

# PROCUREMENT WITH FEDERAL GRANT FUNDS

Date of Approval: May 24, 2011

## Purpose

The Policy sets forth the rules, regulations and procedures governing the financial management systems and procurement in connection with the expenditure of the proceeds of federal grants (“Grant Proceeds”) under the Public Charter Schools Grant Program (“Grant(s)”) for goods and services procured by the School.

## Policy

It is the Board’s policy that all Grant Proceeds under the Public Charter Schools Grant Program shall be accounted for, and all goods and services using the proceeds thereof shall be purchased, in accordance with a written procurement and contracts administration system that complies with the federal regulations that govern contracts and procurement, otherwise known as 34 Code of Federal Regulations 80.36, attached hereto and incorporated by reference.

## Procedure

As part of its procurement and contract standards, the School shall:

- Maintain a copy of a signed contract, agreement, or purchase order for services to be performed.
- Describe the conditions under which the contract or agreement may be terminated, including the basis for settlement, for all contracts in excess of \$10,000.
- Document the rationale and procedure used for selecting the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price, e.g. in the Board meetings’ minutes. Rationale shall include, but not be limited to, consideration of the following factors in selecting contractors and consultants: ability to perform successfully under the terms and conditions of the proposed contract, demonstrated competence, qualifications, experience, and reasonableness of costs, integrity, compliance with public policy, record of past performance, and financial and technical resources.
- Use price as the primary criterion for purchasing all goods and services, when all other factors are equal.
- Contract only with individuals not employed by the School unless otherwise approved by the Board.

- Require that no employee, officer or agent of the School shall participate in the selection, award or administration of a contract where conflicts of interest, real or apparent, are involved.
- Maintain records on the services performed, including but not limited to, the date the service was performed and the purpose of the service, and ensure that the services are consistent and satisfactory with those described in the signed contract/purchase order.
- Make payments only after the service is performed, unless any other payment structure is necessary, and prior approval is obtained from the Board.

### **Related Documents**

Financial Management Systems and Procurement Policies for Federal Grants – Public Charter Schools Grant Program -34 Code of Federal Regulations 80.36

## **FISCAL CONTROLS**

**Date of Approval: February 20, 2015**

### **Purpose**

The Board believes in implementing and following fiscal management practices to ensure that the School's funds are appropriately managed in order to support the School's mission and avoid any liability that could be attributed to the Board resulting from mismanagement.

### **Policy**

School funds will be budgeted, accounted for, expended, and maintained in an appropriate fashion and in accordance with Federal and State requirements. The following procedures have been established to facilitate this.

### **Procedure**

#### **A. Budgets**

Working with Connections Academy, LLC<sup>1</sup>, its educational services provider, the School's Treasurer will coordinate the preparation of an annual operating budget with estimated revenue and expenditures in the spring prior to May 1 for the following fiscal year, defined as the twelve-month period ending June 30, unless otherwise required by law or other contract. The Board shall plan to review and approve the budget prior to June 30 of each year. Connections Academy, LLC will prepare a fiscal year forecast based upon updated assumptions before the opening of the new School year. Approved annual operating budgets will be submitted to the all appropriate entities required by law in the format required by statute and/or regulation and by required deadlines.

Approved budgets will be used to monitor the financial activities of the year via the monthly financial reports. In addition, Connections Academy, LLC, as necessary, will prepare cash flow analysis, and budget projections, and budget revisions, for upcoming fiscal years for review.

As part of the budget process, and/or at the time of hiring or increasing the compensation of the Principal of the School, the Board will review a comparison of salaries for chief executives (principal, director, administrator, etc.) at other similar schools and make a determination, to be recorded in the minutes of the Board, that the proposed compensation is reasonable.

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<sup>1</sup> Connections Academy LLC is the current educational services provider. This function would be carried out by the new provider upon a change in the provider.



## **B. Controls, Budget, and Fiscal**

The School will maintain the following principles in its ongoing fiscal management practices to ensure that, (1) expenditures are authorized by and in accordance with amounts specified in the board-adopted budget, (2) the School's funds are managed and held in a manner that provides a high degree of protection of the School's assets, and (3) all transactions are recorded and documented in an appropriate manner:

### **1. Segregation of Duties**

The School will develop and maintain simple check request and purchase order forms to document the authorization of non-payroll expenditures. These expenditures will primarily be those expenditures not covered under the monthly invoice from Connections Academy, LLC. The monthly invoices from Connections Academy, LLC will be approved and/or ratified by action of the Board. All proposed expenditures must be approved by the Principal, who will review to determine whether it is consistent with the Board-adopted budget, and sign the check request form or approve the invoice. All check requests and purchase orders over One Thousand (\$1,000) Dollars must be co-signed by two Board Members who have been approved as a signatory on the School's checking account. Payments for invoices for operational services contracted by the School, and previously approved by the Board, including those for services provided by Connections Academy, LLC, do not need to be countersigned.

All transactions will be posted on an electronic general ledger by a bookkeeper or Treasurer until the school has a bookkeeper. This ledger will be maintained either with a local contracted bookkeeper or Treasurer until the school has a bookkeeper, or with Connections Academy, LLC. To ensure segregation of recording and authorization, the bookkeeper or Treasurer may not co-sign check requests or purchase orders.

### **2. Banking Arrangements/Reconciliation**

The School will maintain its accounts at a federally insured commercial bank or credit union in the State of operation as approved by the Board in compliance with the respective state law. Funds will be deposited in non-speculative accounts including federally insured savings or checking accounts or invested in non-speculative federally backed instruments. For all funds, the Board must appoint and approve all individuals authorized to sign checks in accordance with these policies.

Bank statements from private banking institutions will be sent directly to the School's bookkeeper or Treasurer if none, for reconciliation. A report of the reconciliation will be provided to the Board Treasurer on a monthly basis.

### **3. Purchasing Procedures**

This section applies to purchases made by the School, and does not apply to purchases made by Connections Academy, LLC pursuant to the Professional Services Agreement with the School. All purchases over the competitive bid threshold issued by the State of Michigan Department of Education must include documentation of a good faith effort to secure the lowest possible cost for comparable goods or services. The Chair shall not approve purchase orders or



check requests lacking such documentation and must comply with the School's Procurement Policy. Documentation shall be attached to all check and purchase order requests showing that at least two (2) vendors were contacted and such documentation shall be maintained for three (3) years. If specialty goods are not available through multiple vendors, documentation may include this information in lieu of a cost comparison.

No public funds shall be expended for the purchase of alcoholic beverages.

The Principal or designee may purchase supplies, materials, equipment, and services up to the amounts specified in the approved budget or per an approved Board action, while ensuring the above procedures are followed

#### **4. Record Keeping**

Transaction ledgers, invoices, receipts, canceled/duplicate checks, attendance and entitlement records, payroll records, and any other necessary fiscal documents will be maintained by a local contracted bookkeeper or by Connections Academy, LLC, in accordance with state law and as required in the professional services agreement signed by the School in a secure location for at least seven (7) years as set out in the Records Retention Policy, or as long as required by applicable law, whichever is longer. Appropriate back up copies of electronic and paper documentation, including financial and attendance accounting data, will be regularly prepared and stored in a secure off-site location, separate from the School.

#### **5. Fixed Assets**

The local contracted bookkeeper or Connections Academy, LLC shall establish and maintain and regularly update a listing of all computers, equipment and furniture purchased by the School of a value of over One Thousand (\$1,000) Dollars. This list shall include the original purchase price and date, a brief description, serial numbers, and other information appropriate for documenting the School's assets. The School shall maintain a segregated list of assets that were purchased with non-public funds, where applicable.

#### **6. Cash Collections**

All incoming checks or cash will be verified and entered into a deposit log in accordance with any internal control procedures developed by the school. All checks will be restrictively endorsed promptly. Receipts will be issued upon request. When checks are taken for deposit, the person taking the checks will sign a separate log with the date and total amount taken for deposit. The deposit log will be provided to the person reviewing the bank statements for comparison with the deposit record on the bank statements. All cash and checks will be kept locked in the School office prior to deposit. Deposits should be made as soon as possible on receipt of checks and/or cash and with a target of within twenty-four (24) hours of receipt.

#### **7. Attendance Accounting**

The Principal will establish and maintain an appropriate attendance accounting system to ensure the School receives appropriate attendance credit. The annual audit will review actual



attendance accounting records and practices to ensure compliance. The attendance accounting practices will be in conformance with applicable state regulations.

## **8. Annual Audit**

The Board shall annually contract for the services of an independent public accountant to perform an annual fiscal audit in compliance with State law. The audit shall cover the business of the School during the full fiscal year; be a financial audit conducted in accordance with generally accepted auditing standards; and, include, but not be limited to, (1) an analysis of the School's compliance with applicable laws and regulations; (2) any recommendations for improvement by the School; (3) any other comments deemed pertinent by the auditor, including the auditor's opinion regarding the financial statements; (4) an audit of the accuracy of the School's financial statements, (5) an audit of the School's attendance accounting records, and (6) an audit of the School's internal controls practices. If the School expends Federal awards in excess of the threshold for a single audit, the audit shall be prepared in accordance with any relevant Office of Management and Budget audit circulars. The audit shall be completed and submitted to the Board for review at a public meeting as soon as reasonably possible following the close of the fiscal year for which the audit is conducted and as mandated by state, charter or other law. Copies of the Audit will also be forwarded to any entities or public agencies, as required by the respective state's Charter School law, the charter and state regulations.

The Audit engagement and review process may be conducted by the Board's Audit/Finance Committee. The audit will be presented to the full Board prior to the deadline set forth by the authorizer or Michigan Legislature, whichever is earlier, so they can take necessary action on it.

## **9. Fiscal Reports**

The following reports will be prepared for the School, maintained by Connections Academy, LLC on a monthly basis, and reported to the Board and/or its Treasurer:

- Revenue and Expense Statement for the current fiscal year – showing actual results for the months already past and forecasts for future months
- Balance Sheet
- Bank Reconciliation – listing all of the deposits and withdrawals for the period under review with descriptive headings
- Accounts Payable Detail – showing the vendor name, the invoice amount, who paid the invoice, and when; in addition, the Board Treasurer will receive a copy of all invoices on this schedule
- Payroll Registers if applicable
- Connections Academy, LLC Invoices – showing the fees for the month, drawn off of the revenue and expense statement and the accounts payable detail report
- Enrollment & Attendance Reports – showing the demographic makeup of the students who have enrolled in the School as well as other related statistical data



## **10. Property and Liability Insurance**

Connections Academy, LLC shall ensure that the School retains appropriate property and liability insurance coverage in accordance with the respective state law. Board Directors and Officers liability insurance shall also be obtained. Insurance will be kept in force at all times with any minimum limits as outlined in the charter, state law, and professional services agreement between the School and Connections Academy, LLC.

## **11. Contract Signing Authority**

Unless otherwise authorized or designated by the Board, all contracts entered into by the School for a monetary amount over Five Thousand (\$5,000) Dollars shall require the signature of the President. Routine contracts for the operation of the School such as for field trips, state testing proctors and testing sites, janitorial services etc. in a monetary amount of less than Five Thousand (5,000) Dollars will be signed by the Principal or designated Board Member. All orders for payment of money to a member of the Board may only be drawn for travel expenses, or subsistence allowances.

## **12. Corporate Tax Returns**

The Board (and/or the Audit/Finance Committee of the Board) will annually review its policies and practices to be sure it is complying with any regulations or requirements of the Internal Revenue Service.

## **13. Petty Cash**

At the direction of the Board, a petty cash fund, not to exceed Three Hundred (\$300) Dollars, may be established with an appropriate ledger to be reconciled monthly by the independent bookkeeper or Treasurer, who shall not be authorized to expend petty cash.

## **Related Documents**

- Records Retention Policy
- Board Designee Policy
- Check Request Form
- Purchase Order Form
- Conflict of Interest Policy



# Check Request

Department: \_\_\_\_\_

Payee: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State \_\_\_\_ Zip Code: \_\_\_\_\_

Date Requested: \_\_\_\_\_

\$

Amount of Check

Explanation - Use of Funds:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Handling:

- U.S. Mail
- Interoffice Mail
- Call for Pickup ext.# \_\_\_\_\_
- Federal Express \*
- Other

*\* Your Dept. will be charged for FedEx Shipping*

Date Required: \_\_\_\_\_

Budgeted?:  Yes  No

GL Account: \_\_\_\_\_  
Department (s) to Be Charged: \_\_\_\_\_  
Category: \_\_\_\_\_ Location: \_\_\_\_\_

Invoice Attached?  Yes  No  
*Please attach supporting documentation*

Requested By: \_\_\_\_\_  
Phone #: \_\_\_\_\_ Location: \_\_\_\_\_

Approved By: \_\_\_\_\_

Date Approved: \_\_\_\_\_

Approved By: \_\_\_\_\_

Date Approved: \_\_\_\_\_

Please forward Check Requests and supporting documents directly to the Accounts Payable Department.