special Services and Budgets Manager review and summarize federal programs at the fiscal year end including the recording of federal receivables.

#### VII. Capital Assets

- a. For capital assets, the School uses guidance made available from MDE and the national Association of School Business Officials (ASBO) for purposes of estimating the useful lives of capital assets when calculating depreciation.

#### VIII. Building Company Transactions

- a. The transactions of the TRM Building Company were handled via journal entries for fiscal 2010.
- b. Prior to FY10, this was reported in UFARS as a course code 008 using the same finance system as was used for the School and using the same checking account, as the LILA Building Company does not have its own (uses a Due to / Due from structure for the amount of cash used). Otherwise the structure of transaction approval and recording and reconciliation is the same as has been documented above for the School. In fiscal year 2010, the course code changed to 050, due to changes in UFARS codes made by the state related to implementation of SERV'S Financial. The TRM Building Company uses Fund 50 in UFARS as well.