

HOPE ACADEMY OF NORTHWEST ARKANSAS

Financial Accounting Procedures

PURPOSE

These procedures are designed to designate areas of responsibility; promote accuracy, efficiency, and integrity in recording and maintaining financial records of the district; and ensure compliance with board policy, associated laws and regulations, and best financial accounting practices.

The training documents provided by the Dept. of Education or APSCN will be used for step-by-step guidance in performing individual processes.

INTERNAL CONTROL

Reliance of financial reports is possible due to the system's set of internal controls over accounting records. Internal control begins with an adequate segregation of duties. Segregation of duties for our district means wherever possible and practicable, no person responsible for making accounting entries will have access to cash or liquid assets. More than one person will be responsible for receiving and recording cash. More than one person will be involved in the ordering and payment for goods and services. All disbursements of cash are subject to the review of the Superintendent.

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FINANCIAL USERS

The Arkansas Department of Education has primary responsibility for setting up a user in the District's financial accounting system and assigning rights and privileges, as well as deleting inactive user accounts. The Superintendent approves all purchase orders. Subject to the Superintendent's review, the Business Manager is also authorized to generate the necessary electronic files to transmit ACH payments or direct deposit payroll files.

CASH RECEIPTS

All funds collected from students, parents, or other sources shall be recorded on a daily deposit summary that identifies the source of the funds, the amount of cash/checks and purpose of the receipts. The deposit summary should be given to the business manager. A copy of the summary along with the cash/checks should be placed in the safe.

Deposits should be made into the appropriate District bank account by the business manager. All deposits should be accompanied by the deposit summary. The deposit should be compared to the summaries given to the business manager

DISTRICT PURCHASES AND DISBURSEMENTS

The District utilizes a purchase order system to assist with purchasing and budgeting functions. Purchase orders ("PO's") are created by the business manager. PO's are then approved by the superintendent. The superintendent reviews and signs all PO's. Approved PO's are returned to the business manager for ordering.

As items are received, they are logged into the receipt log by a Hope Academy staff member. Once an invoice is received by central office, it is then sent to the business manager for comparison to the receipt log for confirmation of receipt of

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all items billed. The business manager then matches invoices with POs then processes payment.

District accounts payable edit batches are prepared by Central Office staff from approved and completed purchase orders and invoices. The edit batches are reviewed by the business manager. After making any corrections, the checks are printed by Central Office staff. The checks and copies of invoices are then assembled for signature of superintendent and mailed by office staff. Postage is then applied and items are mailed within 24 hours of printing the checks.

The business manager then posts the completed accounts payable batch to the district's general ledger system.

MANUAL CHECKS AND DISBURSEMENTS

All payments are made by check, no petty cash kept in office. Checks for the district operating/activity accounts require the original signature of the superintendent.

BANK RECONCILIATIONS AND MONTHLY FINANCIAL REPORTS

The business manager should reconcile the bank accounts after the end of the month, making sure the balance sheet also reflects the correct bank balance.

The superintendent reviews the check ledgers, receipt batch, and bank reconciliation report, which is then sent to ADE. A copy of the board report, expenditure report, and revenue report for all funds is given to superintendent and board members.

EMPLOYEE CONTRACTS

Individual placement and salary information originates in the superintendent's office. The information is communicated to the office personnel, who set up the employees in the accounting system. The human resources director reviews the payroll setup for contract amount, number of days, allocation of paid leave, and coding for the financial system.

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Annual staff contract renewals are updated and advanced in the system fiscal year-end processes done by the business manager. Updated payroll renewals are reviewed by business manager or human resource director for degree, range, contract amount, and coding assignment.

Business manager or human resource director reviews, creates, and prints employee contracts. New contracts and existing staff contract renewals are reviewed by business manager, human resource director and superintendent.

Board president and board secretary sign the contract. The original contract is then signed by employee and two copies are made. A copy of signed contract is given to employee a copy is kept in business manager's office, and the original is kept on file in the central office.

EMPLOYEE BENEFITS AND DEDUCTIONS

The human resource director sets up payroll deductions based on instructions provided by the employees. Those instructions will be taken from the federal and state withholding forms and various insurance enrollment forms.

The human resource director maintains all payroll deduction files as well as direct deposit banking information submitted by employees.

TIMESHEETS AND LEAVE FORMS

Every payroll is generated based on timesheets and leave forms submitted with each pay cycle. The employees sign timesheets and leave forms, which are in turn approved by the respective area supervisor or administrator. Timesheets and leave forms are checked by the area secretaries before forwarding to the human resource director for entering into the payroll system.

The system will automatically pay contract salaries per the contract setup information entered initially by the human resource director. The human resource director will enter additional or hourly pay information and leave. After entering all information pertaining to the current payroll, human resource director runs a pay edit which is reviewed. A pre-calculation report to check against the list of changes expected to appear on that given payroll is run and reviewed.

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The timesheets and leave forms for each payroll are accumulated and maintained in each payroll cycle file.

PROCESSING A PAY RUN

After all reviews have taken place, a payroll calculation report and direct deposit reports are created by the human resource director. The human resource director then submits the direct deposits and ACH deduction files to the bank, typically two day prior the actual pay date. In that process, the human resource director also prints several reports from the payroll system and posts the result of the pay cycle to the financial system and individual pay files.

The human resource director will also print the necessary deduction checks as required.

These checks are then processed and distributed per plan administrator's request.

JOURNAL ENTRIES

Adjusting journal entries are entered by the business. Each entry will have documentation approving or otherwise substantiating the entry. A printout of the journal entries will be checked by the superintendent. That review will consist of an assessment of appropriateness, coding, and proper authorization for the entry, as well as data entry accuracy. All journal entries are also reviewed and approved by APSCN prior to final posting.

FIXED ASSETS

Since the fixed assets system is not fully integrated with the general ledger or purchases systems, separate entries to the fixed assets database are required. The business manager will maintain detail records for assets determined to satisfy the capitalization threshold of \$1000. Each individual responsible for the purchase of such an asset will provide particulars such as unit cost, serial number, and date placed into service, vendor, and department placement or physical location.

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As assets are retired or sold, the business manager/assistant bookkeeper will retrieve the appropriate retirement forms from the responsible department heads and enter the retirement or sale including date sold or otherwise retired into the fixed asset systems.

Inventoriable items that do not meet the capitalization threshold are tagged as received and annually compared to the district inventory list.

MONTHLY FINANCIAL REPORTS

All activity funds are sent a fund balance sheet for review after monthly bank reconciliation is done.

A board report, detail expenditure report, and detail revenue report is given to superintendent and board members monthly.

MONITORING

Financial accounting system user rights and authorities may be subject to change as job duties or assignments may be redefined.

The Arkansas Department of Education will review system users with the superintendent periodically to confirm that all users have the appropriate rights. Also, as new employees are hired to take over some duties performed by employees who are leaving or are re-assigned to non-financial areas, the ADE r will remove the inactive employees from the user list within two weeks of the change.