

Delaware Design-Lab High School Accounting Manual

I. INTRODUCTION

This manual sets forth the general budgeting and accounting policies/procedures that are to be followed by Delaware Design Lab High School (Design Lab) staff and management and is modeled per the State of Delaware Office of Budget accounting policies. The purpose of this manual is:

- To provide a summarization of the major accounting policies and procedures
- To assist in providing financial accountability in accordance with Generally Accepted Accounting Principles (GAAP), Delaware Department of Education, General and Special Funds and other external requirements.
- To provide a reference guide for all Design Lab accounting personnel and agency management.

Agency heads are responsible for establishing and maintaining an effective system of internal controls to reasonably ensure that:

- All assets are accounted for and safeguarded against waste, loss, unauthorized use and misappropriation.
- Revenues and expenditures are recorded properly.
- All transactions are clearly documented and supported with back up documentation.

These objectives can be met when the following items are incorporated into the design of the controls:

- All transactions are approved by management
- All transactions are validated to ensure the transaction represents a valid transaction
- All transactions are captured and recorded in the accounting records
- All transactions are evaluated to ensure that the amount entered into the accounting records is accurate.
- All transactions are reviewed to ensure proper classification.
- All transactions are reviewed and entered into the proper accounting period

- Authorizing appropriate personnel access to assets.

Management should continuously monitor and improve the effectiveness of the internal controls. Such monitoring will ensure that the internal controls of Design Lab are sufficient to safeguard the assets of the organization. The monitoring of controls will be done at least annually by the head of schools and the board of directors. Policies and procedures will be clearly and routinely communicated to staff to ensure adherence to policies.

Although, the establishment of strong internal controls helps to minimize the risk associated with fraud and errors, it will not eliminate the risk completely. Management's attitude toward adherence to control procedures is critical to making the controls work.

Monthly FSF Reconciliations will be performed and quarterly reconciliation of any Federal grant expenditures. The Accounting office will reconcile the financial data that has been entered into First State Financials (FSF) with Division of Accounting reports to determine if they agree. Any corrections that are required will be made using a correction document.

Monthly/Quarterly reconciliation of federal grant expenditures will be reviewed by the Head of Schools to ensure appropriate designation and expenditures of federal funds.

II. BASIS OF ACCOUNTING

A. Budgets

Budgets are to be kept on the **cash basis** of accounting. Revenues and expenses will be classified into the following funds:

1. General Fund

The General Fund represents the primary operating fund of the organization and accounts for all resources that are not required to be accounted for in another fund.

2. Special Fund

The Special Fund consists of those funds and accounts created to account for monies segregated from the General Fund for specific reasons. The Special Fund will include, but is not limited to, the following accounts:

- ***Federal Grants*** - records the receipt and expenditures from the federal government.

- **Capital Projects** - records the receipt and expenditures incurred for the acquisition and/or improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational instruction to Prestige Academy's students.
- **Other Funds** - records the receipt and expenditures of special revenue/program activities.

The Special Fund is also divided into Appropriated Special Funds (ASF) and Non-Appropriated Funds (NSF).

The accounts of the General and Special Fund are reported on the cash basis for budgetary purposes. Under the cash basis of accounting, revenues are recognized when cash is received; expenditures are recognized when cash is disbursed.

Appropriations will be used for The General and Appropriated Funds to ensure budgetary controls are met and to limit the expenditures of the organization to the level of funds that are available. All federal funds (including ARRA & SFSF awards) will have a separate designated appropriation to track and account for expenditures.

B. Financial Statements

Financial Statements will be prepared and reported based on **Generally Accepted Accounting Principles (GAAP)** promulgated by the Government Accounting Standards Board (GASB).

The activities of the organization will be classified into the following fund categories and account groups:

1. Governmental Fund Types

- General** - state funding which is not required to be accounted for in other funds.
- Special Revenue** - funds obtained from special revenue sources that are legally restricted to expenditure for a specified purpose.
- Capital Projects** - funds obtained for acquisition or construction of major capital facilities.
- Debt Service** - funds obtained and accumulated to pay interest and principal on long-term obligations.

2. Proprietary Fund Types

- a. *Enterprise* - funds obtained through user charges to recover the cost of providing goods and services.
- b. *Internal Service* - funds obtained through a cost reimbursement basis for goods and services provided to another charter school or state agency.

3. Fiduciary Fund Types

- a. *Trust* - funds obtained by the organization in a trustee capacity.
- b. *Agency* - funds held on behalf of students and parent groups.

Governmental and Fiduciary Fund Types will be reported using the **modified accrual basis** of accounting. Under the modified accrual basis of accounting, revenue and assets are recognized when measurable and available to finance operations during the current year. Revenues are considered available when collected within the current fiscal year or soon thereafter in enough time to pay the liabilities of the current period. Revenues collected within 60 days of the end of the fiscal year will be considered available. Expenditures and liabilities are recognized upon receipt of goods and services. However, debt service expenditures are recorded only when payment is due.

The Proprietary Fund Types will be reported using the **accrual basis** of accounting.

III. BUDGETING

A. Budget Transfers

1. Once the budget is approved by the Office of Budget, no transfer of funds from one account to another without written approval from the State of Delaware Budget Director will be made.
2. No transfer of appropriated General Funds from one account to another without written approval of State of Delaware Budget Director. The funds shall remain within the agency and will not be transferred to another agency.
3. No appropriated personnel costs may be transferred into non salary appropriation accounts.

All transfer requests must have the Head of Schools approval.

IV. ENCUMBRANCE ACCOUNTING

A. Purchase Orders

Financial obligations of the organization that exceed \$5,000 (except direct claim items) shall be processed using a purchase order approved by the Business Manager for expenditures that will be applied to state appropriation. Once approval is obtained, the purchase order will be entered into FSF by the accounting department. Approvals within FSF will be granted by the FSF roles of Internal Accountant, Business Manager and Division of Accounting. One copy will be kept on file in the purchase order file.

All encumbrances are to be entered by year end to properly account for liabilities in the appropriate fiscal year. Encumbrances are not to exceed the appropriated balance of the respective fund.

B. Contracts/Procurements

All materials and non-employee professional services shall be purchased or performed under contract. If any contract is to be paid out of a federal award, the contract shall clearly indicate the use of the federal award to pay services that will be provided. Also, vendors to be paid out of federal funds shall not be on the current list of companies or individuals whom are declared ineligible to receive federal funds. The contracting party (Design Lab) will search on dol.gov to ensure vendors are not disbarred from receiving federal funds before any contract is signed.

Material and Non-Professional Services purchases of \$10,000-\$25,000 require 3 written quotes. Material and Non-Professional Services expected to exceed \$25,000 shall require a formal bid process. The following services/products exceeding \$25,000 do not require three written proposals:

- Purchase of computer hardware or software.
- Contracts for the transportation of school children.

- Purchase of Library books.
- Used equipment. May be purchased by negotiations. Equipment costing less than \$5,000 can be approved by the Head of Schools or by a previously identified authorized signer.

Formal RFP process will be followed for Professional Services purchases of \$50,000 and over in accordance with 29 Del. C. c. 69 § 6902. All contracts with an individual that is expected to exceed \$50,000 in a fiscal year will be forwarded to the Division of Accounting 10 days prior to the start of services. The contract must provide the Consultants name, EIN or Social Security number, DE License Number, detailed scope of service, and signatures of the consultant and Head of Schools.

C. Adjustments and Cancellations

All adjustments to encumbrances will be entered into FSF which then requires electronic approval of the Head of Schools.

D. Documentation

All contract bids received will be retained and documented as to the reason the contract was accepted or declined. This documentation will serve as evidence of an arms length transaction and shall be made available for audit or review.

E. Petty Cash and Credit Cards

No Petty cash checks are to be drawn over \$500.00. Petty Cash is to remain in a locked cash box with access granted to a designated employee only. A petty cash log is to be kept detailing the transactions of the Petty Cash fund. Expenditure receipts are to be attached to the Petty Cash Log. The log is to be reconciled monthly by the Accounting Office to ensure proper and timely accounting. A Credit Card account, other than the P- Card, is prohibited from being established.

F. Direct Claims

The following transactions are considered direct claims and do not require a formal encumbrance (PO) to process a Payment Voucher:

1. Purchases not exceeding \$5,000
2. Personal Reimbursement and Travel
3. Travel Advance
4. Registration Fee Pertaining to Travel
5. Petty Cash Fund
6. Petty Cash Replenishments
7. Salaries-Processed in PHRST instead of FSF
8. Social Security, Pensions, Health Insurance, Workmen's Compensation - State's (employer's) share, group blood bank and any other future employee's group benefit plan that may be approved by the
9. Debt Service
10. Agency Inter and Intra Reimbursement for Service and Supplies
11. Expenses that are the obligation of the agency, however, the agency cannot directly control the timing and amount of the expenditures. Examples (not a complete listing) are:
 - Reimbursement
 - Payment for applicant job interview expenses
12. Freight
13. School Bus Contractors
14. Payments that will be paid out of local funds and Federal Funds

G. Prepaid and Deferred Expenditures

Expenditures extending over more than one fiscal year are recorded as an asset which is expended during the life of that asset.

VI. DISBURSEMENTS

All disbursements must be made via a Payment Voucher entered into FSF that requires two approvals. The approvals in FSF are required by two FSF Roles, Internal Accountant and Business Manager. Division of Accounting must approve, within FSF, any transactions greater than \$5,000. All invoices will be reviewed and approved by the Head of Schools prior to forwarding to the accounting office for processing. Department Heads will be responsible for management and adherence to his or her respective department budget and will monitor the budget to ensure no over expenditure of the budget or available funds in incurred. All invoices/statements must be provided to the accounting department.

before entry into FSF to generate a payment voucher. After processing, all invoices will be kept on file for future reference.

A. Personal Reimbursement and Travel

A reimbursement form with attached receipts will be forwarded to the Head of Schools for approval. The Head of Schools reimbursement and travel expenses will be forwarded to the Treasurer or Board Chair for approval. Approved reimbursement forms will be forwarded to the accounting office for processing.

Employees cannot be provided or reimbursed for food consumed in-state, during normal working hours. Exception is when food is provided as a part of a conference or registration fee, unless such a conference is primarily intended for state employees, in which case the lunch is not reimbursable or if expense will be paid out of local funds and/or permitted federal funds.

B. Travel Advance

Employees who do not have the state travel card may be advanced funds for official travel. Funds will not be advanced more than 60 days in advance of the date travel is to begin. A travel form must be completed with attached receipts to support expenditures within 30 days of travel and forwarded to the Fiscal Director for reconciliation and processing. A Payment Voucher is to be entered into FSF within 30 days of completed travel.

C. Payroll

Payment of earning for hourly and salaried employees will be processed in the PHRST system. Employee files and time sheets for hourly employees shall be kept on file to provide back up support to payroll processing. An employees' direct supervisor should review and approve time reported by an employee before the time sheet is forwarded to the payroll department for processing. Employees will be paid on a by-weekly basis. Any employee that is paid out of federal funds will maintain an after the fact time and effort record to support the time attributable to the specific federal grant. This is required of all employees that are paid out of federal funds regardless of exempt/non-

exempt status. The after the fact Time and Effort report will be generated by the payroll department to be forwarded to the employee and the employee's supervisor for review and signature. The time and effort report will be kept in the employee's file and a copy forwarded back to payroll department for support of payroll paid out of the federal grant.

D. Inter-Agency and Inter-agency Reimbursements

An Intergovernmental Voucher (IV) is used when the buyer and seller are state agencies. The IV is usually initiated by the selling agency. The IV permits transactions between agencies without the issuance of a check (via a PV) and the subsequent execution of a CR and bank deposit. There may be occasion where it is desirable to follow the PV-check-CR-bank deposit sequence. However, this can only occur with the prior approval of the Director, Division of Accounting.

The authorized signatures for the IV must be on file with the Division of Accounting. The following approval signature requirements are in effect for the processing of IV documents:

- (a) Where Buying and Selling Agencies are the same, the approval signatures for Buyer and Seller may be the same, and is to be signed in the Buying Agency block.
- (b) Where Buying and Selling Agencies are different, the approval signatures must be different, unless:
 - The Buying and Selling Agencies are in the same Department, and
 - The Department/Division head has notified the Director of the Division of Accounting that one employee has authority to sign intra/inter-divisional IV's and under what circumstances.
- (c) For automated IV's other than postage, only the Buying Agency authorization is required for the document to be processed. The selling authorization is an automated print of the contact person's name within the Selling Agency.
- (d) For postage IV's and any other IV's processed without Buying Agency data entry, only the Selling Agency contact persons name need be shown.

Billing should be made on a monthly basis utilizing one form for each agency from which goods or services are being provided. An exception will be made in the month of June when billing may be on a weekly basis. This will facilitate a timely year-end close-out.

E. Checks and Drafts

Checks will be generated by the Treasury Office through FSF after all approvals have been applied for the entered Payment Voucher. Checks are issued and signed by the Division of Accounting. If a vendor check needs to be cancelled and/or reissued, a stop payment request must be sent to the Treasury Office for processing.

VIII. COLLECTIONS AND ACCOUNTS RECEIVABLE

Receipts and monies of the state will be credited to the General Fund. Federal Grants, School Cafeteria Funds and Local Funds will be credited to the Special Fund.

A. Cash Collection

A designated individual will collect cash and record on a Cash Receipts Log. The Cash Receipts Log will be forwarded to the accounting office weekly for reconciliation and accounting. Daily cash collected exceeding \$100 shall be deposited daily by an individual not receiving the cash. Daily Cash collected for less than \$100 will be held until \$100 is accumulated. Cash will be held for no more than one week before being deposited.

The deposit form must be forwarded to the accounting office for processing. The accounting office will enter the deposit into FSF.

B. Accounts Receivable

An Accounts Receivable Register and aging shall be maintained for all receivables. A pre-numbered invoice will be generated for all receivables sent to the customer. Any receivables determined to be uncollectible will be referred to the Secretary of the Department of Finance. All pertinent information will accompany the notification.

IX. FEDERAL GRANT MANAGEMENT AND ACCOUNTING

Federal Grants will be reconciled, quarterly and annually to ensure that appropriate expenses have been allocated to the federal grant. All costs must be allowable under the federal cost principals 2 CFR Part 200, Subpart E, and under the terms and conditions of the specific federal award. Expenditures must be aligned with budgeted items in the approved grant application. Certain changes or variations from the approved budget and grant application need prior approval from Delaware Department of Education. Only approved expenses appropriated under the Federal Grant shall be applied to the appropriation. Each federal grant will have its own designated appropriation to clearly track & monitor expenditures. All expenditures must be properly documented with original source documentation (either electronic or on paper) with accounting records. Documentation includes purchase orders, payment vouchers, invoices, receipts, time and effort reports...etc. Expenditures that are not supported by source documentation cannot be charged to the grant and will be moved to local funds.

Design Lab will comply with all federal grant supplements, not supplant requirements for all federal grant awards. School employees responsible for spending federal grant funds and for determining allowability must be familiar with the federal cost principal 2 CRP Part 200 selected items of cost section.

Timely reporting will be done of any federal awards on the designated federal reporting template.

X. FIXED ASSETS

All fixed assets will be tagged with a tracking label and recorded on a fixed asset log to ensure proper accounting and maintenance. The original source document (payment receipt, invoice, etc) will be maintained to provide documentation of the date purchased and amount purchased. Asset log will identify assets that are purchases with Federal Funds. An Annual inventory will be done to verify the fixed asset log is accurate and all fixed assets are accounted for. During the annual

inventory check the Facilities Manager will inspect the assets to identify if any maintenance will need to be done on any assets.

Assets purchased for less than \$5,000 will be expensed in the period received. Assets purchased for greater than \$5,000 will be capitalized. All fixed assets will be recorded at its acquisition cost plus all ancillary charges to place the asset in use. An Asset Inventory log will be maintained for assets with an individual unit cost greater than \$5,000. The log will contain a description of the asset, Serial #, funding source, Acquisition date and cost, location and condition of property, disposition date and cost, and date of annual inventory. Along with an Assets Inventory log, the Facilities Manager will maintain a sign out sheet for employees or others to sign when leaving the premises.

All capital assets will be depreciated using the straight line method of depreciation over its estimated useful life. Assets purchased the first half of the year will recognize full year depreciation. Asset purchased after the first half of the year will recognize a half of year depreciation.

All assets purchased with State Appropriated funds are assets of the state. Disposal of assets will be made to the state of Delaware via a memorandum to the Office of Management and Budget, Government Support Services Section. Once disposed of, the asset must be properly accounted for in the accounting system and the Fixed Asset Log.

GASB 42 shall be followed in determining if an asset is impaired. If identified as impaired and the asset will no longer be used, it should be reported at the lower of carrying value or fair value.

A physical inventory will be conducted annually.