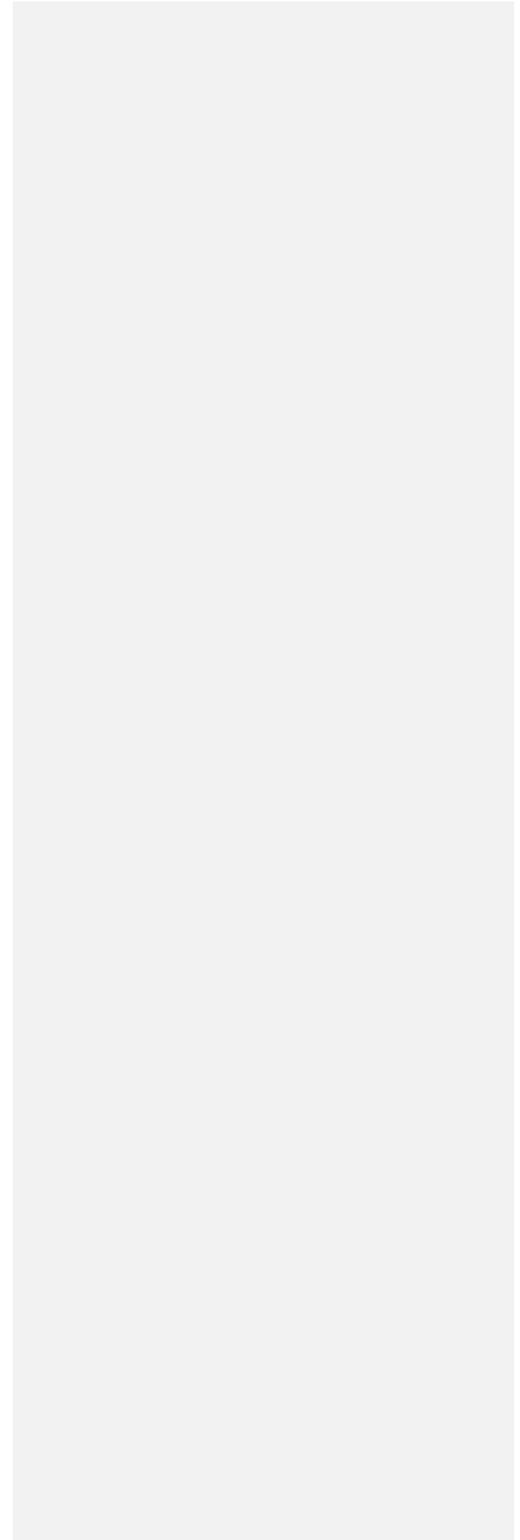


Finance Policies Template

General
Asset Protection
Banking & Financial Management
Procurement (Purchasing)
Payroll
Contracted Services



Charter School Finance and Purchasing Policies

I. Introduction

Operating a Charter School is engaging for administrators and is fulfilling the dreams of its Founders. It is also very rewarding on many levels, particularly as the successes of students are observed. It is also serious business. Utah Charter Schools are not typical start-ups. Before a charter is even granted by the state, its Founders need to have a complete business plan detailing curriculum, staffing, a multi-year financial forecast, policies and procedures of all kinds, special education everything, plans for this and plans for that. These plans include financial policies, procedures, forms, documents, etc. (internal controls) that meet standards. A brand new Founding team may know little about them, at least insofar as the real-life demands of the state and federal bureaucracies are concerned.

State and federal bureaucracies who fund charter schools also delegate authority to the board to properly safeguard and account for public funds. This "Finance Policies" document template, coupled with procedures, forms and good practices are the foundation of effective internal controls to meet standards. This delegated authority requires checks and balances (internal controls) to ensure that the board properly accounts for and spend public funds for which it is entrusted within the law, and without malfeasance. The school shall make these policies available in the school's business office (main business office) and on the school's website.

A. Internal Controls

Internal Controls are an integral part of a Charter School (school or LEA) "control environment" to ensure the school's assets are safeguarded and to minimize risk. Internal controls consist of well-crafted policies, procedures, guides (guidelines) and forms indicating *how we're supposed to do it*. They also include implementation and practices (modeling) by leadership and school staff *how we actually do it*. *How we're supposed to do it* and *how we actually do it* should be the same in almost all circumstances. Internal controls are developed for the purpose of:

- Protecting against waste of resources through inefficiencies;
- Protecting resources against embezzlement, bribes, theft or other types of fraud;
- Protecting against poor management, carelessness and unintentional errors;
- Securing compliance with both law and rules of the state, policies of the school and the audit requirements of the State of Utah pertaining to "public funds";
- Protecting against loss or destruction of records;
- Ensuring data reliability and accuracy;
- Evaluating the level of performance of the school's operations.

Under the direction of the Governing Board, schools are required to establish and maintain adequate accounting records and implement internal control policies & procedures. Internal control consists of six components: control environment, risk assessment, control activities, information and communication, segregation of duties, and monitoring. The objectives of internal control relate to financial reporting, operations, and compliance.

The Board and all levels of administration and instructional staff are responsible for preventing and detecting instances of fraud and related misconduct and for establishing and maintaining proper internal controls that provide security and accountability. The Board and administration are also responsible for recognizing risks and exposures inherent to these areas of responsibility and for being aware of indications of fraud or related misconduct. Any employee with reasonable basis for believing fraudulent or related misconduct has occurred should report such incidents to the designated authorities within the school or to the State Board of Education.

Charter School Finance and Purchasing Policies

Internal controls provide schools with the foundation to properly safeguard assets, implement policies, provide compliance with state and federal laws and regulations and produce timely and accurate financial information. Board members and directors should review the Charter Solutions' Internal Controls Guide to further understand the need for internal controls and their role in their implementation and oversight.

The policies outlined herein will be reviewed at least annually. Employees involved in the processes and procedures associated with these policies will be trained at least annually in their duties.

B. Governing Board Authority

The Board of Trustees, Governing Board, etc. (Board) is responsible for the operation of school in accordance with state and federal laws. The policies contained in this document are subject to change at any time. The Board reserves the right to amend or change them at their sole discretion. The Board is also responsible for operating the school in accordance with the representations made in its charter. Specifically, the Board shall have the sole authority to approve and will incorporate into its own minutes such matters as:

- Change of the school's name, with the authorizer and other entities;
- Adoption and amendment of the annual budget;
- Selection or termination of key employees;
- Key employees' salary and benefits changes;
- Incur debt, mortgages or other encumbrances and their covenants and restrictions, within the terms of the charter;
- Investment policies, depository and investment banks;
- Purchase or sale of real property;
- Review and acceptance of interim monthly financial statements;
- Selection of the school's auditor (CPA firm);
- Service on the school's audit committee;
- Review of any transaction or account of the school at its discretion.

C. Administrative Authority

The school Director and under their direction, business office staff, are authorized by the Board to execute all legal transactions for the school (with exceptions for certain capital purchases and indebtedness, etc. noted herein) and to make all purchases and disbursements necessary according to policy for the operation of the school. The Director and business office staff independently report all financial transactions directly to the Board periodically in a public board meeting. Both the Director and the employee(s) within the business office may report to the Board independently if requested, or if they deem appropriate on certain matters, or in any case where mismanagement or fraud is suspected.

D. Compliance with Laws

The school will follow all applicable laws and regulations that govern Charter Schools within the State of Utah. The school shall comply with Title IX and shall not discriminate on the basis of sex in education programs. Applicable federal laws and regulations will be adopted as federal program funds and grant funding is received.

The school will provide access to school records if requested by a person or entity under the Government Records Access Management Act (GRAMA). Additionally, records will be available to the Utah State Office of Education (USOE), State Charter School Board or other governmental entity as needed.

Charter School Finance and Purchasing Policies

II. General Policies

A. Political Contributions

No funds or assets of the school may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office. Following are examples of prohibited activities:

- Contributions by an employee that are reimbursed through expense accounts or in other ways;
- Purchase of tickets for political fundraising events;
- Contributions in-kind, such as lending employees to political parties or using the school's assets in political campaigns.

B. Record Keeping

To provide an accurate record of all financial transactions (a good audit trail), the school's books, records, and accounts are maintained in conformity with generally accepted accounting principles as required by state law applicable to Charter Schools. This includes recordkeeping in both the modified and full-accrual bases of accounting. Audited financial statements certified by an independent auditor will be prepared annually using the accrual basis of accounting. Further, the school specifically requires that:

- No funds or accounts may be established or maintained for purposes that are not fully and accurately described within the books and records of the school;
- Receipts and disbursements must be fully and accurately described in the books and records;
- No false or fictitious vendors, invoices or entries may be made on the books or records nor any false or misleading reports issued.

C. Record Retention and Disposal

Financial records are maintained at a minimum according to the following schedule, created pursuant to UCA 63G-2-102(25):

1. For three years after submission of the final report of expenditures: general ledger, trial balance, accounts payable and accounts receivable ledger, payroll register, and petty cash book, check register and checks, invoices. Except for:
 - a. If any litigation, claim, or audit is started before the expiration of the 3-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.
 - b. Records for real property and equipment acquired with Federal funds shall be retained for 3 years after final disposition.
2. For seven years, either electronically, on campus, or stored at the State Archives' office: Audit reports, annual corporate reports, charter, board minutes, tax and legal correspondence, labor contracts, insurance claims and policies, and retirement and pension records.

The disposal date determined under this policy is the end of the fiscal year, or the date of final payment of government grants, or the expiration of specific contracts.

III. **Asset Protection Policies**

A. Signature Authority

To properly segregate duties, the Board Chair (President), the Treasurer, the Director/Principal or others as expressly authorized are the only individuals with signatory authority and are responsible for authorizing all cash transactions. Each disbursement shall require two signatures to be authorized.

B. Security of Financial Data

The school's accounting software will be maintained to ensure that adequate internal controls and security measures are established to minimize unauthorized access to school data (i.e., proper password protection). The system's accounting data shall be backed up periodically to ensure the recoverability of financial information in case of failure. The backup file(s) must be stored separately in a fire safe area and properly secured. All other financial data, petty cash box(es), check stock, etc. will be secured from unauthorized access.

C. Security of School Documents

Originals of the following corporate documents are maintained and their presence shall be verified on a periodic basis:

- Charter and all related amendments;
- Articles of Incorporation and By-laws;
- Minutes of the Board of Trustees and subcommittees;
- Corporate and payroll tax registrations;
- Banking & financial agreements;
- Leases;
- Insurance policies;
- Grant and contract agreements;
- Fixed asset inventory list.

D. Use of School Assets

School employees should not use any of the school's assets for personal use without prior approval of the school administration and with proper justification.

E. Facilities Use by Outside Persons or Entities

In accordance with state law, the Board authorizes, on condition, the use of school facilities for other than school purposes. It is understood that the school shall by law assume no expense as a result of Charter Schooling of school properties, facilities, including grounds, furnishings and equipment. It is further understood that restraint must be exercised in leasing facilities for purposes other than school functions, to the extent that such leasing shall not interfere with the school curriculum, program, and standards. The Board may refuse the use of school facilities by outside entities if it determines the use is inadvisable.

Charter School Finance and Purchasing Policies

The Board authorizes the Administration to establish rules, guidelines, procedures and fees for the rental and use of school facilities for other than school purposes. The Board will review and approve the procedures as needed. The School Director and Business Manager shall administer the rules and guidelines and see that all entities follow established procedures.

F. Audit

The Board contracts annually with a qualified independent certified public accounting firm to conduct a fiscal audit of the school's financial records and statements. The audit is performed in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards issued by the Comptroller General of the United States, 2003 Revision (GAS) and, if applicable, the U.S Office of Management and Budget's relevant circulars. The selected firm must be familiar with these standards and related state regulations in order to properly conduct the fiscal audit.

G. Audit Committee

The Board shall establish an audit committee per Administrative Rule R277-113-5, comprised exclusively of Board members, which shall:

1. Monitor the external audit process by:
 - a. determining the appropriate scope of the independent external audit;
 - b. determining the appropriate scope of non-audit services to be performed by the independent auditor;
 - c. managing the audit procurement process in compliance with Title 63G, Chapter 6a, State Procurement Code;
 - d. making recommendations to Charter School board on the results of the procurement process;
 - e. facilitating regular direct communication with independent external auditors;
 - f. receiving independent external audit report and financial statements;
 - g. ensuring management implements corrective actions;
 - h. assessing performance of the independent auditors;
 - i. reviewing disagreements between independent auditors and management;
 - j. prioritizing the internal audit plan based on risk;
 - k. receiving audit reports from internal auditors, contractors providing internal audit services, and other regulatory bodies; and
 - l. providing an independent forum for internal auditors, internal audit contractors, and other regulatory bodies to report findings of fraud, waste, abuse, non-compliance, or control weaknesses, particularly if management is involved;
2. conduct or advise the board in an annual evaluation of internal audit personnel or contractors providing internal audit services;
3. ensure that issues and exceptions reported by internal auditors, or other regulatory bodies are resolved in a timely manner;
4. present the audit reports of external auditors, internal auditors or other regulatory bodies to the board;
5. receive reports of reviews or audits conducted by the Superintendent and ensure appropriate corrective actions is taken in a timely manner; and
6. advise the local LEA board in the appointment of an audit director or in contracting services for internal audit services in accordance with Subsection 53G-7-402(3).

H. Insurance and Bonding

Charter School Finance and Purchasing Policies

The school maintains minimum levels of coverage, as deemed appropriate by the Board, for the following policies:

- General liability (earthquake coverage not included without express inclusion)
- Business & personal property
- Automobile insurance (as necessary)
- Workers' compensation
- Unemployment (tax)
- Directors and Officers
- Errors & Omissions/Professional Liability
- Employment Practices Liability Insurance
- Treasurers' (fidelity) Bond
- ERISA bond (as applicable for retirement plan)
- Other insurance as requested

A Treasurer's Bond (fidelity bond or Public Official Bond) is required on the person who has investment control over the school's public funds, typically the business manager, per UCA 51-7-15. This insurance coverage is not included in the school's other insurance policies and must be purchased separately. The school requires proof of adequate insurance coverage from all prospective sub-contractors, as deemed applicable by the Board.

Charter School Finance and Purchasing Policies

V. **Banking & Financial Management Policies**

A. **General**

Accounting policies and financial reporting adopted by the school should be consistent with a special purpose governmental entity that engages in business-type activities. The Board has oversight of the management of the school inclusive of establishing the governance structure and the financial management policies as set forth in the school's charter

B. **Budgeting**

School administration prepares an annual operating budget of revenues and expenses (forecast or budget) for approval. The Board approves a final budget for the operation of the school for the prior twelve months. Both of these budgets are approved no later than June 30th of each school year. Budgets are reviewed and modified as necessary. These forward-looking budgets and projections are reviewed and approved by the Board at an open and public meeting.

- The fiscal year (budget year) of the school is July 1st through June 30th. The appropriate accounting period is used for all adjusting entries and accruals;
 - Financial statements displaying budget vs. actual results are prepared by the business office and reviewed by the director and Treasurer and are presented to the Board at each board meeting (with limited exceptions);
 - Administration shall follow the Board approved budget with exceptions approved by the Board.

C. **Bank Accounts**

The Board may authorize bank accounts for general or specific purposes. School assets shall be kept at any bank or financial institution that is approved by the Utah Money Management Council. All bank accounts shall be reconciled as often as statements are available, typically monthly.

D. **Investments**

The school shall follow state law and rule as outlined by statute, Administrative Rule and the rules of the Utah Money Management Council in investing school cash assets.

E. **Petty Cash**

Petty cash funds may be established for incidental, non-recurring cash advances, local expense reimbursement, and small-dollar vendor purchases, provided proper documentation is furnished with each request. No fund shall exceed \$500 or individual payment shall be greater than \$100. Petty cash funds are recorded on the balance sheet as a cash account. The petty cash account is balanced periodically by the business office.

F. **Cash Handling and Cash Receipts**

Wherever possible, duties such as collecting funds, maintaining documentation, preparing deposits and reconciling records should be segregated among different individuals. When segregation of duties is not possible due to the small size and limited staffing of the school, compensating controls such as management supervision and review of cash receipting records by independent parties should be implemented. School staff shall follow established procedures (internal controls) for the handling of cash receipts as outlined in

Charter School Finance and Purchasing Policies

the Cash Handling & Receipts Procedures. The school will comply with all applicable state and federal laws. All checks received must be made payable to the school and restrictively endorsed immediately.

All funds shall be kept in a central, secure location until they are deposited in a school-approved fiduciary institution. Funds should be deposited daily or within three days after receipt, in compliance with Utah Code 51-4-2(2)(a). Unauthorized school employees should never hold funds in any unapproved location for any reason. Periodic and unscheduled audits or reviews should be performed for all cash activity. All payments of school fees shall correspond with the approved fee schedule, as required by State Board Administrative Rule 277-407.

G. Fundraising

Fundraising is generally permitted within the school to allow the school to raise additional funds to supplement school-sponsored academic and co-curricular programs. Fundraising at the school level is only authorized and administered by the Director. The Board shall annually review the fundraising activities of the school and of all activities that support or subsidize the school. The Board shall ensure that revenues raised during fundraising activities or through activities that support the school (local funds) are raised within established cash handling policies. All expenditures shall be made in accordance with established school policies and procedures. The Board shall ensure that all activities of fundraising and parent organizations are adequately reviewed and considered with the school's insurer to evaluate and manage risks associated with such activities. Fundraising guidelines are:

- All monies raised through fundraisers for school-sponsored activities are considered public funds. This includes all donations to the school, regardless of whether or not such donations are part of any fundraising activity or event;
 - Checks or warrants must be made payable to the school;
 - Cash Handling and Cash Receipt procedures of the school apply to all school-sponsored fundraising activities;
 - Relationships with non-school employees in relation to fundraising activities are managed by the Director;
 - Conflict of Interest forms must be completed when persons employed by or affiliated with the school are also involved in fundraising organizations or hold funds that that will benefit the school;
 - Fundraising activities may be subject to fee waiver laws and the Director oversees the administration of fee waivers;
 - "School-sponsored" means activities, fundraising events, clubs, camps, clinics, programs, sports, etc., or events, or activities that are authorized by the school, school board, administration, or board committees, including the authorized parent organization or authorized curricular school clubs, activities, sports, classes or programs that also satisfy one or more of the following criteria. The activity:
 - Is managed or supervised by school administration, staff, or authorized volunteers;
 - Uses the school's facilities, equipment, or other school resources;
 - Is supported or subsidized, more than inconsequently, by public funds, including the public school's activity funds or minimum school program dollars.
1. *Properly approved school-sponsored activities:*
 - May use the school's name, facilities, and equipment;
 - May utilize school employees and other resources to supervise, promote, and otherwise staff the activity or fundraiser;
 - May be eligible to be insured under the school's liability insurance policy (subject to insurer);

Charter School Finance and Purchasing Policies

- May provide additional compensation or stipends for school employees with the approval of the Director and under school payroll policies and consistent with the school's budget;
- Must comply with all fee approval and fee waiver provisions established in Utah law, administrative rules and school policies.
- Fundraising activities, or activities of outside organizations of any kind that are not school sponsored activities must be conducted at arm's length so that revenues and expenditures are no commingled with the public funds of the school.

2. *Donation & Gifts*

Donations may be accepted, upon approval by the Director, providing the item(s) to be donated (cash, goods, services) are legal to possess by a public school, safe, unencumbered, usable by the school and are generally not restricted in their use, or are not restricted for use by an individual employee. Donations for the purpose of compensating specific employees or positions may not be accepted (donors can donate for other purposes instead). Donations received by the school become public funds and may not be returned or expended except within the law as applicable to the appropriate use of public funds. All policies and procedures of the school are applicable to donations, including Cash Receipt and Disbursement policies and procedures, and all other internal controls.

Gifts to the school must be general in nature and may not be restricted such that they cannot be used for various purposes, except when those purposes are to a specific program, such as the PE program, science department or art program. Donations or gifts intended to benefit a specific student, teacher or classroom may not be accepted and could be considered a bribe.

The value of a gift or donation to the school may not be assessed or assigned by the school. The value and tax deductibility of a donation or gift made by an individual or company is to be determined by the donor and their accountant, not the school. No dollar value may be assigned to a donation verbally or in writing. If a product or service is given in return for a donation or gift that is clearly defined, such as a \$250 advertising slot in the yearbook, that value can be disclosed by providing the school's advertising rates to the donor for them to assign a value.

H. Vending Machines

Vending machines are to be administered by the Director with the assistance of the business office and other school administrators. Two persons shall be present when removing cash from vending machines and delivering it to the school office for recording using the Cash Handling & Receipts Procedures. Accurate inventories of goods stocked and sold from vending machines are to be kept. Vending machine stock shall be stored adequately to minimize shrinkage and the program should be reviewed at least annually.

I. Financial Statement Reporting

The business office is required to maintain supporting records in sufficient detail to prepare the school's financial statements, including:

Charter School Finance and Purchasing Policies

1. Monthly

- Internally generated Income Statement, including budget vs. actual comparison and adequate notes & explanations
- Balance Sheet
- Cash Flow Statement
- Transaction Register
- Balance of funds for restricted programs (if not zero)

2. Annually

- Financial statements for audit, with supporting statements as needed
- Annual budget

J. Capitalization of Property

All tangible personal property, land, capital improvements or buildings with a useful life of more than one year and a unit acquisition cost that exceeds the board-authorized capitalization threshold are recorded and capitalized on the property schedule. The Board shall establish the capitalization threshold. The asset capitalized cost includes actual tax, shipping/handling, and other expenses incurred to bring the asset ready for its intended use. Additionally, these policies apply to capital assets:

- All capitalized assets will be depreciated using the straight-line method of depreciation in accordance with such asset's useful life and governmental & financial accounting standards;
- The depreciation expense will be recorded in the statement of revenues, expenses, and changes in net assets;
- The school maintains records of all government-furnished property and equipment, with an identification and segregation of property and equipment acquired through government contracts;
- Upon receipt, all property that qualifies as necessary to include on the property schedule, or has reasonable possibility of theft, or is required by law, must be properly labeled with asset ID tags;
- Assets purchased or received that cost less than the depreciation threshold will be expensed in the period purchased;
- No item on the property schedule shall be removed from the premises without prior approval from the Board. Procedures for asset disposal must comply with state or federal law or regulation where appropriate. All Assets shall be disposed consistent with applicable regulations of any restricted funds with which they were purchased, according to state or US Dept. of Education General Administrative Regulations;
- Gains and losses from the sale or other disposition of property are recorded as revenue in the year in which they occur, and are reflected as such on applicable financial statements;
- A physical inventory of property included on the school's property schedule is performed on an annual or every two-year basis and is reconciled to the property schedule and general ledger of the school.

K. Liabilities

Encumbrances, debt or other obligations are recognized and measured in conformity with generally accepted accounting principles in both the modified and full accrual bases of accounting. Liabilities also include certain other deferred amounts that are not obligated, but are recognized and measured in conformity with generally accepted accounting principles. The Board and administration, in consultation with accounting firms, will determine liabilities as needed for financial statements.

L. Accounts Payable

Charter School Finance and Purchasing Policies

Only valid accounts payable transactions based on documented vendor invoices, receiving reports, or other approved documentation are recorded as accounts payable. Vendors and suppliers are paid as their payment terms require, taking advantage of any discounts offered. If cash flow problems exist, payments are made on a greatest dependency/greatest need basis, considering critical disbursements, including payroll and tax obligations, etc.

M. Program Accounting and Accounting Requirements

Charter Academy shall record transactions when they occur in the accounting system utilizing the following codes as established by the Utah State Board of Education approved chart of accounts:

- fund;
- function;
- location;
- program; and
- object or revenue code as applicable;

Charter Academy shall follow state accounting standards and minimum requirements consistent with R277-113(6).

Any good or service booked to a restricted program shall be approved by a program-level or school-level administrator. Only goods or services allowable within a program shall be approved and allocated to a restricted program.

All expenses allocated to a restricted program shall be allocable, reasonable, and allowable.

N. Supplement not supplant

With all federal funds, before expenses are proposed in a budget or allocated as an expense, administration ensures that the spending meet the federal requirements of supplementing, not supplanting state funding. When budgeting or allocating personnel, services, or other expenses for any restricted program, administration:

- That the school meets Maintenance of Effort requirements in prior years for applicable programs (see FiCAM p. 39 paragraph 1)
- That federal dollars are allocated to expenses that would not be provided absent the federal funds

O. Cash Disbursement and Expenditures

All non-payroll and non-credit card cash disbursements shall be made consistent with state and Charter Academy purchasing policies. Prior to disbursement, Charter Academy shall ensure that administrative procedures, including proper internal controls, have been followed.

P. Use Of School Credit & Debit Cards

Debit cards are only authorized with Board approval. Charter School credit cards and purchase cards shall only be issued with the formal approval of the Board and with proper justification. The cost/benefit to the school should be fully reviewed to ensure that no other method is appropriate. If credit cards are issued they should be assigned to specific school employees and should be used only for school-related expenditures.

Charter School Finance and Purchasing Policies

All charges must be supported by transaction-level invoices (point-of-sale receipts) or travel reports to be eligible for payment by Charter School. Monthly credit card statements are reconciled by cardholders to point-of-sale receipts and travel reports. They are reviewed and approved monthly by appropriate supervisors.

Q. Accrued Liabilities

Salaries, wages earned, and payroll taxes, together with professional fees, rent, and insurance costs incurred, but unpaid, are reflected as a liability when entitlement to payment occurs. The portion of any teacher, or other employee whose salaries are paid over a period different than during which work was performed, are accrued at the end of the fiscal year for which services were rendered.

R. Debt

Short-term debt consists of financing expected to be paid within one year of the date of the annual audited financial statements. Long-term debt consists of financing that is not expected to be repaid within one year. All short-term and long-term debt must be approved by the Board. Loan agreements approved by the Board shall be in writing and specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule. School administration may not enter into loan agreements without Board approval.

S. Net Assets

Net assets are recorded in accordance with generally accepted accounting principles applicable to special purpose governmental units. Net assets include the following:

- Unrestricted
- Restricted
- Investment in Capital Assets, net of related debt

T. Consistency in Cost Accounting

Practices used by the school in estimating costs in grant/contract proposals are consistent with its accounting practices used in accumulating and reporting costs. Accounting practices used by the school in accumulating and reporting actual costs are consistent with its practices used in estimating costs in its grant and contract proposals.

VII. Procurement (Purchasing) Policies

A. Procurement of Goods and Services

The school shall follow outlined procurement (purchasing) procedures of the school and provisions of the state procurement code (UCA 63G-6a) and rules (R33-5) and procure only those items and services that are required to perform the mission and/or fill a bona fide need. Procurements are made using best value contracting which includes assessing the best value considering quality, performance, timing, and price. Additionally:

- a. Administration shall not intentionally divide a procurement purchase into one or more smaller purchases to divide an invoice or purchase order into two or more invoices or purchase orders, or to make smaller purchases over a period of time in order to circumvent any aspect of this policy or of state law;
- b. Exclusive contracts (requiring the purchase of needed goods or services from a single, specified seller) are not authorized except as outlined in the state procurement code (UCA 63G-6a);
- c. Multi-year contracts shall comply with UCA 63G-6a-1204;
- d. Construction and improvements shall comply with the law and administrative rules of the State of Utah and its departments or agencies and differing rules, forms or reports, not in accordance with state law and administrative rules, may not be produced by school staff or outside service providers without Board authorization;
- e. Written records will be kept for all purchases, including complete bids when applicable by law. Competitive bids will be filed in the winning bidder's vendor file;
- f. All lease agreements will be evidenced by a lease or sublease agreement approved by the Board and signed by the Board Chair (or designee). The agreement will identify all the terms and conditions of Charter School;
- g. Administration or any agent of the school may not accept hospitality gifts, gratuities, kickbacks, or any other unlawful consideration under 63G-6a-2304.5;
- h. Satisfactory receipt of goods and services will be confirmed, as invoices are approved by buyers, before payment is made to a vendor.

B. Thresholds

1. Thresholds for determining requiring competing quotes, bids, and retaining documentation shall be consistent with R33-5-104 or with stricter standards according to this policy.
2. The "individual procurement threshold" for Charter School is \$1,000. This is the maximum amount that Charter School can expend to obtain a single item/service from one vendor at one time without requiring competitive purchasing (R33-5-104.3a).
3. The "single procurement aggregate threshold" for Charter School is \$5,000 (R33-5-104.3b). This is the maximum amount that Charter School can expend to obtain any combination of individual procurement items/services costing less than \$1,001 from one vendor at one time up to \$5,000, without requiring competitive purchasing.
4. The "annual cumulative threshold" for the purchase of goods is \$50,000 (R33-5-104.3c). This is the maximum total annual amount that Charter School can expend to obtain individual procurement item(s) costing less than \$1,001 purchased from the same vendor during the fiscal year (July 1 – June 30) not to exceed \$50,000. If a purchase exceeds \$50,000, it is not considered a small purchase and shall be processed through a bidding process or a request for proposal (RFP) process.

C. Purchases Requiring Quotes

Charter School Finance and Purchasing Policies

1. For procurement item(s) in excess of the "individual procurement threshold," or the "single procurement aggregate threshold" obtain a minimum of two, but preferably three, competitive quotes that include minimum specifications and shall purchase the procurement item from the responsible vendor offering the lowest quote that meets the specifications.
2. For procurement item(s) over the "annual cumulative threshold", conduct an invitation for bids or other procurement process outlined in the Utah Procurement Code.

1. Professional services

"Professional service" means labor, effort, or work that requires an elevated degree of specialized knowledge and discretion, including labor, effort, or work in the field of: accounting; administrative law judge service; architecture; construction design and management; engineering; financial services; information technology; the law; medicine; psychiatry; or underwriting.

All third-party vendors contracting with Charter Academy must be compliant with Utah's Student Data Protection Act (SDPA), U.C.A §53E-9-300. Vendors determined not to be compliant may not be allowed to enter into future contracts with LEA without third-party verification that they are compliant with federal and state law and board rule.

- a. Professional services costing less than \$50,000 can be awarded through direct negotiation with the service provider.
- b. Professional services costing between \$50,000 and \$100,000 need a minimum of two competitive quotes.
- c. Professional services costing over \$100,000 shall be acquired using a competitive bidding or RFP process, or by selecting a provider from an approved potential vendor list created using an invitation for bids or an RFP.

2. Small Construction Projects:

1. Costing less than \$25,001 may be procured by direct award without seeking competitive bids or quotes after documenting that all applicable building code approvals, licensing requirements, permitting and other construction related requirements are met.
2. Costing between \$25,001 and \$100,000 may be procured by obtaining a minimum of two (2) competitive bids or quotes that include minimum specifications and be awarded to the contractor with the lowest bid or quote that meets the specification after documenting that the requirements are met from (1).
3. Costing more than \$100,000 require an IFB or RFP procurement process. Large construction projects over 2.5 million must follow the requirements contained in Utah Code 53A-20.

D. Prohibition Against Artificial Division of Procurements and Invoices

Pursuant to UCA 63G-6a-506(8), it is unlawful for a person to intentionally or knowingly divide a procurement into one or more smaller procurements with the intent to make a purchase:

- qualify as a small purchase if, before dividing the procurement, it would not have qualified as a small purchase; or
- meet a threshold established by rule if, before dividing the procurement, it would not have met the threshold.

A prohibited division of a purchase includes any of the following with the intent or knowledge:

- making two or more separate purchases;
- dividing an invoice or purchase order into two or more invoices or purchase orders; or

Charter School Finance and Purchasing Policies

- making smaller purchases over a period of time

E. Procurement without competitive quotes or bids

Consistent with UCA63G-6a-802, Charter School may award a contract for procurement without engaging in a standard procurement process if the chief procurement officer determines in writing that:

- a. there is only one source for the procurement item;
- b. transitional costs are a significant consideration in selecting a procurement item and the results of a cost-benefit analysis demonstrate that transitional costs are unreasonable or cost-prohibitive, and that the award of a contract without engaging in a standard procurement process is in the best interest of the procurement unit; or
- c. the award of a contract is under circumstances that make awarding the contract through a standard procurement process impractical and not in the best interest of the procurement unit.

If Charter School awards a contract for procurement according to this section, the director shall negotiate with the contractor to ensure that the terms of the contract, including price and delivery, are in the best interest of Charter School.

F. Emergency Purchases

An "emergency purchase" is the purchase of goods or services that are so badly needed that the school will suffer financial or operational damage if they are not secured immediately, pursuant to UCA 63g-6a-506(5). A decision to purchase may be declared in an emergency at the school's discretion and "best value" procurement guidelines must be followed. In addition, the purchase must be authorized by the Director, business manager, the Board Chair or Treasurer when available. Sound business practices shall be used and documented in all cases.

G. Sales Tax

Charter School is exempt from sales tax as both as a public school and as a charitable organization.

- a. The school Board and administration shall maintain the school's IRS (501c3) and public school tax exempt status by complying with government regulations at all times;
- b. The school administration shall follow vendor policies regarding sales tax exemption;
- c. As authorized, school employees or volunteers may use the school's non-profit tax exemption registration number (and Tax Commission form) only for legitimate school purchases. Authorization may be revoked when necessary;
- d. If sales tax is paid by school employees or volunteers at the point of sale, the school may seek reimbursement of sales tax consistent with applicable rules at its discretion.

IX. Payroll Policies

A. Payroll Related Expenditures

The Board, with authority delegated to the Director, shall ensure that payroll-related expenditures are earned, accurate, and approved (authorized) before payment is made. Additionally, the following applies to payroll-related expenditures:

- a. Employees are paid on a 12-month schedule, as wages are earned or as otherwise agreed in a compensation Agreement, and in accordance with pay periods and pay dates as authorized by the Board;
- b. The school shall communicate pay rate information clearly and effectively to individual employees whenever a pay change occurs;
- c. Pay advances are not authorized. All payments to employees are to be made only after wages are earned;
- d. Employee's time is properly approved when submitted by an employee to a supervisor, authorized for payment, and reported to the business office for processing;
- e. All employee payroll amounts are calculated based upon approved rates included in the individual's personnel file. Any changes to pay rates or benefits must be properly authorized in writing by appropriate individuals or the Board where applicable;
- f. Employees whose compensation is paid in any portion from one or more restricted sources of revenue shall document their time and effort on a Personnel Activity Report consistent with 2 C.F.R. § 200.430 and applicable state law and rule.
- g. The school Director or immediate supervisor (Supervisor) will accurately record and track all employees' accrued paid time off (PTO). PTO includes a variety of paid time off, including but not limited to Sick, Personal, Vacation time, etc.;
- h. The Supervisor shall consider available PTO balance(s) and the needs of the school prior to approving PTO;
- i. The business office will add or deduct PTO for all employees as authorized by policy or the Supervisor when processing each payroll and will provide balance information to the Supervisor periodically;
- j. Overtime wages, while not formally against policy, are not authorized under normal circumstances and are only to be used in rare instances of emergency;
- k. Pay rates or employee benefit package changes may not be authorized exclusively by persons for whom the pay rate or benefits will affect;
- l. All payroll taxes and benefits are properly calculated and any deposits made in a timely manner. All payroll tax reports are prepared in a timely manner and reviewed for accuracy prior to filing;
- m. Employees paid with restricted program funds are required to complete a Time and Effort or Personnel Activity Report to record work performed by program after the work has been performed, with a supervisor's or employee's certification according to the administrative rules of applicable programs.
- n. Subject to the documentation requirements in items d and f above, the compensation of an employee in a position or assignment typically paid with federal or state grant funds may continue to be paid with the same federal or state grant funds during a period the employee is unable to work because the school is closed or under dismissal during unexpected or extraordinary circumstances. Notwithstanding the above, the employee may not be paid with federal grant funds for work on any modified assignment that is not otherwise allocable to the grant fund.

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B. Employee Retirement Program

The school shall participate in a retirement program as determined by the Board of Trustees and administered by the Trustee and the business office.

C. Employee Travel within the State

Employees who travel within the state typically travel using their own personal motor vehicle or a school-rented vehicle. Employees may be reimbursed at the current (at time of travel) federal standard mileage rate (per mile), as authorized by the Board, for use of their own vehicle for business related travel. In addition, parking fees and tolls paid are reimbursable if properly supported. Employees who rent vehicles for school use (and reimbursement) must purchase adequate insurance to cover the vehicle in case of theft or damage. Employees must refill the rental vehicle with fuel prior to return. The school shall not reimburse for moving violations or parking tickets.

D. Employee Travel Out of State

Employees who travel out of state travel with itineraries booked through school administration, except as otherwise approved. Under certain circumstances, employees may be required to use a personal credit card for hotel and/or vehicle rental. Employees may not use public funds to pay for (or submit for reimbursement) personal expenses while traveling for the school.

L. Meals

Employees who travel (within or without the state) may receive reimbursement for meals they purchase and document during approved travel that is more than 100 miles from Charter Academy's primary facility. Travelers will be reimbursed for actual expenses, including tax and gratuity, for the reasonable cost of meals.

E. Employee Reimbursement

Employees who use personal funds to purchase supplies or otherwise incur expenses on the school's behalf, may receive reimbursement for the amount of documented expenses consistent with policies for all other school expenditures and cash disbursements.

X. Contracted Services Policies

The utilization of outside service providers (i.e. independent contractors) and contracted personnel are sufficiently evidenced by:

- a. Service Agreements outlining the terms of the agreement (e.g., responsibilities work requirements, rate of compensation, and nature and amount of other expenses, if any) with the individuals or organizations providing services and details of actual services performed;
- b. Required IRS W-9 form, proof of authorization or licensure and liability insurance certification (among other things) are required before service is rendered or payment is made;
- c. Invoices or billings submitted by consultants, including sufficient detail as to the time expended and nature of the actual services performed;
- d. The use of a management contract for educational administrative services will clearly identify the contractor's performance requirements, including students' academic achievement (if applicable), contractor's compensation and define the school's rights to educational curricula and intellectual property developed.

The use of independent contractors is closely monitored so as not to vary from the rules of the Fair Labor Standards Act and Utah law. The contractor will:

- Be free from the school's control and direction in scheduling and performing the service, both under a contract and in fact;
- Provide a service that is outside the school's usual course of business or provide a service on a temporary basis;
- Not receive any fringe benefits as such, although their fee may include provision for fringe benefits;
- Use his or her own letterhead, supplies and materials when billing for services.

For contracts that are paid in any portion with federal funds, contracts shall include provisions required by 34 CFR 80.36, namely that the contractor agrees to grant access by the school, the state, the relevant federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions.