

**21<sup>st</sup> Century Public Academy**

**INTERNAL CONTROLS**

**2023-2024**

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## INTRODUCTION

21st Century Public Academy (“21ST CENTURY” or “School”) is committed to developing and maintaining financial policies and procedures that ensure sound internal controls, fiscal responsibility, and accountability in accordance with Generally Accepted Accounting Principles (GAAP). 21ST CENTURY will follow all the applicable laws and regulations that govern Charter Schools within the State of New Mexico. As a Board of Finance, 21st Century’s Governing Board (“Board”) is entrusted with funds granted by government agencies, private foundations, and individual contributors, and it will adhere to the highest of standards of accounting. Clear financial policies and procedures will enable the school to meet its financial needs and obligations, will ensure long-term financial stability and viability, and will protect its tangible assets and reputation.

### **Financial Policies**

1. 21ST CENTURY shall comply with the laws, rules, and regulations applicable to it regarding financial matters and with the terms of the charter contract by which it is bound.
2. Control procedures shall be in place to ensure the security of the school’s assets.
3. Timely and accurate financial information shall be produced to fulfill all reporting requirements and management needs.

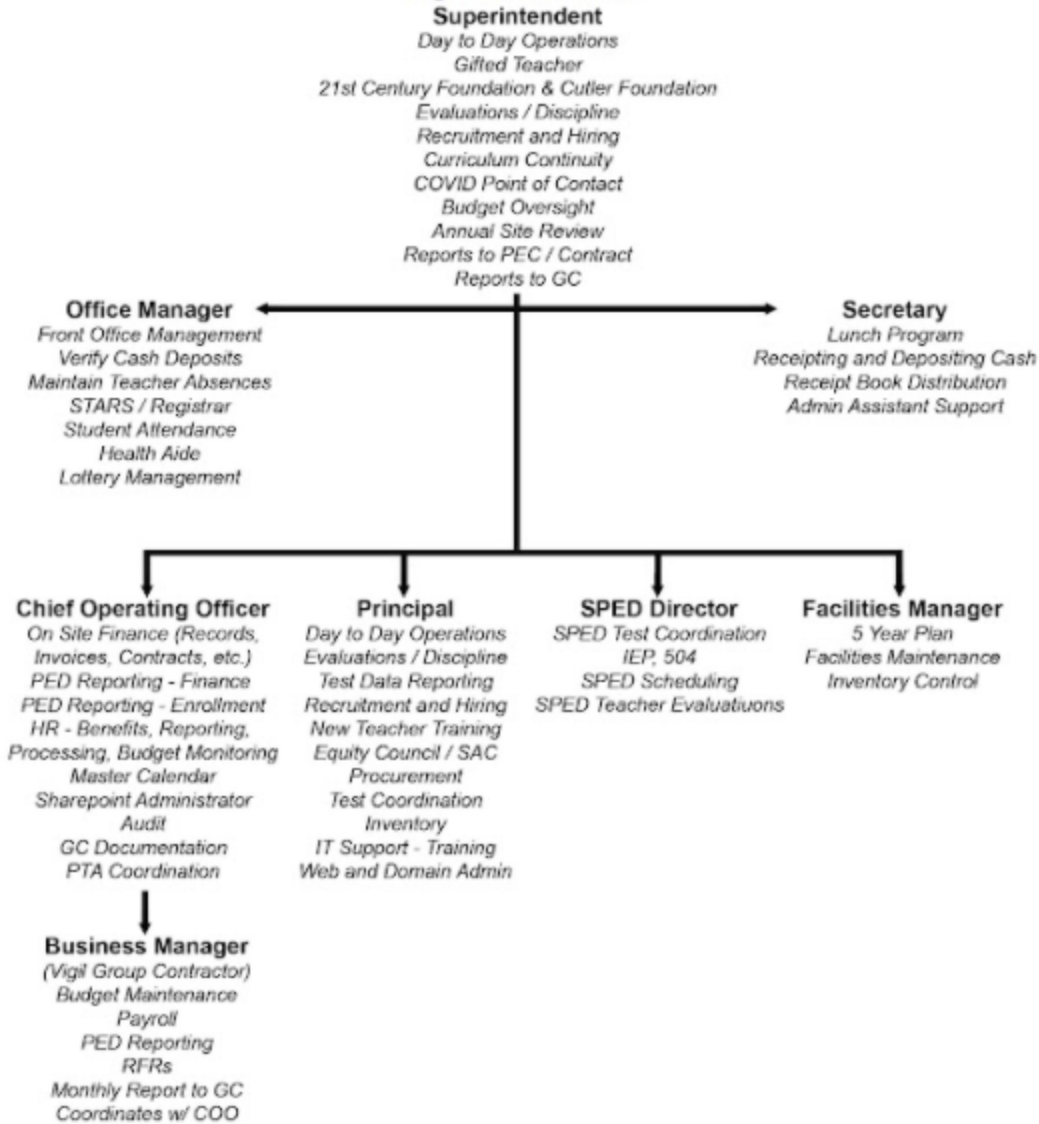
### **Financial Leadership and Management**

The financial leadership and management team of 21ST CENTURY consists of:

- The 21ST CENTURY Governing Board
- The Finance Committee
- The Audit Committee
- The Vice-President/Chairperson of the Finance Committee
- Superintendent
- The Principal
- The Chief Operating Officer
- SPED Director
- The Business Manager
- The Officer Manager



**Organizational Chart**



The day-to-day fiscal responsibilities of 21ST CENTURY are assigned to its financial staff. However, ultimate fiduciary responsibility for the overall management of the organization lies with the Governing Board.

The Governing Board will meet, at a minimum, twelve (12) times during each fiscal year to ensure that its fiduciary duties are met. 21ST CENTURY has an established Finance Committee. The Finance Committee is commissioned by and responsible to the Governing Board. It has the

responsibility for working with the Chief Operating Officer and Business Manager to make recommendations to the Board in the following areas:

- (a) financial planning, including reviews of the school's revenue and expenditure projections.
- (b) review of financial statements and periodic monitoring of revenues and expenses.
- (c) annual budget preparation and oversight; and
- (d) Procurement.

The Finance Committee shall also serve as an external monitoring committee on budget and other financial matters. The Finance Committee shall be assisted by the Superintendent, Chief Operating Officer and the Business Manager. Members of the Finance Committee shall be the Vice President of the Board, who shall serve as chair of this committee, and at least one other member of the Board, as appointed by the President of the Board, with the advice and consent of the Board in accordance with the Board's Bylaws and NMSA 1978 §22-8-12.3 (2010).

The Finance Committee of the Governing Board shall be responsible for the primary Board-level oversight of school financial matters, as defined by the Board and New Mexico law. The Chief Operating Officer and Business Manager of 21ST CENTURY will have primary responsibility for executing all financial matters and financial decisions of the Board. All members of the fiscal management team will work together to make certain that all financial matters of the organization are addressed with care, integrity, and in the best interest of 21ST CENTURY.

The Chief Operating Officer and Business Manager are responsible for administering the school's adopted policies and ensuring compliance with procedures that have been approved by the Governing Board. Recommendations for changes or amendments to policies relating to school finances shall be conducted by the Finance Committee and considered by the Governing Board every year.

Any violation of 21st Century's financial policies and procedures may be cause for termination or removal and, depending upon the nature of the infraction, civil and/or criminal prosecution.

## **PROCEDURAL REQUIREMENTS**

21ST CENTURY, pursuant to 6.20.2.8 NMAC, will account for every financial transaction. 21ST CENTURY will build and sustain a budget that aligns to and conforms to the Public School Code and NMPED procedures for public school accounting and budgeting. 21st Century's Business Manager, under the supervision of the Chief Operating Officer, will be responsible for maintaining the school's budget as well as preparing and presenting all financial documentation. 21st Century's Business Manager will meet the competency requirements in 6.63.12.9 NMAC.

### **Budget Preparation**

21ST CENTURY, pursuant to 6.20.2.9 NMAC, will follow budget requirements stated in all sections of NMSA 1978, as well as meet all NMPED requirements and procedures when preparing, submitting, maintaining, and reporting budgetary information.

### **Projecting Revenue**

21st Century's Chief Operating Officer, Business Manager, and its Governing Board will work collaboratively with the NMPED to project an accurate annual budget that will sustain the school and its mission. The following points will hold constant:

1. The State Equalization Guarantee (SEG) will be 21st Century's primary source of revenue. The school will use historical data to project an average number of students in each category outlined in the 910B5 (SEG) budget preparation spreadsheet provided by the NMPED. 21ST CENTURY will use both historical data and estimated student enrollment to project the number and type of certified and non-certified FTEs. Location and historical data allow 21ST CENTURY to include the At-Risk Unit in the 910B5. The State Equalization Guarantee will be computed using all current data and formulas provided by the NMPED.
2. Any non-categorical revenue that is generated, such as donations, will be projected based upon legitimate and authenticated funding sources. A collaborative effort between the Donor, the Governing Board, the Chief Operating Officer, and the Business Manager will provide protection to ensure that an accurate projection of this revenue is made, recorded, and reported to all parties.
3. Officer, and the Business Manager will provide protection to ensure that an
4. If 21ST CENTURY maintains any cash balance from the prior fiscal year in its Operational Fund, the balance may be budgeted for operational expenditures, except for payroll, with the proper approval from the NMPED and the Secretary of Education.

### **Projecting Expenditures**

21ST CENTURY will use prior year statistical data as well as projections of future enrollment to estimate membership. Projections of future enrollment that is based on the school's growth and phase-in plan will be used to identify 21st Century's certified and non-certified staffing needs as well as the associated costs, that may include, but may not be limited to instructional supplies, equipment, and facility. In order to understand and better anticipate the impact on students due to budgetary changes, projections of new personnel needed, and their associated costs will be made with ample time to address any impacts.



21ST CENTURY will use historical costs to project the school's contributions to the New Mexico Educational Retirement and ERA Retiree Plans. In addition, the school's contributions to the New Mexico Public Schools Insurance Authority (NMPSIA) for health insurance premium estimates will be gauged using historical data and our growth and phase-in plan, so that future staffing may be projected.

### **Budget Approval**

Pursuant to 6.20.2.9 NMAC, 21ST CENTURY will follow all budget requirements stated in Sections 22-8-5 through 22-8-12.3, NMSA 1978, and procedures of the department in preparing, submitting, maintaining, and reporting budgetary information. Budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed. 21ST CENTURY will follow the following procedures to ensure that the school's budget is approved by the NMPED:

1. 21ST CENTURY will use the State Equalization Guarantee (SEG) to calculate the operational revenue by means of the 910B5 provided by the NMPED. The school will rely upon historical data, prior year enrollment, and projected membership, as well as the prior year T & E/TCI Index and At-Risk index.
2. 21ST CENTURY will submit its budget as scheduled each year by NMPED and the budget will be submitted to NMPED. Prior to submission of the budget to the NMPED, the Governing Board must review and approve the budget as presented. 21ST CENTURY and the NMPED shall review the school's projected revenues and confer before determining where additions or reductions to the budget will be incorporated.
3. Prior to June 20<sup>th</sup> and in compliance with the Open Meetings Act, Section 10-15-1 et seq. 1978 Public School Code and local Board policy, 21ST CENTURY will hold a public hearing on the proposed budget and shall give notice of the public hearing. Certification of the proposed budget by the NMPED shall be on or before July 1<sup>st</sup>. The approved and certified budget will then constitute the operating budget of 21ST CENTURY and will be integrated into the school's accounting system. Encumbrances will be used as an element of control and integrated into the budget system.

### **Budget Maintenance Standards**

Pursuant to 6.20.2.10 NMAC, budget adjustment requests shall be submitted on the most current form prescribed by the NMPED. 21ST CENTURY will submit budget adjustment requests for the operating budget to the NMPED for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. If the NMPED does not act on a budget adjustment request within thirty (30) calendar days from the date of receipt by the NMPED, the request will be considered approved. Periodic financial reports will be submitted by 21ST CENTURY to the NMPED using the NMPED-approved format, and reporting will be done on a monthly or quarterly basis based upon the discretion of the NMPED. Reports will be submitted to the NMPED by the last working day of the end of the month following the end of the required reporting period, unless extended to a later date by the NMPED Secretary of Education as per the requirements of the NMPED.

### **Budget Adjustments**

21ST CENTURY acknowledges its responsibility to develop and maintain policies and procedures that ensure the financial stability of the school and create oversight within the school. 21ST CENTURY intends to ensure that its budget and financial accounting are maintained in accordance with the Public School Code, Chapter 22, NMSA, 1978 Compilation, with Generally Accepted Accounting Principles (GAAP), with federal and state laws and regulations, and that are in accordance with all rules and regulations of the NMAC and the NMSA 1978.

Pursuant to Section 22-8-41(C) NMSA 1978, operational cash balance carried forward from the previous fiscal year will not be used for salaries and payroll benefits. If there is a need to adjust the approved budget due to an increase in revenue, decrease in revenue, or budget transfers; 21ST CENTURY will perform a Budget Adjustment Request (BAR).

If 21ST CENTURY experiences a budget increase or decrease, the school will ensure that the request for approval of the budget adjustment be done at a public meeting in compliance with the Open Meetings Act, NMSA 1978 Section 10-15-1 et seq., the New Mexico Public School Code, and local Board policy. If the Governing Board approves the budget adjustment, it will be entered into the state's Operating Budget Management System (OBMS) and approved electronically by the Chief Operating Officer. Once approved by the NMPED, it will be entered into the school's accounting system. Budget adjustments will not be incorporated into the school's accounting system until approval is received by the NMPED.

Any budget transfers that involve a transfer of funds between expenditure codes within the same function (intra-budget transfers) will only require 21st Century's Governing Board approval. Budget transfers between functions (inter-budget transfers) will need the approval of the Governing Board and the NMPED prior to expending. 21ST CENTURY will maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log will be retained for audit purposes.

### **Financial Reporting**

Business Manager will prepare monthly financial reports comparing actual revenue and expenditures to budgeted amounts. Monthly financial reports reflecting the financial and budget position of 21ST CENTURY shall be provided to the Finance Committee. The Finance Committee is responsible for reviewing and reporting to the Governing Board during their monthly meeting. The Finance Committee will review the following each month, quarterly or annually when appropriate:

- financial statement review.
- bank reconciliations.
- cash disbursements
- journal entries
- asset roll forward
- year end accruals
- outstanding purchase orders.
- budget adjustment requests.
- other financial matters directed to the Finance Committee; and
- Audit Committee reports if applicable.

Financial reports required by NMPED shall be submitted no later than the last day of the month following the end of the reporting period, unless extended to a later date by the Secretary of Education. The Governing Board shall be notified of any report which has not been submitted on a timely basis and the reason(s) for the late filing. If any financial reports required by the NMPED have not been submitted on a timely basis, the Governing Board will be notified and provided the reason(s) for the late filing. All reports will be generated by the school's accounting system in the most current required NMPED format. The data reported on state reports will tie to revenue/expenditure and cash ledgers.

Other reports required by the NMPED, including T&E/TCI reporting, shall be submitted by the due date established by the Secretary of Education or their designee. The COO is assigned the responsibility to oversee the maintenance of employee files to maintain the appropriate documentation as required by the NMPED. This will include appropriate licenses, transcripts, letters of employment verification and employee contracts.

#### **Audit Committee**

NMSA 1978 Section 22-8-12.3 requires each governing authority of the charter school to establish committees, including an Audit Committee. The Audit Committee is commissioned by and responsible to the Governing Board. The Audit Committee shall:

- attend the entrance and exit conferences for annual and special audits.
- be accessible to the external financial auditors as requested to facilitate communication with the Board, the Superintendent, Chief Operating Officer, and the Business Manager.
- track and report progress on the status of the most recent audit findings and advise the Governing Board on policy changes needed to address audit findings.
- provide other advice and assistance as requested by the Governing Board.
- And be subject to the same requirements regarding the confidentiality of audit information as those imposed upon the local school board by the Audit Act [12-6-1 NMSA 1978] and rules of the state auditor.

The Audit Committee shall be assisted by the Superintendent, Chief Operating Officer and the Business Manager. Members of the Audit Committee shall be the President of the Board, who shall serve as chair, one other member of the Board, one volunteer member who is a parent of a student attending the school, and one volunteer member who has experience in accounting or financial matters. The Superintendent, Chief Operating Officer and the Business Manager shall serve as ex-officio members of the committee.

## **INTERNAL CONTROLS**

Pursuant to 6.20.2.11 NMAC, 21ST CENTURY will establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. 21ST CENTURY shall develop, establish, and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

### **Procedures for Internal Control**

1. The Chief-Operating Officer is responsible for all tangible and intangible personal property of the school.
2. Access to assets will be limited by assigning primary custodial staff in each departmental location within the school. The control agent for each department is responsible for monitoring the access to the building, classrooms, property, cash, and equipment.
3. Backups of the school's finance documents will be done daily. Documents such as employee earning records, expenditure ledger, revenue ledger, cash control ledger, check register, bank statements, canceled checks, purchase documents, blank checks, files, diskettes, and USB drives will be stored in a locked, fire cabinet.
4. Regularly scheduled virus checks on the school's server and hard drives will be performed.

### **Property Management**

All property owned by 21ST CENTURY is subject to the requirements of 2.20.1 et seq. NMAC. Guidelines for the property management at 21ST CENTURY include, but are not limited to the following:

1. 21ST CENTURY will adhere to the financial reporting requirements for capital and infrastructure assets.
2. 21ST CENTURY will keep a list of all equipment or property it has leased.
3. All property will be safeguarded and protected as to avoid or minimize loss potential.
4. All property will be used economically and for the purpose intended.
5. All property will be inspected upon arrival and again periodically to ensure it is in good working order.
6. All 21ST CENTURY staff will be required to report any property that is not in good working order in a timely manner.
7. All property will be properly and accurately recorded in a fixed asset ledger which shall be maintained by the Chief Procurement Officer. A numbering system will be established by the school so that all property can be tagged as appropriate.
8. All property will be inventoried on a periodic basis to verify the accuracy of records by the Facilities Manager.

9. 21ST CENTURY, as a public school, is subject to the same state and federal laws regarding the disposal of equipment purchased with either state or federal funds.

#### **Segregation of Duties**

21ST CENTURY shall ensure that the assignment of staff who have access to the school's financial management system be done so to limit their ability to cause or conceal errors and/or irregularities. 21ST CENTURY will take care to not assign all functions to one person. 21ST CENTURY will ensure that additional administrative review and oversight procedures will increase security.

Our control procedures are those policies and procedures in addition to the control environment and accounting system that management has established to provide reasonable assurance that specific objectives will be achieved. We have devised, established, and continuously strive to maintain a structure of internal accounting controls to provide that the following are in place:

- Segregation of responsibilities to ensure that the following duties are segregated: authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.
- A system of authorization and recording procedures to ensure that all transactions are properly approved and recorded.
- Sound accounting practices are in place in the performance of duties and functions. This includes varied error-checking routines that are performed in connection with record keeping and comparing recorded amounts with existing assets and liabilities. Appropriate action shall be taken with respect to any differences.
- Access to assets is permitted only in accordance with proper authorization.
- Receipts, checks or warrants, purchase requisitions, purchase orders, and vouchers shall be sequentially pre-numbered.
- Proper safeguards are in place to protect unused checks, other pre-numbered forms, cash that has not been deposited, and other receipts.
- All transactions are recorded as necessary to permit preparation of the financial statements in conformity with Generally Accepted Accounting Principles (GAAP).
- Independent checks on performance and proper valuation of recorded amounts are being performed including clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer-generated reports.

Check signing authority will be vested in one person, the Superintendent, except for purchases of \$15,000 or above, which will require two signatures, that of the Superintendent and an officer of the Board. Two or more signatures in these cases will be required to guard against misuse or fraud. The segregation of duties and the authorization and recording procedures as described below states which person will perform particular functions as it relates to the school's finances.

## **FINANCIAL ORGANIZATIONAL STRUCTURE**

Pursuant to 6.20.2.12 NMAC, 21ST CENTURY has established the following organizational structure in which the delegation of responsibility for employee actions is combined with sufficient authority to perform the assigned activities.

### **Superintendent**

The Superintendent will be selected by the Governance Council and is the Head Administrator of the school. The Superintendent is responsible for oversight of all school operations. The Superintendent evaluates and oversees all administrators. The Superintendent will oversee Chief Operating Officer in all budget and financial aspects. The Superintendent will sign all PO Requests and direct to the Chief Operating Officer to work with the Business Manager/Contractor for compliance.

### **Principal**

The Principal is responsible for all duties and responsibilities related to students, parents, teachers, and support staff in the day-to-day operation of the school. Duties include but are not limited to: teacher evaluations, student discipline, test data and reporting, recruitment and hiring of personnel, staff support, PED reporting related to student information, Master Calendar, Foundations, and the Governance Council. The Principal is responsible for the part of budget related to these duties. Other duties will be assigned, as necessary. Principal serves in the absence of the Superintendent.

### **Chief Operating Officer**

The Chief Operating Officer is responsible for all on site finance records such as invoices, contracts and grants. The Chief Operating Officer is responsible for the oversight of all finance, budget and enrollment reporting to PED and works with the Business Manager to ensure reports are turned in on time. The COO oversees the budget with the Business Manager and has sharepoint administrator access to write and submit grant applications on the behalf of the school. The COO works as the liaison between the school and the PTA and coordinates with the PTA to help put on PTA sponsored events at the school. COO is also the Human Resources Specialist and is in charge of employee benefits, background checks and HR reporting. The COO is also in charge of maintaining records of the Governance Council. Other duties will be assigned, if necessary. COO serves in the absence of Superintendent and Principal.

### **Chief Procurement Officer**

The CPO oversees compliance in all matters related to procurement. Duties include but are not limited to; vetting all PO's and signing prior to providing to vendors, working with COO in maintaining and reviewing records and inventory control.

### **Facilities Manager**

The Facilities Manager oversees general facility maintenance and assisting with inventory control. Duties include but are not limited to; 5 Year Facility Maintenance Plan, inventory maintenance, scheduling regular maintenance, day to day minor repair and clean up, securing bids and estimates for required work or materials, schedule and direct required drills and staff

training related to safety. The Facilities Manager is responsible for the part of budget related to these duties.

### **Business Manager**

21ST CENTURY will employ an experienced licensed Business Manager or Contractor, whose work is guided by applicable state and federal laws and regulations as well as by established internal controls. The Business Manager/Contractor is responsible for the financial functions of the school including maintaining the integrity of all financial reporting, budgeting, and forecasting, planning, personnel record keeping, and insurance administration. The 21ST CENTURY Business Manager will be duly licensed pursuant to 6.63.12 NMAC.

### **Office Manager Administrative Assistant**

The ~~Office Manager~~ Administrative Assistant works directly for the Superintendent and has the responsibility of maintaining office procedures regarding purchasing forms for those requesting purchases, receiving, and distributing of goods. Other duties include but are not limited to; receipting cash, verifying daily cash receipts, reporting to Business Manager/Contractor, and providing backup for deposits. The ~~Office Manager~~ Administrative Assistant will also maintain attendance records and reporting for payroll purposes. The Secretary will serve as the backup to the ~~Office Manager~~ Administrative Assistant.

### **Secretary**

The Secretary works under the direction of the ~~Office Manager~~ Chief Operating Officer and with the Administrative Assistant. The Secretary will issue receipt books, prepare deposits, will assist the ~~Office Manager~~ Administrative Assistant in verifying deposits, maintain the school lunch accounts and serve in the absence of the ~~Office Manager~~ Administrative Assistant for receipt of goods. The Secretary will handle the lunch program under the direction of the Chief Operating Officer.

### **Finance Committee**

The Finance Committee is a committee of the Governing Board that meets monthly, at a minimum. This committee meets with the Business Manager, Superintendent and Chief Operating Officer, oversees development of the budget and strategic financial plans, and monitors the financial operations of the school. The members of the Finance Committee will review bank reconciliations and other financial reports with the Business Manager, Superintendent, and Chief Operating Officer. Should there be vacancies or untrained Council Members the whole Governance Council will serve as the Finance committee.

### **Monthly Financial Reports**

The Business Manager will prepare monthly financial reports as well as NMPED required reports for presentation to the Finance Committee, which will then co-present the information to the Governing Board at its monthly meeting.

### **Audit**

Pursuant to Section 12-6-3, NMSA 1978, 21ST CENTURY will participate in the annual audit as scheduled by the NMPED. The NMPED auditor will have access to all 21ST CENTURY accounting documents, and the 21ST CENTURY business office will fully cooperate with the

auditor(s). 21st Century's administration will resolve audit findings and report this information to NMPED in a timely fashion. 21ST CENTURY recognizes that it is responsible for paying its proportionate share of the audit costs as the budget reflects. For all funds, the audit balances will be compared to cash reconciliations and general ledgers. If changes are required on the cash reconciliations or general ledgers, the auditor will be requested to provide the adjusted journal entries so they can be posted by the Business Manager. A copy of the corrected cash reconciliations will be sent to NMPED.

A chart of accounts, budget submissions, and reporting deadlines will be met in accordance with the NMPED requirements by establishing a system of reports as guided and developed by NMPED using a financial management system such as AptaFund. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," 21ST CENTURY will comply with all standards for financial reporting. All reporting to NMPED will comply with the Charter Schools Act regarding site-based accountability. Annual audit procedures will be in place to comply with all federal, state, and NMPED requirements. 21st Century's internal audits will include an independent review, evaluation, and report of:

- financial conditions.
- accuracy of financial record keeping.
- accuracy of property record keeping.
- compliance with all applicable laws, rules, and guidelines.
- effective and efficient operations; and
- recommendations for improving operations.

### **Educational Foundations/Organizations**

The Governance Council understands and recognizes the importance of community support of school programs and activities, including voluntary financial contributions to assist the school in realizing its goals. The Governing Council desires to work cooperatively with 21<sup>st</sup> Century Public Academy Foundation, the Cutler Charitable Foundation and the 21<sup>st</sup> Century PTA to determine the purposes for which funds may be used to assist in reaching school goals. While state and federal funds provide for the operational expenses of the school, the supporting organizations can assist with securing funds for enhanced needs both academic and facility-based programming.

Procedures:

1. No current member of the Governance Council shall serve as a voting member of the 21<sup>st</sup> Century Public Academy Foundation, the Cutler Charitable Foundation or serve as an officer of the 21<sup>st</sup> Century PTA.
2. The supporting organizations may use the school's name, mascot or any logo for events and advertising.
3. The Governance Board Finance Committee will review the supporting organizations Fiscal Policies and Procedures on an annual basis. The PTA can submit policies from the State Organization and is subject to oversight by this organization.



4. The Governance Council Vice President, or designee, will attend meetings of the supporting organizations when requested. The CEO will serve as the liaison between the 21<sup>st</sup> Century Foundation and the Cutler Charitable Foundation. The Principals will serve as liaisons to the PTA.
5. The Governance Council and the supporting organizations shall work together to resolve any audit issues that may arise.

#### **Employee Accountability**

The 21ST CENTURY Governing Board is responsible for setting all school policies, including fiscal, as well as hiring and evaluating the Superintendent, and oversight of the school's operations. Implementation of the policies established and execution of the day-to-day operations of the school is the responsibility of the Superintendent. The assignment of duties to staff members who have access to the school's accounting system will be done with the intent of limiting their ability to cause and conceal errors or irregularities. Incompatible functions will not be assigned to one staff member.

#### **Insurance**

Pursuant to 6.20.2.20 NMAC, 21ST CENTURY shall maintain adequate insurance coverage addressed in the Tort Claims Act, Section 41-4-1 et seq., NMSA 1978; the Workers' Compensation Act, Section 52-1-1 et seq., NMSA 1978; Insurance of Public Buildings, Section 13-5-1 et seq., NMSA 1978; Officers and Surety Bonds, Section 22-5-7, NMSA 1978; and the Public School Insurance Authority Act, Sections 22-2-6.1 through 22-2-6.10, NMSA 1978.

#### **General Ledger**

21ST CENTURY will establish and maintain a general ledger in accordance with GAAP. The general ledger will be comprised of individual funds and account groups using the NMPED Uniform Chart of Accounts and shall be reconciled every fiscal year with department records.

#### **Fund and Account Groups**

21ST CENTURY shall use funds and account groups to report their financial position and operating results. Funds are classified into three broad categories: a) governmental funds, b) proprietary funds, and c) fiduciary funds. There are two account groups: a) general fixed assets and b) general long-term debt.

#### **Chart of Accounts**

21ST CENTURY shall prepare, maintain, and report budget and financial information utilizing the Standard and Uniform Chart of Accounts that is recognized, used, and available through the NMPED.

#### **Basis of Accounting**

In accordance with GASB 34, 21ST CENTURY shall use a full accrual basis of accounting in preparation of annual financial statements and cash basis of accounting for budgeting and reporting. 21ST CENTURY will use an accounting system that is used widely in New Mexico and is compatible with state required reporting and formats such as APTAFund.

### **Financial Statements**

Financial statements are the responsibility of the school. 21ST CENTURY shall maintain adequate accounting records, prepare financial statements in accordance with GAAP, specifically GASB 34, and provide complete, accurate, and timely information to the independent public accountant (IPA) as requested. If there are differences between the financial statements, 21st Century's records, and NMPED records, the IPA will provide the adjusting entries to 21ST CENTURY as to reconcile the report in the school's records. 21ST CENTURY will disclose in the notes to the financial statement if the IPA prepared the financial statements. All efforts will be made by 21ST CENTURY to assist the IPA with financial statement preparation.

### **Financial and Compliance Audit**

21ST CENTURY shall have a yearly audit performed on its financial records as required by Section 12-6-3, NMSA 1978. The LEA will secure the State approve auditor and the CEO will be the main point of contact for the auditors at the school along with the Business Manager/Contractor. (2018-002)

### **Financial Records**

The Chief -Operating Officer and the Business Manager for 21ST CENTURY shall be responsible for ensuring that all financial records and supplies are safeguarded from potential theft and destruction. All financial records at 21ST CENTURY shall be kept up-to-date and available for inspection at any time after reasonable notice. Financial records will be retained as required by the Records Center, Records Retention and Disposal Schedule for New Mexico Public Schools, and 1.20.2 et seq. NMAC. Pursuant to 1.13.20.1 NMAC, the 21ST CENTURY Chief Operating Officer and Business Manager shall be aware of the requirements for Disaster Recovery Backup Files with respect to the safeguarding of all student and financial records.

### **Financial Reports**

Financial reports reflecting the financial and budget position of 21ST CENTURY shall be provided to the Governing Board monthly. Financial reports required by NMPED shall be submitted no later than the last day of the month following the end of the reporting period. The Governing Board shall be notified of any report which has not been submitted on a timely basis and the reason(s) for the late filing.

## **CASH CONTROL STANDARDS**

21ST CENTURY will establish and maintain a cash management program to safeguard cash and shall provide prompt and accurate reporting that adheres to cash management requirements of the Office of Management and Budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

### **Cash Controls Policies and Procedures**

1. 21ST CENTURY shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, a copy shall be marked "VOID" and retained in the receipt book.
2. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference.
3. A cash receipts report is prepared during each fiscal year beginning July 1<sup>st</sup> and ending June 30<sup>th</sup> and is presented to the NMPED auditor during the annual audit.
4. The school shall verify that there is sufficient cash and budget prior to the disbursement of cash. A revenue ledger is required for each revenue code as approved in the finalized budget, and additional revenue ledgers may be added, as necessary.
5. 21ST CENTURY has established a cash control ledger for each fund/sub-fund. Interfund transfers of cash among separate and distinct funds are not receipts or expenditures. Transfers of previously receipted cash require Governing Board and NMPED approval prior to the transfer.
  - a. Temporary transfers of cash are posted as "due from" and "due to" to indicate inter-fund receivables and payables.
  - b. Posting errors are not erased, crossed out, or modified in any other manner in the ledger. A separate journal entry is required to incorporate necessary corrections. Cross-referencing of a correcting entry to the original error should be inserted under the "description" column of the ledger.
6. Clearing accounts or pooled accounts may be used to combine more than one fund in one bank account. Clearing accounts shall reconcile to a zero balance at the end of each month. Bank reconciliations for clearing accounts shall be completed monthly. All differences between bank and book will be posted in the month reconciled.
7. Vouchers shall be numbered in such a manner as to provide a cross-reference between the voucher, the check, and the check register. All blank checks shall be properly safeguarded, and an inventory of unused checks shall be taken periodically.
8. Completed vouchers and supporting documentation is to be placed in alphabetized paid vendor files and filed for future reference and annual audit.
  - a. Each warrant or check issued shall have printed on its face the words, "void after one year from date." Whenever any warrant or check remains unpaid for one year, the Business Manager shall cancel it in accordance with Section 6-10-57(A), NMSA1978.
  - b. The Business Manager shall keep a register of all canceled warrants/checks. The register shall show the number, date, amount, name of payee, fund out of which it was payable, and date of cancellation. The face amount shall revert and be credited to the fund against which the warrant/check was drawn.

9. The school maintains a cash control ledger for each fund/sub-fund where all transactions affecting cash are recorded. Cash balances reported to the NMPED shall be the same as reflected in the school's cash control ledger and annual audit.
10. All bank accounts shall be reconciled monthly. Reconciled bank statements are to be prepared by the Business Manager and reviewed by the Finance Committee. The bank statement, deposit slips, and canceled checks shall be made available to the NMPED auditor during the annual audit.

### **Receipt of Funds**

1. All receipt books are located with the ~~Office Manager~~ **Administrative Assistant** or Secretary for security purposes and will only be issued by the Secretary or staff member designated by the Chief Operating Officer. A receipt book log will be maintained by the Secretary. Receipt books will be issued to staff members at the beginning of the year and will be reconciled as they are turned in and at the end of the year.
2. Receipts will be preprinted, pre-numbered, and kept in sequential order. The Secretary, or any employee issued a receipt book, shall receive cash, and prepare a receipt in triplicate for money received from all sources. The original receipt is given to the payer, the second copy is given with the check or cash to the Secretary or designee for deposit and attached to the deposit slip and the third copy remains in the receipt book. A \$5 and under verifications sheet does not need to be in triplicate however it must accompany the cash to be deposited and then attached to the deposit slip.
3. The Business Manager will record all cash receipts into Aptafund accounting package.
4. 21ST CENTURY shall safeguard and account for all cash and checks received and shall deposit funds in the appropriate account at a federally insured bank within twenty-four (24) hours of receipt or one (1) banking day as required by state law NMAC 6.2.2.14.3.
5. The Secretary or designated employee shall prepare the bank deposit by providing receipts for all cash and checks that need to be deposited.
6. The ~~Office Manager~~ **Administrative Assistant** or Secretary will then prepare the deposit slip and make all deposits, with the Superintendent, Chief Operating Officer or Principals as back-up in the absence of the ~~Office Manager~~ **Administrative Assistant** or Secretary.
7. The ~~Office Manager~~ **Administrative Assistant** or Secretary will review a copy of the deposit slip and will cross check that the receipts match the deposit.
8. The Business Manager will verify all deposits are made within twenty-four (24) hours.
9. The Business Manager will post the revenue to the appropriate fund and revenue code.
10. After the deposit is made, the deposit receipt shall be given to the Business Manager and the Secretary shall staple it to the copy of the deposit ticket and retain the record of deposit provided by the bank.

### **Special Revenue Funds**

All proposals prepared by the school staff for special funding require administrative approval from the Superintendent . Upon receipt of an award notice, a budget adjustment request is processed and submitted to the Business Manager for review and processing. New award budgets are presented to the Governing Board and then forwarded to the NMPED for approval.

Final approved budgets are returned to the Business Manager and are entered into the financial management system. The Business Manager monitors special revenue budgets. The Program

Coordinator acts as the control agent and is responsible for monitoring compliance issues in his/her area.

### **Receipt of Goods**

All goods purchased by the school are delivered directly to the school. It is the responsibility of the ~~Office Manager~~ **Administrative Assistant** or other Administrative Staff to sign for delivery, and as a back up to the ~~Office Manager~~ **Administrative Assistant**, the Secretary will sign for packages. and the receiving entity will remain responsible for opening the packages with the Facilities Manager as the backup. The receiving entity is responsible for opening the box (es), obtaining the packing slip(s) and reviewing them for accuracy. The packing slip will be reviewed for accuracy, signed by the receiving entity, and given to Administration.

Administration will check the packing slip against the original PO. If everything is correct the packing slip will be stapled to the original PO. The packet is then placed in the "Pending" file. If an order is incomplete the packet remains in the "Pending" file until all orders are received or vendor verifies the partial order for payment.

1. If anything is incorrect with the order, the receiving entity will immediately contact the vendor for a return/credit to the account. When discrepancies occur, they are investigated and resolved by Administration or the Business Manager.

### **Accounts Receivable**

The Business Manager is responsible for timely billing and monitoring the collection of all amounts due from outside agencies. The Business Manager is responsible for tracking and verifying cash balances for all federal, state, and other grants and contracts awarded to 21ST CENTURY. The Business Manager prepares the required cash requests, reimbursement reports, and invoices necessary for collection of amounts due to various programs with review by the CEO, and the Finance Committee

### **Procedures for Cash Disbursement**

Pursuant to NMAC 6.20.2.14, 21ST CENTURY shall establish a cash management program to safeguard all cash in its custody and control. Payment for the purchase of supplies, equipment, services, utilities, fixed charges, contract reimbursements, and other expenditures of the school shall be made by check. Before a check can be issued, the following is required:

1. If a contract is in place, the contract must be signed and approved prior to any disbursement of checks. All contracts must follow state procurement procedures.
2. All tax-information as required by state law must be on file, including but not limited to, a W-9 prior to disbursement of funds and issue 1099's to appropriate vendors.
3. All mail is received by the ~~Office Manager~~ **Administrative Assistant** ~~The Office Manager~~ **and** distributes accordingly. Bank Statements are given to the Administration.
4. The Chief Operating Officer will match all invoices to the original purchase order, signed packing slip, and purchase requisition prior to disbursement of funds. The Chief Operating Officer will then present the entire packet to the Business Manager for payment processing and filing of the original paperwork. The Business Manager will input the invoices into APTAFund AP module. If changes are required, a change order is generated.
5. The business office will ensure that all invoices are paid in order to take advantage of all applicable discounts and avoid any hardships to vendors.

6. All paid invoices are to be filed by vendor and placed into a locking file cabinet for future reference and for the annual audit. The invoices are retained and stored in the business office in a locking cabinet.
7. The charter school shall administratively control and restrict accessibility to check stock. Only properly designated employees shall handle impressed funds and disbursement of funds.
8. The charter school shall utilize a computerized accounting program to print checks. The charter school's blank check stock shall be pre-numbered and adequately safeguarded by storage in a locked file cabinet.
9. All disbursements except for payroll, will be made by check.
10. All checks, disbursement vouchers, and check requests shall be reviewed and approved for payment by the Business Manager, prior to disbursement of funds.
11. All checks will be made payable to specified vendors or payees and shall not be made payable to cash.
12. Voided checks shall be stamped VOID and properly defaced by removing the area of the signature line and retained in a file for inspection by management as well as external auditors.
13. Support for payment shall be attached to a check when presented for signature.
14. The signing of blank checks is strictly forbidden.
15. For segregation of duty, the Superintendent or a member of the Board shall be authorized to sign checks under \$15,000. Two signatures will be required on all checks \$15,000 and over. The second signatory can be any officer of the Governing Board.
16. Any check issued to the Superintendent must be signed by a member of the Governing Board.
17. Payroll is by direct deposit only.

### **Reimbursement**

21ST CENTURY requires that all purchases, other than recurring costs, be requested through the purchase order process. Any needed supplies for instruction should be ordered via the school's purchasing order process. Reimbursement for purchases will only be made on an exceptional basis, if prior approval has been obtained from the Superintendent, a Request for Reimbursement Form has been completed, and a purchase order has been created. All requested reimbursement must be itemized on a Request for Reimbursement Form; only if the request is approved in writing by the Superintendent, may the purchase be made. To receive reimbursement, all original receipts must be attached to the Request for Reimbursement Form and the Request for Reimbursement Form must be submitted by the employee and approved by the Superintendent prior to the purchase being made. A Request for Reimbursement Form may be obtained from the front office. A reimbursement check issued to the Superintendent must be signed by a member of the Governing Board.

### **Voucher System**

1. The voucher system will be administered by the business office.
2. Documentation will be attached to the voucher, including the PO, invoice, shipping receipt, bids, or quotes.
3. Accounting codes from the Uniform Chart of Accounts are used for posting purposes (fund/sub-fund, function, object codes, program, location, job classification, etc.).
4. Paid vouchers will be certified pursuant to Section 6-5-8 NMSA.

5. Vouchers will be filed numerically by month paid.
6. Check register will be maintained, listing outstanding checks, and it will tie to cash report/total outstanding to date.

### **Bank Reconciliation**

Pursuant to NMAC 6.20.2.14 (K), 21ST CENTURY will establish a cash management program to safeguard all cash in its custody and control, which will include monthly reconciliation of all bank accounts. The bank reconciliation identifies the item(s) that must be recognized to arrive at the actual cash balance.

1. The charter school shall have all bank statements received monthly.
2. The unopened bank statement will be received and opened by the Chief-Operating Officer.
3. Upon review by the Chief Operating Officer, all bank statements shall be forwarded to the Business Manager, who will be responsible for the reconciliation of all existing bank accounts. This will be done monthly.
4. The Business Manager shall review the activity contained on the bank statement and verify that there are no errors or omissions when compared to amounts shown in the respective general ledger cash account.
5. Adjustments to the school's cash accounts, for items such as bank charges, must be made via a journal entry in the school general ledger and must clearly identify the reason(s) for the adjustment(s) in the description.
6. The bank reconciliation may be prepared on a spreadsheet included as an attachment to the bank statement and copy of the general ledger for review. The reconciliation for any given account shall include checks and deposits outstanding when arriving at an adjusted balance per bank when compared to the general ledger.
7. Deposits in transit and outstanding checks should generally clear the bank within the first few days of the following month. Any check which is more than twelve (12) months old shall be voided and the vendor to whom the check was issued shall be informed.
8. The bank reconciliation must be completed as expediently as possible after the receipt of the bank statement to ensure that the cash account balance as shown in the school's general ledger is as accurate as possible.
9. Upon completion of the bank reconciliation for a given month, the Business Manager shall inform the Finance Committee, who shall be responsible for reviewing the reconciliations with the Chief Operating Officer and the Business Manager.
10. Copies of all bank reconciliations must be kept by the Business Manager for the period prescribed by law for the retention of public school records as well as for review by external auditors or other interested parties.

## **INVESTMENTS**

Pursuant to 6.20.2.15 NMAC, 21ST CENTURY will utilize effective cash and investment management to establish and maintain mutually beneficial banking relationships, accurate forecasting of cash requirements, and prudent investments designed to maximize returns within the full extent allowed by statute.

### **Investment Policies and Procedures**

21ST CENTURY shall account for public money placed in any interest-bearing account in accordance with 22-8-40 (C) through (G) NMSA 1978; Section 6.10-17 and 6.10.31 NMSA, and any other federal and state laws which apply to the investment of public school funds.

### **Banking**

1. Pursuant to 22-8-37 and 22-8-40 NMSA 1978, the charter school shall adhere to all regulations concerning the deposit of public school funds for all funds in its custody and control.
2. Pursuant to 6-10-16 through 6-10-17, NMSA 1978, and 6.20.2.15 NMAC, 21ST CENTURY will notify the financial institution, which is the custodian of the school funds, that the school receives state money and is subject to a 50% collateralization requirement for amounts above \$100,000.
3. 21ST CENTURY shall deposit all cash receipts within twenty-four (24) hours as required by 6.20.2.14 C NMAC.



## **PURCHASING**

Pursuant to 6.20.2.17 NMAC, 21ST CENTURY has established and implemented written policies and procedures for purchasing which are in compliance with the New Mexico Procurement Code, Section 13-1-28 et seq., NMSA 1978. Purchasing policies and procedures for grant funding comply with requirements established within the grant and the Procurement Code.

### **Purchasing Policies and Procedures**

All 21ST CENTURY employees will follow established policies in purchasing supplies or materials for day- to-day operations of the school, equipment, and furniture. (Note: Purchases made with school activity fund monies shall be governed by a school activity funds policy). 21ST CENTURY will make diligent efforts, when purchasing goods or services, to obtain the best prices possible without sacrificing necessary quality or service, in accordance with the requirements of the Procurement Code. Purchases will be made in a fair and impartial manner without the appearance of impropriety. The provisions of the New Mexico Procurement Code, as applicable to charter schools, are adopted as the purchasing policy of 21ST CENTURY. All procurement shall be achieved by the competitive sealed bid process or proposal process pursuant to NMSA 1978 Sections 13-1-102 to 12-1-117 of the Procurement Code, except as exempted from the provisions of the Procurement Code, and except for procurement achieved pursuant to the sections of the Procurement Code relating to:

- small purchases.
- sole source procurement.
- emergency procurement.
- existing contracts.
- purchases from Antipoverty Program Businesses.
- cooperative procurements; and
- procurement under existing contracts.

### **Requirements for Purchasing**

1. The procurement officer for the school will be a certified staff member.
2. All purchase requisitions by all staff members are submitted to the-Superintendent for approval.
3. Purchase requisitions made by the Superintendent require only a requestor signature from the Superintendent .
4. After approval by the Superintendent, the purchase requisition given to the Chief Operating Officer. The Chief Operating Officer gives the requisition to the Business Manager, who records it as an encumbrance on the financial management system.
5. The Business Manager will issue a pre-numbered purchase order and then the requesting entity will place the order.
6. Upon arrival, the receipt of goods is verified against the packing slip by the requesting entity.
7. The packing slip is then given to Administration and verified against the purchase order.
8. The Administration will keep a copy of the purchase order until the order is complete and ready for payment at which time the purchase order and supporting

- documentation (requisition, packing slip, and invoice) will be submitted to the Business Manager for payment to the vendor.
9. Under no circumstances will any employee commit 21ST CENTURY to any purchase without the prior approval of the Superintendent .
  10. Goods and services under \$20,000 may be obtained from the best obtainable source, considering cost, service, delivery, and prior use of similar goods. Quotes are not required but are strongly recommended to ensure the best obtainable price is achieved.
  11. Purchases between \$20,000 - \$60,000 require that three quotes be obtained for goods and services. Written quotes are strongly encouraged.
  12. Purchases above \$60,000 require that three written quotes shall be obtained for goods and services. For these purchases, quotes must be in writing from the proposed vendor.
  13. Professional service contracts under \$60,000 will only require the approval of the Superintendent .
  14. Professional service contracts that exceed \$60,000 will be required to follow the procurement process.
  15. Sole source procurement will be based on a written determination that only one source is practically available for a particular good or service. Sole source procurement may be made without formal sealed bidding or competitive negotiation. Any purchase(s) deemed a sole source is/are subject to 13-1-126 and 13-1-128 NMSA 1978.
  16. Emergency procurement will occur only when it fulfills the requirements identified in 13-1-127 (B) 1-3, NMSA 1978. Emergency procurement may be made without formal sealed bidding or competitive negotiation with a written justification for the emergency, identification of the goods and/or services being procured, and the name and date of the contractor/entity selected.
  17. Purchases made from vendors on a valid state contract through the State of New Mexico Purchasing Agency shall be deemed to have been made in conformance with the requirements for quotes or bids.
  18. Cooperative purchasing agreements may be entered into, at the discretion of 21ST CENTURY, pursuant to 13-1-135, NMSA 1978.
  19. When appropriate, purchases to include contracts with the school require approval by the Superintendent with verification by the Chief Procurement Officer who will then sign all Purchase Orders. No warrant, check, or other negotiable instrument shall be issued in payment for any purchase of services or construction of items of tangible personal property unless all services and construction of tangible personal property have been received according to agreed upon terms.
  20. All employees will abide by the Procurement Code. The Procurement Code can be found in the school's business office.
  21. The Superintendent , Chief Operating Officer, Chief Procurement Officer and Business Manager of 21ST CENTURY shall develop and implement any administrative procedures necessary to administer this policy.
  22. All functions of procurement carried out by the certified Procurement Officer can be carried out by the Business Manager in the absence of the certified Procurement Officer.

### **Bidding/RFP Procedures**

1. All bids for supplies, materials, equipment, and contractual services in excess of the amounts listed above shall be submitted in sealed envelopes addressed to 21st Century's Business Manager or his/her designee, and plainly marked with the name of the bid. Advertised bids shall be opened at the time and place specified, and all bidders and other persons shall be invited to attend. The school shall follow the applicable provisions of the Procurement Code in the bidding/RFP process.
2. Bids and proposals must include all pertinent information to be considered valid, i.e., scope of work, price, specifications, etc.
3. The 21ST CENTURY Governing Board reserves the right to reject any or all bids and accept the bid which appears to be in the best interest of 21ST CENTURY. The Governing Board reserves the right to waive any informality in, or reject any or all bids, or any part of any bid. The Board reserves the right to exercise all options set forth in the invitation documents. Any bid may be withdrawn prior to the scheduled time for the opening of bids. Any bid received after the time and date specified shall not be considered.
4. The bidder to whom the bid is awarded will be required to enter into a written contract with 21ST CENTURY.

### **Contracts**

All bids, proposals, contracts, and purchase orders shall be administered through the school's business office by the Business Manager, as the school's purchasing officer, or the Superintendent. Contracts and lease-purchase agreements should be submitted to 21st Century's legal counsel for review and approval prior to execution.

## PAYROLL

Pursuant to 6.20.2.18 NMAC, 21st Century's written payroll policies and procedures are found below and comply with state and federal regulations on payroll. Their purpose is to maintain strict internal controls, close supervision, and financial accounting in accordance with GAAP. 21ST CENTURY will maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

### **Payroll Policies and Procedures**

1. The Superintendent is responsible for hiring and firing of the Principals , Chief Operating Officer and the Chief Procurement Officer. The Principals are responsible for hiring and firing school employees, authorizing salaries including employment contracts, and maintaining the staffing levels approved in the annual budget.
2. The approved employment contracts are entered into the Employment Management System and the Business Manager prepares the salary worksheets for payroll. The Business Manager will review the contract, salary worksheets and the financial system to ensure all payroll items are correctly entered.
3. The Officer Manager is responsible for tracking and reporting absences. Leave request forms should be submitted at least four (4) days prior to payroll being processed. These reports are submitted to the Business Manager and are used to update employee leave balances. Leave taken without sufficient leave balances are docked from the employee's pay during the pay period that the leave was taken unless otherwise agreed upon by the employee and Administration.
4. Pursuant to the adopted policy, all employees shall be paid on the 15<sup>th</sup> of each month and the last day of the month unless specified otherwise in their employment contract. In the event that the pay period ends on a holiday or on a day that the school is closed for business, payment will be made the preceding workday.
5. Any overtime that is worked must be approved in advance by the-Superintendent .
6. Based upon the Fair Labor Standards Act (FLSA), employees who are eligible for overtime pay will be compensated in the following manner:
  - a. All hours worked up to forty (40) hours in one workweek are to be paid at the staff member's regular hourly rate. Hours worked in excess of forty (40) hours in any one work week must be paid at time and one-half the regular hourly rate in accordance with law.
  - b. Overtime pay is computed only on hours worked. If an employee uses a vacation and/or sick day(s) and works extra hours during the same workweek, payment will be paid at the regular hourly rate until the actual hours worked reaches forty (40) hours before any overtime will be calculated.
  - c. In the case of a non-exempt staff member whose pay rate is quoted on other than an hourly basis, the charter school business office will calculate hourly equivalent pay for overtime purposes.
  - d. Any deviation from the assigned working hours must be approved in advance by the-Superintendent .

7. The charter school is required by law to deduct FICA (Social Security and Medicare), Federal Income Tax, and State of New Mexico Withholding Tax. Except for FICA which is a fixed percent, the amounts withheld for Federal and State of New Mexico is based on the number of exemptions a staff member claims on the withholding exemption certificate (W-4) at the time of employment or as changed by the staff member subsequent to employment.
8. The charter school is required by law to withhold amounts for State of New Mexico Educational Retirement Board (ERB) and ERA Retiree Health Care for those employees who meet the FTE or other requirements established by each entity. Amounts withheld are remitted to the respective entities in the employee's name by the due dates specified.
9. The withholding for employee's portion of selected insurance coverage(s) shall be deducted in advance from the employee's pay in semi-monthly installments for the following monthly premium. All insurance and other deductions are submitted to the Business Manager on proper forms and records of these deductions are kept on file by the Business Manager.
10. 21ST CENTURY will maintain a sign-in log for part-time employees. This is the official time record for employee compensation.
  - a. Part-time employees must sign in for the start of their workday and sign out at the end of their workday.
  - b. Non-exempt employees will NOT be paid overtime or compensatory time unless time was approved in advance by the Superintendent .
  - c. Any deviation from assigned working hours must be requested of the Principal and then approved by the Superintendent in advance.
  - d. Continual and/or repeat deviations from assigned working hours will be grounds for disciplinary action. These deviations include, but are not limited to, time changes without prior approval and tardiness.
  - e. Any employee that leaves the campus during the workday must sign out in the main office and complete a Request for Leave form, except for when leaving for a duty-free lunch. Upon returning to work, the employee must sign in.
  - f. Employees may not sign in for another employee. Falsification of records or documentation is a violation of 21ST CENTURY policy and may result in both employees receiving disciplinary action in accordance with 21st Century's Employee Handbook.
11. A copy of the sign-in log will be retained by the ~~Office Manager~~ **Administrative Assistant** for auditing purposes.
12. A summary sheet reflecting salaried and hourly employee pay must be reviewed and verified by the Chief-Operating Officer or Principal or Superintendent prior to the issuance of payroll/check/vouchers.
13. In addition to required contributions to the Educational Retirement and ERA Retiree Health Care previously mentioned, employees may choose elective deferrals to a qualified 403(b) plan of their choice. The business office shall deduct the amount specified by the employee and remit payment in the employee's name monthly or as required by the plan. The business office shall be aware of IRS contribution limits for elective deferrals and make sure there are no excess contributions to qualified plans.
14. Should a notice of garnishment be received by 21ST CENTURY, the employee will be contacted so every effort can be made to have him/her satisfy the creditor and have the

garnishment withdrawn. In the event a release of garnishment cannot be obtained, the school shall acknowledge the wage assignment as required by law and remit the amount withheld to the appropriate agency.

15. The Chief Operating Officer is the primary individual responsible for approving payroll. In the absence of the Chief Operating Officer, the Principals or Superintendent will approve payroll. In an extreme situation, in the absence of the Chief Operating Officer, Superintendent, and the Principal, 21st Century's Business Manager will approve payroll.
16. All functions of payroll handled by the Chief- Operating Officer can be handled by the Officer Manager in the absence of the Chief Operating Officer.
17. The Business Manager/Contractor is responsible for all transactions related to payroll.

## **TRAVEL AND TRAINING**

Pursuant to 6.20.2.19 NMAC, 21ST CENTURY travel policies and procedures will be in compliance with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, NMSA 1978 and NMPED Finance and Administration (DFA) regulations. 21st Century's Governing Board recognizes that the educational program for Board members, staff, and students can be enhanced through the prudent selection of off-campus experiences. Consistent with NMSA 1978 Section 22-8B-5.1, 21st Century's Governing Board will attend annual Board development and training. The objective for the 21ST CENTURY Board, staff, and student travel is to be clearly defined and consistent with the intent of any legislative mandates, the charter, curricular goals, or a teacher's goals (e.g., team building). Travel requiring an overnight stay must be based on a verifiable education-related activity or pursuant to Governing Board and/or staff training mentioned above. It is understood that the general purpose of student travel, whenever necessary, is to supplement the school's educational program. The Principal/ Superintendent, will develop procedures and specific guidelines for all local and out of state travel for the Governing Board, staff, and students.

### **Travel Policies and Procedures**

1. 21ST CENTURY will work diligently to ensure that all travel costs be kept as low as possible without compromising the safety of the Governing Board, staff, students, or activity sponsors (if required).
2. 21st Century's staff and student travel must be approved in advance by the Superintendent after all safety, supervision, and educational justification (if any) has been verified. Approved Outside School Instruction (OSI) request forms and employee travel requests must be completed and maintained on file.
3. Travel for the-Superintendent -must be approved in advance by an officer of the Board for reimbursement.
4. Employees and Board members are expected to account for all necessary expenditures while traveling. Reimbursement shall be made in full only for original receipts submitted. No reimbursement shall be made for alcoholic beverages.
5. Employees and Board members shall be expected to return as soon as reasonably possible after a conference and/or professional development workshop(s). Expenses for extended stay in a geographic area after attendance at conferences or other professional development shall be the sole responsibility of the employee and/or Board member.

6. All reimbursements are processed in accordance with the Per Diem and Mileage Act, as outlined in DFA regulations. All receipts for out-of-pocket expenditures for transportation, registration, and miscellaneous expenses are required for any reimbursement. DFA regulations can be found in the Business Manager's office.
7. Student travel will be allowed in school-insured vehicles, such as activity buses. Students may travel with his/her own parent/guardian or staff member with an appropriate consent or release form.
8. No student shall be required to participate in academic school-sponsored travel activities. Non-participation shall not result in a loss of credit, reduction of grade, or any other negative consequence to the student.
9. Written permission for students to travel will be secured from parents/guardians. Consent forms may be signed at the beginning of each school year giving permission for students to participate in all regularly scheduled local Outside School Instruction (OSI's).
10. Academic and behavior standards shall be established prior to the commencement of any trip. Board members, staff, students, and activity sponsors who travel on behalf of the school are reminded that they are role models and therefore their behavior is expected to reflect positively on the school and the community.

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## **INSURANCE**

Pursuant to 6.20.2.20 NMAC, 21ST CENTURY maintains adequate insurance coverage addressed in the Tort Claims Act, Section 41-4-1 et seq., NMSA 1978, the Workers' Compensation Act, Section 52-1-1 et seq., NMSA 1978; Officers and Surety Bonds, Section 22-5-7, NMSA 1978; and the Public School Insurance Authority Act, Sections 22-2-6.1 through 22-2-6.10, NMSA 1978. Surety bonds paid from the operational sub-fund shall be approved by the NMPED and filed with the Secretary of the NMPED of finance and administration pursuant to Subsection D of Section 22-5-7, NMSA, 1978.

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## FIXED ASSETS

Establishing guidelines for the control of all capital assets that are owned by the school will assist 21ST CENTURY in protecting capital assets, preserving the life of capital assets, and avoiding unnecessary duplication of assets on the school campus, to provide a guide for future replacement of assets, and to establish a basis for the amount of insurance coverage required.

### Asset Capitalization

The purpose of an asset capitalization policy is to provide guidelines for the control of all capital assets that are owned by the school. The purpose of the controls is to protect capital assets, preserve the life of capital assets, to avoid unnecessary duplication of assets on the school campus, to provide a guide for future replacement of assets, and to establish a basis for the amount of insurance coverage required.

### Capital Assets Defined

Capital assets, for the purpose of internal controls, are defined as tangible or intangible property owned by the school, which meets the definition and minimum dollar amount for capitalization per asset category.

1. **Furniture and equipment-** Tangible property in excess of \$5,000 purchased or acquired by gift to be used for operational purposes including, but not limited to, desks, filing cabinets, copiers, musical instruments, laboratory equipment, and janitorial equipment.
2. **Computer software-** Intangible property in excess of \$5,000 either purchased or acquired by gift that is designed to cause a computer to perform a desired function.
3. **Computer equipment-** Tangible computer equipment in excess of \$5,000, including but not limited to laptops, desktops, routers, hubs, etc., purchased or acquired by gift, to be used for operational or instructional purposes. For capitalization purposes, computers are defined as a CPU, monitor, and keyboard, which go together as a package. Printers, which exceed \$5,000, shall be capitalized separately, while printers which are less than \$5,000 shall be considered supply assets and recorded as such in the school's general ledger.
4. **Library holdings -** All library holdings purchased or acquired by gifts during the fiscal year are capitalized in aggregate at the end of the fiscal year using the cost-based method. The cost-based method approach entails the following:
  1. Acquisition costs reflect actual expenses for purchased library materials.
  2. Donations are capitalized at fair market value.
  3. A value is placed on items withdrawn from the inventory and that value is reflected in capitalization.

### Donated Items

Donated items, valued at the threshold contained in this capitalization policy and which are items that the school otherwise would have bought and used in operations, shall be recorded in the school's general ledger account titled "Fixed Assets" (\$5,000 and over) at fair market value at the date of donation. Donated items, which are valued at less than the threshold contained in this capitalization policy, will be recorded in the school's general ledger account titled "Supply Assets" (less than \$5,000) at fair market value at the date of donation. Donated items, which are determined to have no fair market value, will not be recorded.

### **Depreciation Guidelines**

Depreciation is a system of accounting which aims to distribute the cost or gift value of a capital asset, less salvage value, over the estimated useful life of the asset in a systematic and rational manner. All depreciable assets will be depreciated using the **straight-line method** of allocation utilizing the half-year convention. The straight-line method allocates an equal amount of the net cost of an asset to each accounting period in its useful life. Most assets retain some recovery at the end of their useful lives, which is known as salvage value. All depreciable property for the purposes of this policy shall be deemed to have a fair market value at the end of their useful lives.

The useful life of depreciable assets is based on their usefulness to the school. The following table displays the estimated useful lives that will be used to calculate and allocate depreciation:

| <b>Property Category</b> | <b>Life in Years</b> |
|--------------------------|----------------------|
| Furniture and Equipment  | 5                    |
| Computer Software        | 3                    |
| Computer Equipment       | 5                    |
| Library Holdings         | 10                   |
| Transportation Equipment | 3-5                  |
| School Buses             | 7-10                 |
| Land                     | 39                   |
| Lease Hold Improvements  | 15                   |

### **Disposal of Capital Assets**

Capital assets which are obsolete, worn out, or no longer meet the requirements of the school, may be disposed of pursuant to NMSA (1978) 13-6-1 to 13-6-4, Sale of Public Property, transferred within the school campus to another department or classroom, or traded in. A Fixed Asset Disposal Form must be completed in all cases for the disposition of any asset, including those, which were damaged or stolen, and a Fixed Asset Relocation Form must be completed when assets are transferred from one location to another. The Fixed Assets Disposal Form must be signed by the Business Manager, Chief Operating Officer, and the Governing Board Chair. Pursuant to NMSA (1978) 13-6-1 and 13-6-2, all licensed software and any electronic media (computer hard drives) must be completely erased before being disposed. The school business office will retain the approved forms to preserve the accuracy of the asset records.

### **General Inventory Procedures**

1. An inventory of all assets, including but not limited to capital assets, will be created and a copy of the list will remain at the school. Other pertinent information such as room, department, manufacturer, and model shall also be recorded on the list.
2. A physical inventory shall be done at least annually on such date(s) and time(s) as specified by the Chief-Operating -Officer, the Facilities Manager, and the Business Manager.

3. A label or a tag will be attached to the property in a conspicuous location.
4. 21ST CENTURY will reconcile any missing or found items.
5. A sign-out log for borrowed equipment will be maintained.
6. 21ST CENTURY will follow state laws and regulations regarding the disposal of obsolete, surplus, or damaged equipment.

### **Educational Foundations/Organizations**

The Governance Council understands and recognizes the importance of community support of school programs and activities, including voluntary financial contributions to assist the school in realizing its goals. The Governing Council desires to work cooperatively with 21<sup>st</sup> Century Public Academy Foundation, the Cutler Charitable Foundation and the 21<sup>st</sup> Century PTA to determine the purposes for which funds may be used to assist in reaching school goals. While state and federal funds provide for the operational expenses of the school, the supporting organizations can assist with securing funds for enhanced needs both academic and facility-based programming.

Procedures:

1. No current member of the Governance Council shall serve as a voting member of the 21<sup>st</sup> Century Public Academy Foundation, the Cutler Charitable Foundation or serve as an officer of the 21<sup>st</sup> Century PTA.
2. The supporting organizations may use the school's name, mascot or any logo for events and advertising.
3. The Governance Board Finance Committee will review the supporting organizations Fiscal Policies and Procedures on an annual basis. The PTA can submit policies from the State Organization and is subject to oversight by this organization.
4. The Governance Council Vice President, or designee, will attend meetings of the supporting organizations when requested. The CEO will serve as the liaison with the 21<sup>st</sup> Century Foundation and the Cutler Charitable Foundation. The Principals will serve as the liaisons with the PTA.
5. The Governance Council and the supporting organizations shall work together to resolve any audit issues that may arise.

### **OTHER SERVICES**

Pursuant to 6.20.2.23 NMAC, 21ST CENTURY provides the following policies for food service, legal fees, state and federal flow through funds, direct funds, student activity funds, and joint powers agreements.

#### **Food Services**

Food service funds are to be accounted for in the special revenue fund or the enterprise fund. All monies collected from the sale of food for the food service operation are to be accounted for in

accordance with GAAP, U.S. Department of Agriculture (USDA) requirements, and Section 22-13-13, NMSA 1978.

### **Legal Fees**

21st Century's funds shall not be used for payment of personal legal fees, including attorney's fees and costs, of any 21ST CENTURY employee or 21ST CENTURY Governing Board member. Personal legal fees include but are not limited to:

- legal fees expended in obtaining or retaining any elected position.
- legal fees incurred by any employee or Board member in any civil action filed by or against the employee or Board member in his or her personal capacity, unless, in the case of an action against the employee or Board member, the allegations are based upon acts taken by that individual in the course and scope of his or her employment or service.
- legal fees incurred by any employee or Board member in the defense of any criminal case, unless the charges are based upon acts taken in the course and scope of his or her employment or service; and
- any payment of legal fees by 21ST CENTURY will serve a clearly identifiable public interest.

### **Federal/State Grant Flow through Funds**

For grant money that flows through the NMPED to 21ST CENTURY, the charter school shall utilize the funding for the purpose in which it was awarded. 21ST CENTURY will provide information and submit complete and accurate reports required by the grant and the NMPED within the prescribed time. This funding shall be accounted for in the 21ST CENTURY ledger in accordance with GAAP, applicable federal regulations, and procedures set forth in the grant award.

### **Federal/State Grant Direct Funds**

For grant money that is sent directly to 21ST CENTURY, the charter school shall utilize the funding for the purpose in which it was awarded. 21ST CENTURY shall submit complete and accurate reports required by the grant within the prescribed time. This funding shall be accounted for in accordance with GAAP, applicable federal regulations, and procedures set forth in the grant award.

### **Student Activity Funds**

In general, student activity funds are those funds that are owned, operated, and managed by students under the guidance and direction of a staff member for educational, recreational, and/or cultural purposes. The Superintendent is authorized to approve the formation of all class organizations, clubs, and associations and before any fundraising can be done. The advisor from the organization must receive approval from the Superintendent .

### **Activity Fund Policies**

1. Projects that raise student activity funds should contribute to the educational experience of students and not conflict with, but rather add to the existing curriculum.
2. Student activity funds, whenever possible, should be spent for the benefit of those students currently enrolled in the school who have contributed to the accumulation of these funds.

3. Student activities should be conducted so that they offer minimum competition to any commercial concerns, while still benefiting the student body as a whole.
4. All activity fund receipts and disbursements must be documented in accordance with established cash receipts and cash disbursements procedures.

### **Activity Fund Procedures**

1. The teacher or advisor in charge of the student activity will be responsible for receipting funds collected with the support of the Officer Manager or Secretary.
2. Cash receipts for student activity funds, with pre-numbered receipts, will be issued to the advisor and copies of the receipts along with the funds collected will be submitted to the Officer Manager or Secretary for deposit and then the deposit information will be provided to the Business Manager for entry into the school's accounting system.
3. The teacher or advisor in charge of the student activity will adhere to the twenty-four (24) hour banking rule outlined in NMAC 6.22.14.3 by providing funds to the Secretary in a timely manner so that funds can be accounted for and deposited by the Officer Manager, Secretary, Superintendent, or the Chief Operating Officer within twenty-four (24) hours of being collected by the advisor.
4. In the case of an off-site activity such as an intramural sports function, the teacher or advisor in charge of the activity will ensure that all cash is accounted for. It is recommended that two people independently verify cash receipts and, after arriving at the same conclusion, place their initials on a count sheet verifying that all receipts have been tallied. The count sheet shall be given to the Secretary for verification.
5. In a situation where activity fund receipts are taken after school hours, the teacher or advisor in charge of the activity shall make sure that all receipts are properly safeguarded pursuant to NMAC 6.2.2.14.1.
6. The teacher or advisor in charge of the activity shall adhere to the school's adopted policy regarding the procedures for the receipt of funds at all times.
7. The procurement policy for student activity funds requires that state procurement code be adhered to. Under no circumstance will an activity commit 21ST CENTURY to any purchase without proper approval.

### **Joint Powers Agreements**

Should 21ST CENTURY enter into a joint powers' agreements, pursuant to the Joint Powers Agreement Act, Sections 11-1-1 through 11-1-7, NMSA 1978, it shall be done so in accordance with the agreement.

## **OTHER ADMINISTRATIVE STANDARDS**

Pursuant to 6.20.2.24 NMAC, 21ST CENTURY will adhere to the state and federal laws and regulations pertaining to instructional materials, transportation, records retention and disposition, and the Open Meetings Act.

### **Instructional Materials**

21ST CENTURY shall be funded for textbooks and supplementary instructional materials by the NMPED pursuant to the Instructional Materials Act, Section 22-15-9 NMSA 1978. The charter

school shall submit revenue and expenditure reports as required to the NMPED, detailing expenditures, purchase order number, warrant number, and dates. Audited instructional material records are the official accounting of these funds. The instructional materials purchased by the charter school shall be in accordance with the approved list and may be amended by the Instructional Materials Unit of the NMPED.

**Transportation**

21ST CENTURY provides limited student transportation with select bus stops located around Albuquerque. Additionally, transportation will be provided to any student where transportation is designated by the student’s Individual Educational Plan (IEP). If at any time a special education student enrolls at 21ST CENTURY with an IEP that requires transportation, the school will negotiate with a transportation contractor to provide transportation services for that student. 21ST CENTURY will pay the initial costs for the transportation of special education students as required by their IEP until Federal IDEA money is available.

**Records Retention and Disposition**

The management of school records will be in accordance with the Public Records Act, Section 14-3-1 et seq., NMSA 1978 and applicable regulations.

**Open Meetings Act**

21ST CENTURY will comply with the provisions of the Open Meetings Act, Section 10-15-1 et seq.,

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**Source:**

6.20.2.11 NMAC [INTERNAL CONTROL STRUCTURE STANDARDS]:

A. Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

B. Each school district shall develop, establish, and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

(1) School district management must ensure that protection of the public trust is a major focus when granting the authorization to execute business of the school district.

(2) Employees handling significant amounts of cash must be adequately bonded. Access to assets is permitted only in accordance with school district authorization.

(3) Receipts, checks, or warrants, purchase orders, and vouchers shall be sequentially pre-numbered.

(4) School districts shall have proper safeguards to protect unused checks and other pre-numbered forms, undeposited cash and other receipts, and facsimile signature plates.

(5) Transactions are to be recorded as necessary to permit preparation of financial statements in conformity with GAAP. In addition, school districts shall establish any other criteria applicable to such statements to maintain accountability for assets.

(6) School districts shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer-generated reports.

C. An internal control structure is required to demonstrate the school district's ability to record, process, summarize and report financial data consistent with the following financial statement assertions:

(1) rights and ownership.

(2) existence and occurrence.

(3) valuation and allocations.

(4) completeness; and,

(5) presentation and disclosure.

D. The internal control structure shall demonstrate that the school district identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the school district complies with those laws and regulations. Internal control procedures shall be established, implemented, and documented through school district correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the local board within a school district to safeguard its assets,

check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions.

[02-03-93, 11-01-97, 01-15-99; 6.20.2.11 NMAC - Rn, 6 NMAC 2.2.1.11, 05-31-01]

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