

Waikiki Community Preschool

Article VIII. Financial Performance

Financial Management Policies and Procedures

Fiscal Management

Waikiki Community Preschool is committed to being accountable for prudent fiscal management. Members of the staff and Governing Board take their fiduciary responsibility very seriously. The school will undergo rigorous financial review annually by an independent auditor and provide all reports and information required by the Commission. The School strictly adheres to specific guidelines regarding contracts and agreements, to either provide or acquire services. The School will maintain accurate, comprehensive financial records and adhere to Generally Accepted Accounting Principles and other generally accepted standards of fiscal management and sound business practices to use public funds in a fiscally responsible manner. Best practice internal controls will be implemented and strictly followed. Waikiki Community Center has been following these practices, including annual independent audits, for decades as an experienced steward of public funds to provide community services.

Financial Reports:

The School will submit quarterly financial reports to the Commission within 30 days from the end of the first, second and third quarters. It will submit an annual financial report to the Commission within 30 days from the end of the fourth quarter. The School will submit any additional periodic financial reports required by the Commission. Reporting obligations survive the termination or expiration of the School's Charter contract. The School will work with the Commission on any changes or improvements deemed necessary by the Commission's evaluation of the financial reports.

Annual Budgets:

The School's Governing Board will approve the School's annual budget for the following fiscal year and submit it to the Commission within 45 days of the adoption of the state budget. Budget revisions, if needed, will be approved by the Board and submitted by May 15th of each fiscal year.

Annual Independent Audit:

An audit is performed annually by an independent certified public accounting firm that is selected by the Board. The audit report will be submitted to the Commission by November 1 of each fiscal year. The audit includes an inventory and comparison of the current value of all major assets with permanent records. Any concerns outlined in the auditor's management letter or recommendations will be responded to by a written action plan by the Board, which will be responsible for its implementation.

Maintenance of Financial Records and Information:

All financial information will be maintained and stored in accordance with the requirements of the Department of Accounting and General Services, Archives Division, Records Management Branch.

Transfer of Funds to an Affiliated Non-profit or Educational Service Provider

If the School utilizes the services of an affiliated Non-profit or Educational Service Provider, it will first execute a written legal agreement with the entity. The executed agreement will be shared with the Commission within 14 business days of execution. The transfer of public funds will only be allowed under those circumstances.

School funds will not be used as a line of credit or short-term loan to any affiliated non-profit or educational service provider. Assets, funds, liabilities and financial records of the School will be kept separate from those of related entities unless approved in writing by the Commission.

No Tuition or Fees for Admission, Enrollment, or Attendance

The School will not charge students any tuition or fees or accept contributions as a condition of admission, enrollment or attendance. The School will consider charging reasonable fees to the extent permitted by law for after-school programs, field trips, or co-curricular activities.

Accounting Practices and Procedures

The School uses accounting software hosted in a cloud environment allowing remote access and is scalable, with modules that can be installed to enhance fiscal controls as needed. The system provides comparative data for monitoring. Internal controls and processes are established to ensure accuracy and integrity in the system.

Separation of Funds

All school revenue sources will be held in separate accounts so that their utilization will be accurately tracked and reported. Potential revenue sources will include State charter school funding, federal supplemental funding grants, private foundation grants and donated funds from individuals or organizations.

Segregation of Duties

Cash and checks are to be deposited within 48 hours. Cash and checks are placed in the designated safe immediately after recordation and before deposit.

Deposits of cash/checks are to be carried out by someone **other than** the person who received and documented receipt of the cash/checks.

Deposit slips with copies of checks are submitted to Fiscal for review/validation of proper account coding before input into the accounting system.

Payroll Processes

The School utilizes an automated payroll processing system to manage recording and payment for hours worked. Procedures for input are as follows:

1. Employee will complete electronic timesheets at the end of each workday. All working days and holiday(s) must be accounted for.
2. If applicable, forms such as Request for Leave Without Pay or Authorization for Overtime Work shall be forwarded to Payroll prior to effective dates. Any leave without pay (LWOP) requires prior approval in compliance with collective bargaining agreements.
3. Supervisors will approve all electronic timesheets and requests for vacation and sick leave on a daily basis.
4. Hourly employees who do not complete their timesheets in time for payroll transmission will receive a check based on the expected hours worked. Upon receipt of the completed timesheet, the difference in pay, if any, will be offset at the next pay period.
5. Pay rates, benefit deductions, and leave hours which cannot be entered by the employee (such as TDI or FMLA) are entered into the system by Human Resources. Payroll staff work with the Human Resources staff to ensure proper deductions and withholdings are captured.
6. Changes in work or other conditions affecting pay must be transmitted and authorized appropriately via the Personnel Action Form, in advance of the affected pay period.
7. Payroll is reviewed and approved by the Center Director before it is submitted for processing.

Adjustments to Financial Transactions

All adjustments to financial transactions require backup documentation and are reviewed and approved before posting to the accounting system.

Purchasing

Authorization to Purchase

Only authorized staff are allowed to sign purchase orders, travel requests and contracts.

The level of purchase authority is determined by the Governing Board. All purchases shall follow Procurement Policy guidelines.

Authorization limits apply to purchase by any means, including agency credit card.

A. Credit Cards

The School's Center Director will be issued a School credit card. Use of a School credit card does not substitute for proper authorization of a purchase. Credit card holders must obtain **pre-approval** for any expenditure on the card above the level set by the Governing Board. Original Receipts must be submitted monthly along with all transactions which are listed and coded through the credit card tracking system. A list of staff who have been issued a credit card is available for review.

Purchases and expenditures are to be reported prior to the 5th of the month following the dates of purchase. Deadlines for reporting expenditures and purchases are established to ensure timely and accurate financial reporting and cash flow management. Any credit card or other line of credit issued to the School and used by School staff will be paid off in full each month.

B. Purchase Orders

A purchase order (PO) serves as the approval to purchase as well as an actual offer to buy the items or services specified on the order form.

Purchase Order forms are controlled as follows:

- 1) POs are issued only in numerical order. Fiscal maintains a Master PO Log to track all numbers issued.
- 2) Employees scans PO and supporting documents and keeps a copy for their files.
- 3) Appropriate supporting documentation examples are:
 - a. Original vendor invoices or price lists
 - b. Original vendor receipts indicating vendor name, date of transaction, description, and quantity of items.
 - c. Required Fiscal forms to document the transaction
- 4) PO is routed for authorized signatures.
- 5) Final Authorized signer will forward to Fiscal for processing.
- 6) The log entry must include the expenditure date and purchase amount.
- 7) The School will keep a PO Journal that records the PO numbers signed for by employees and includes a description of the items or services received.

To request an advance check by PO, complete the PO by following the above procedures, adding "Please Issue Check On (date)" and attaching original receipts.

NOTE: A Standing PO is a monthly payment agreement such as loan or rental payments usually paid off of one PO. Any Standing PO is limited to the length of the contract to be charged.

Receiving Purchases:

- 1) The School receives shipment of goods or services and makes sure all ordered items were received.
- 2) When all ordered items are received, employee signs, dates and writes "complete" on the PO and/or Packing Slip and forwards it with any other supporting documentation to the fiscal office.
- 3) If not, all items were received employee makes a copy of the purchase order and signs and dates it. Employee then writes the word "partial" on the lower left hand corner and returns the original to their file. The copied PO marked partial is forwarded to the fiscal office.
- 4) Property Control – The school shall maintain a complete and current inventory of all of its property and shall update the inventory annually. The School shall take all necessary precautions to safeguard assets.

Accounts Payable

Accounts payable procedures include the receipt, control, classification, and preparation for payment of vendor's bills, check requests and other financial obligations.

A. Receiving Purchase Order -- Fiscal receives a copy of an approved PO and reviews for completeness, proper approvals, and proper account classification in accordance with the Chart of Accounts.

B. Receipt of Check Request and Vendor Invoices – Fiscal reviews as follows:

- 1) Examines check request for proper approvals, proper account classification and an indication that goods or services were received and were appropriate.
- 2) Matches original vendor invoices with related purchase orders and Receiving Reports in Open Item File.
- 3) Destroys and disposes of extra copies of invoices to prevent the possibility of duplicate payments.
- 4) Matches quantities, prices, and description on invoice with related information on PO copy and Receiving Report.
- 5) Verifies mathematical accuracy on invoices.

C. Preparation of Accounts Payable Set

- 1) Arranges and staples document package with PO and supporting documentation

on top and original invoice on bottom.

- 2) Files by due date and vendor name for cash disbursement.
- 3) Routes Account Payable Invoice Batch report to staff accountants for budgetary review before submission for posting.

Cash Disbursements

The cash disbursement procedure is an extension of the accounts payable procedure.

A. Check Controls

- 1) Fiscal is responsible for all blank checks, which will be kept under lock and key.
- 2) In no event will:
 - Checks be prepared unless the accounting procedures are followed.
 - Checks be prepared from original invoice or monthly statements.
 - Checks be used other than in numerical order.
 - Checks be prepared or signed in advance.
 - Checks be made out to "cash", "bearer", "petty cash", etc.
 - Checks be prepared on verbal authorization.
 - Checks be signed by other than an authorized check signer as designated by the Governing Board and maintained on the bank account.

All checks listed on the outstanding check register for more than 12 months will be deemed unclaimed property. A written notice will be mailed to vendors or employees, as appropriate, informing them that the un-cashed checks will be transferred to the State of Hawaii Unclaimed Property Program for safekeeping.

B. Check Preparation

- 1) Fiscal Office Manager selects *Accounts Payable Sets* to be paid.
- 2) Fiscal Office Manager prepares three-part check using information on the face of each invoice or PO.
- 3) Spoiled or voided checks are marked "Void" in ink on the face and are numerically filed in the fiscal files.
- 4) Fiscal Office Manager forwards three-part check, necessary enclosures, and supporting documents to an authorized signer.
- 5) All checks exceeding \$2,000 and NOT part of the approved school budget will require a second authorized signature.

C. Check Signing

- 1) Signing Authority reviews check and supporting documentation to ensure that the payment is budgeted and authorized; check is made out to the authorized payee and in the proper amount.
- 2) Signing Authority signs check and forwards it to second signing authority if needed.

3) If needed, second Signing Authority reviews check and supporting documents, signs check and forwards it to the administrative office.

D. Check Disbursement

- 1) Administrative Assistant (AA) turns in completed PO logs to Fiscal.
- 2) The School keeps copies of POs and supporting documents on file.
- 3) Fiscal prints and separates the three-part check, attaching bottom stub to PO with supporting documents (check set).
- 4) The check set is then routed for signatures.
- 5) Fiscal removes the two-part check from check set and mails to vendor with required remittance document.
- 6) Fiscal files check sets in numerical order.

E. Recording Cash Disbursements

- 1) Fiscal Office Manager receives "Posted" Accounts Payable Set and posts the system check (Cash Disbursement) batch.
- 2) Fiscal Office Manager files "Posted" Account Payables by Check number in Paid Invoice File.

Cash Receipts

Cash receipt transactions follow the process of receipt, deposit, recording, and reconciling. They are classified into three categories: agency cash receipts, off-site cash receipts (contributions) and off-site cash receipts (student payments). Each type of receipt and the associated procedures are detailed below.

A. Agency Cash Receipts

Receipts from sources other than the government come in the form of checks, money orders, currency and coin and are received at the School Office. All checking accounts are recorded on the general ledger.

Cash Receipt Controls

- All cash receipts will be deposited intact. No disbursements from un-deposited funds will be made.
- All cash receipts will be kept in safe/lockbox until they are deposited.
- Cash receipts will not be held in safe/lockbox for more than 48 hours.
- All deposits will be reconciled monthly with the Agency Bank Statement.

Cash Receipt Procedures

- 1) Administrative Assistant opens mail and records checks in the "Cash Receipt Log".

2) A different Administrative staff or manager records the following information for all receipts in the "Cash Receipts Journal".

- Date of Deposit
- Source of Funds
- Amount

3) Copies are made of all checks.

Cash Deposit Procedures

- Administrative Assistant prepares bank deposit slip in duplicate.
- They note appropriate Contract Code on deposit slip or supporting documentation.
- If receipt is a reimbursement, the Contract Code and Expenditure Account to be reimbursed should be noted on the supporting documentation.
- Original deposit slip is attached to cash receipt.
- Duplicate deposit slip is attached to copy of check and/or any supporting documentation received, such as the check stub or cover letter.
- If the deposit is for a contribution that does not have a cover letter with the following information a "Donation Voucher" must be completed.
- Donor's Name, Address, Phone Number and Email Address
- Donor's restriction of funds. (Purpose for Contribution)
- Make deposit at appropriate bank.
- Forward copy of deposit slip and supporting documentation to Fiscal Office.
- Issue "thank you" letter.
- Record donor information in appropriate system.
- Accountant records any invoiced receipts in accounts receivable summary.
- Accountant records deposit in the General Ledger upon receipt.

Bank Reconciliation

All checks and deposits are reconciled monthly. Steps for reconciliation are:

- 1) Monthly bank reconciliation will be completed for all accounts.
- 2) Cash Disbursement and Cash Receipt Journals will be used to identify outstanding checks and deposits in transit.
- 3) A list of outstanding check numbers from all accounts will be compiled by reviewing cancelled checks along with the prior month list of outstanding checks.
- 4) Deposits in transit will be noted by comparing Cash Receipt Journal with statement to prior month's deposits in transit, and current month Cash Receipt Journal for all accounts.
- 5) Any banking fees listed on the Bank Statement will be recorded in the General Ledger
- 6) The Checking Account bank reconciliation will include the following:

- Name of Bank
 - "For Period Ending"
 - Balance per Bank Statement
 - Deposits in Transit
 - Checks Outstanding
 - Balance per Bank Ledger
 - Adjustments for Voided Checks
 - Adjusted General Ledger Balance
 - Checking Account Balance per General Ledger
 - Difference between General Ledger and Bank Statement
- 7) The balance per bank statement will be reconciled with the balance in the general ledger.
 - 8) Bank Reconciliation forms will be filed in date order.
 - 9) The bank reconciliation is reviewed by the Center Director

Journal Entries

In addition to normal transactions that originate outside the fiscal department or resulting from corrections of allocation or coding errors, it is necessary to generate several accounting entries internally.

Journal Entries may include but are not limited to the following:

- Payroll Distribution
- Employer Payroll Costs
- Accrued Payroll
- Amortization of Prepaid Items
- In-Kind Contributions
- Delegate Agency Activity
- Month-end and year-end closing entries
- Adjusting and Reclassification entries
- Other Accruals

The accounting services provider will be responsible for preparing all journal entries. All such entries will have complete documentation, will be issued control numbers, and will be posted to the general ledger.

Property Control

A. Acquisitions

All purchases of equipment or other fixed assets must be made in compliance with fiscal procedures. The following definition will be utilized to categorize equipment:

Non-expendable personal property: any article that has a useful life in excess of one year and an acquisition cost of \$1,000.00 or more.

Non-expendable personal property can either be complete within itself, or it can be a major component of another item of property, and by definition cannot be described either as supplies or material.

After the receipt of equipment (either purchased or donated) the program will initiate the item's inclusion in the School inventory system as follows:

- 1) The School will complete the Equipment Action Form, assign an inventory number and enter the item into the inventory.
- 2) The School will issue an inventory sticker for the equipment and assure the correct sticker is placed on the correct equipment and maintained appropriately.

B. Lost and/or Stolen Property

When property is discovered missing due to theft (evidence must be present) or unexplained loss, the following steps must be taken:

- If an item is lost, and/or stolen, the Disposition section of the Equipment Action Form must be completed and reported to the Governing Board.
- If the item is stolen it must also be reported to the local police and an Incident Report must be completed and the Governing Board notified.

C. Dispositions/Disposal

Equipment being disposed of must be accounted for in the inventory system. Additionally, disposal of equipment or personal property purchased with government funds must be performed in accordance with applicable regulations.

Reasons for disposal must be documented and dated, and a completed and signed Equipment Action form must be filed.

D. Inventory of Fixed Assets

The School will establish a property control system which maintains a master inventory listing of all non-expendable property to include the following classifications of fixed assets:

- Land and Buildings
- Leasehold Improvements
- Furniture and Fixtures
- Equipment

The master inventory of non-expendable property will list the location, description, acquisition cost, acquisition date, source of funds (percent of federal vs. non-federal), fair market value, and identification numbers.

An annual inventory will be taken by the School of all major program equipment. Losses, thefts, damaged goods, and transfers must be accounted for and documentation provided.

All equipment, purchased or donated, will be labeled with appropriate identification stickers and accounted for. A record of all such equipment will be maintained in an electronic file. The School will also complete a biennial inventory documentation review of all major equipment.

E. Depreciation

All assets over \$5,000 will be depreciated and amortized using the straight-line method based on the following estimated useful lives:

- Land and Building: 40 years
- Leasehold Improvements: 10 years, or term of lease if shorter
- Furniture and Fixtures: 5 years
- Equipment: 5 years
- Computers and ancillary equipment: 3 years

Employee Reimbursements

Employees who are required and authorized to travel in the performance of job duties may claim for specific reimbursements when driving a personal vehicle.

A. Mileage Reimbursement

Eligibility

Any person turning in mileage claims must have a copy of his/her current valid driver's license, certificate of automobile insurance, and abstract (as needed) on file in their personnel file.

Only the driver of a motor vehicle is eligible to claim mileage reimbursement incurred in the performance of his/her duties.

Allowable Mileage Expenses

- Mileage may be claimed for any travel necessary in performance of duties.
- Show actual odometer readings in all cases and show only the number of miles to which you would be entitled.
- Expense of parking on a particular trip can be claimed.
- Whenever the continuity of your travel on a School duty is broken by a personal trip (example: lunch, doctor's appointment, etc.) indicate such fact clearly. Show the last destination and the new starting point together with

actual odometer readings at such two points.

- Mileage can be claimed for weekends and nights when travel is necessary for performance of duties.
- If the first (or last) activity of the day involves travel between a student's home or any other approved destination and an employee's home, mileage may be claimed only if the distance to (or from) the approved destination is further than the distance to (or from) the office. Only the difference in distances is allowable.
- Mileage cannot be claimed for travel between the employee's home and the School unless there is a client traveling in the car.

Reimbursement Procedures

- Fill out the Mileage Reimbursement form which contains the most current federal mileage reimbursement rate. All fields must be filled out with sufficient detail to provide clear purpose for each segment of mileage claim.
- Destination/Purpose: Fill in the address and/or name of building, site, etc. Briefly and clearly state the exact purpose of each trip.
- Odometer Reading: Each odometer reading listed must be the actual full odometer reading to the nearest mile from start to end.
- Total: Total the number of miles
- Total Miles at Current Federal Rate: Total number of miles multiplied by the current federal rate equals the total amount of reimbursement that is owed.
- Each page of the form must be signed by the claimant prior to approval by the Supervisor and Program Director.
- The immediate supervisor and Program Director must sign the forms prior to payment.
- Mileage claims must be turned in monthly and not accumulated.
- Mileage forms must be submitted by the 5th of the subsequent month.

Approved by the Office of the Attorney General:

Date: 5/19/25

Name: Jonathan Marchuk

Signature: *Jonathan Marchuk*