

KIPP Kansas City

Fiscal Policies & Procedures Manual

Adopted: June 6, 2014

Update: July 1, 2015

Update: May 17, 2017

Update: February 19, 2019

Update: February 17, 2022

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A. Introduction

This document describes the policies and procedures for the accounting and administrative functions conducted by the Administrative Office of KIPP Kansas City. For the purposes of this document, the Administrative Support Office will be referred to as “KIPP KC.”

Management may amend this manual as needed. The Finance Committee of the Board of Directors will review the manual as needed.

Purpose of the Manual

This manual describes the policies and procedures of KIPP KC. These policies are designed to safeguard the Schools’ assets, facilitate compliance with applicable law, and produce timely and accurate financial information.

KIPP KC personnel shall follow the procedures and policies prescribed herein. Any revisions to this manual shall be reviewed and approved by the KIPP KC Board of Directors.

This manual will be used:

1. To provide clear guidelines for KIPP KC Board of Directors, management, and staff to follow.
2. To promote internal and external coordination of prescribed policies and procedures.
3. To improve administrative and financial control of the organization.
4. To provide an easy means of reviewing current operating procedures in connection with proposing revisions and updates, as appropriate and/or necessary.
5. To provide a basic instructional text for new staff.
6. To establish a framework for conducting basic supervisory or audit reviews to determine the level of compliance and pinpoint any deviation from established procedures.

Internal Controls

These financial policies and procedures provide a system of internal control for KIPP KC: employee duties and practices are organized to assure effective accounting controls over assets, liabilities, resources and expenditures. Specifically, these internal controls are intended to:

- Safeguard assets against employee error or dishonesty.
- Produce timely and accurate financial information.
- Encourage adherence to management policies and compliance with grant conditions and other regulations and requirements.

KIPP KC has adopted a number of internal financial controls:

1. Segregation of Duties: Certain tasks are divided to guard against one individual having the ability to make an accounting error (either knowingly or unknowingly). For example, an employee with physical access to cash or other moveable assets is not involved in the related record-keeping.
2. Restricted Access: Physical access to valuable and moveable assets is restricted to authorized personnel.

3. Document Control: In order to ensure that all documents are captured by the accounting system, all documents are initialed and dated when input and then filed appropriately.
4. Processing Control: This is designed to locate any errors before they are posted to the general ledger. Common processing controls are the following: (1) batch controls; (2) source document matching; and (3) clerical accuracy of documents.
5. Reconciliation Controls: This involves reconciling selected general ledger control accounts to subsidiary ledgers. These are designed to locate any errors after transactions have been entered and the general ledger has been run. Reconciliation is completed by the Staff Accountant. Monthly budgets are updated by the Accounting Manager and reviewed with the Director of Operations. The Director of Operations is required to review forecast projections with the Board of Directors designated Finance Committee.
6. Annual Independent Audit: KIPP KC' financial statements are audited annually by an independent audit firm. The independent audit firm must go to bid every five years.
7. Security of Financial Data: The Schools' accounting software, Software Unlimited, Inc., is accessible only to KIPP's finance team. Individual ID codes and passwords are in place for every user and limit their access and functionality depending on their role within KIPP KC. Server backup is performed daily. All other hard copies of financial data, when not in use, are secured in a locked cabinet.
 - Password Control
 - Initial Passwords: When a user account is created, it must be assigned a random and secure password that must be present to expire upon login. The password assignments must be unique to each user.
 - Password Changes: A valid password must be given before a new password can become effective. Records of passwords changes (date and time) must be kept as part of the Session Activity logs.
 - Password Construction Requirements
 - Password must be a minimum of eight (8) characters long and must contain at least three of the following types of characters:
 - Uppercase alphabetic
 - Lowercase alphabetic
 - Numeric
 - Special characters

Sound internal controls protect employees against unwarranted allegations by fixing responsibility and by removing procedural weaknesses. The organization, its employees and donors all benefit from these controls.

The financial policies and procedures within this manual have been designed to provide the strongest internal controls given the staffing limitations of KIPP KC.

General Principles

1. The Board of Directors, or its designee, is responsible for approving all financial policies. The Board of Directors will have direct oversight of all financial matters. Board approval will be obtained before financial policies are enacted or amended.
2. The Director of Operations has responsibility for the implementation of financial policies approved by the Board of Directors and directs the business operations and activities of the organization, including financial management.
3. The Director of Operations with the approval of KIPP KC Board of Directors may delegate administration of the financial procedures to an independent, accredited, accounting service and/or to KIPP KC staff.
4. The Director of Operations is responsible to the Board Chair and Finance Committee of KIPP KC for all financial operations.
5. A key responsibility of the Director of Operations shall be vigilance to ascertain that the procedures for record keeping, as documented in this manual, are followed.
6. Financial duties and responsibilities will be segregated between the Executive Director of KIPP KC, the Director of Operations, and other individuals so that, to the greatest extent possible, no one employee has sole control over financial transactions.
7. KIPP KC's fiscal year is July 1st through June 30th.

B. Finance Team Overview

Organization

The Finance team manages and processes financial information for KIPP KC. The major activities of the accounting department are:

- General Ledger Maintenance
- Budgeting
- Cash and Investment Management
- Asset Management
- Grants and Contracts Administration
- Purchasing
- Accounts Receivable
- Cash Receipts
- Accounts Payable
- Payroll and Benefits Processing
- Financial Statement Processing
- External Reporting of Financial Information
- Bank Reconciliation
- Audit

Responsibilities and Authorizations

The Board of Directors has approved these Financial Policies and Procedures and has delegated authority for following them to the Executive Director and the Director of Operations. All activities must be done in accordance with the Board of Directors-approved budget.

Activity	Executive Director, Director of Operations, or named designee	Board Finance Committee	Board of Directors
Annual Budget	Drafts	Reviews & Recommendations	Approves
Selection of Investment Manager/Banker		Recommends	Approves
Selection of Auditor	Recommends	Approves	

Investment Policies		Recommends	Approves
Annual Audit	Reviews	Reviews & Recommends	Reviews and Approves
Financial Policies & Procedures	Drafts	Reviews & Recommendations	Approves
Activity	Executive Director, Director of Operations, or named designee	Board Finance Committee	Board of Directors
Insurance Coverage	Director of Operations		Approves
Accounting Journal Entries	Reviews		
External Reporting of Financial Information	Drafts	Reviews	Approves
Staff Salaries and Bonuses	Executive Director and Director of Operations		

The Accounting Cycle

KIPP KC's accounting system is designed to accurately process, record, summarize, and report transactions of the organizations.

The component bookkeeping cycles fall into one of four primary functions:

1. Revenue. Key steps in this area include:
 - Prepare bank deposit and records individual check and cash in accounting system.
 - Record wire transfer into accounting system.
 - Record cash receipts in the general ledger and subsidiary records
2. Expenditures. Key steps in this area include:
 - Processing invoices (credit card, check, reimbursement)
 - Record automatic payments.
 - Processing of checks.
3. Payroll. The Accounting Manager performs the payroll process. Key steps in this area include:
 - Obtaining and gathering payroll information
 - Record payroll semi-monthly transaction into the accounting system.
 - Prepare payments request for employee's deductions.
 - Preparing applicable payroll taxes and other corresponding payroll expenses.
4. General Ledger and Financial Statements. Key steps in this area include:
 - Preparing monthly journal entries
 - Reconciling bank accounts and other general ledger accounts
 - Reviewing general ledger activity and posting adjusting journal entries
 - Producing monthly expense report
 - Producing financial statements
 - Producing the annual budget

The general ledger process consists of posting the period's transactions to Software Unlimited, which produces the financial statements. The Finance team reconciles bank and credit card accounts, payroll, reviews the general ledger, and prepares for the annual audit.

The Accounting Manager prepares the Financial Statement. The expense report is prepared monthly by the Staff Accountant and reviewed by the Director of Operations.

The Director of Operations presents monthly statements to the Finance Committee and at each Board meeting.

The Director of Operations, in consultation with the Executive Director and other KIPP KC staff, prepares an annual operating budget of revenues and expenses for each school. This budget and projection are reviewed and approved annually, first by the Finance Committee, then by the

Board of Directors.

C. General Ledger and Charter of Accounts

The general ledger is defined as a group of accounts in which basic financial transaction information is recorded. It is from the general ledger that information is assembled to prepare the school's financial statements.

Chart of Accounts Overview

The chart of accounts is a systematic numbering system for the accounts in the general ledger. It is used as a guide to the general ledger. The General ledger accounts are used to keep track of financial transactions and record how these transactions affect the school's assets, liabilities, revenues, expenses and equity.

KIPP KC's Financial Management System will identify all Federal awards in the Chart of Accounts and General Ledger, including:

- CFDA Title and Number
- Federal Award Identification Number (FAIN)
- Fiscal Year of Award
- Name of the Federal Agency
- Name of the Pass-Through Entity

There are two types of accounts: real accounts and nominal accounts. Real accounts are asset, liability, and equity accounts and they appear on the balance sheet. Nominal or temporary accounts are revenue and expense accounts, and they appear on the income statement. KIPP KC' nominal accounts are periodically closed or zeroed out, but real accounts are more permanent. KIPP KC may periodically measure the results of operations during a certain period of time by closing the nominal accounts.

Control of the Chart of Accounts

KIPP KC chart of accounts is ultimately controlled by the Director of Operations whose responsibilities include maintaining the chart of accounts, including additions and deletions. The Director of Operations makes sure the chart of accounts reflects the schools' organizational structures and facilitates tracking results against the schools' budgets and reporting to the Missouri Department of Education, Foundations and other funders and interested parties.

KIPP KC will:

Utilize Accounting Codes in the Missouri Financial Accounting Manual.

These codes include Fund Code, Function Code, Object Code, Operational Code, and Source of Funds Code.

Source of Funds/Project Code will be used to identify individual federal programs.

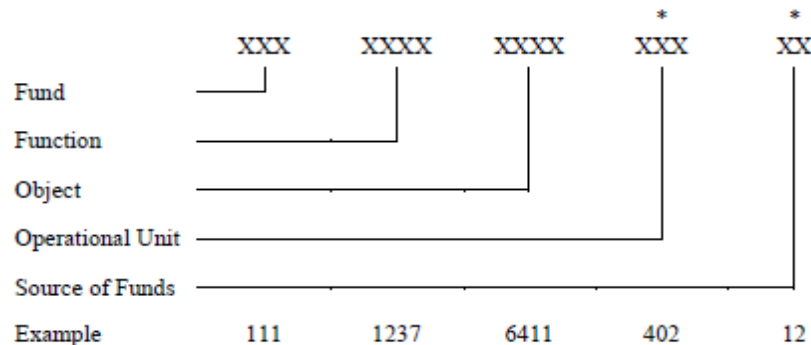
Accounting Code Overview

Code Structure

The overall account code structure is designed to standardize account coding across all LEAs. It creates a common language for use in controlling, recording, accumulating and reporting the activities of the school districts.

This accounting code structure is designed to satisfy many uses by segmenting the code into several dimensions. Each dimension has a set of descriptors that permits the retrieval of information in whole or in part to answer commonly asked questions. In addition, revenues and expenditures can be aggregated using one or more dimensions of the account code.

The code ranges of the basic system are illustrated below:



* Optional Use

Separate Tracking – SPED IDEA Part B Allocation Example:

GENERAL LEDGER						
MONTH: 06/2015 FISCAL YEAR: 2015						
FD	FUNC	OBJ	BLD	PC	DESCRIPTION	
						BUDGET
						CURRENT MONTH
						YTD
FUNCTION CODE 1221: SPECIAL EDUCATION SERVICES						
01	1221	6111	105	41	SE CERTIFIED SALARY	176,229
						19,581
						174,271
01	1221	6151	105	00	SE SALARY NONCERT	148,835
						16,537
						147,181
01	1221	6211	300	41	SE TEACHER RETIREMENT	110,946
						12,327
						109,713
01	1221	6221	300	00	SE NONTEACHER RETIREMENT	12,467
						1,385
						12,328
01	1221	6231	105	41	SE SOCIAL SECURITY	11,576
						1,286
						11,447
01	1221	6241	300	00	SE MEDICARE	11,474
						1,275
						11,347
01	1221	6251	105	41	SE MEDICAL INSURANCE	121,177
						10,098
						89,873
01	1221	6311	105	01	SE PROFESSIONAL DEVELOPMENT	10,539
						-
						7,893
01	1221	6321	105	41	SE CONTRACT THERAPY SERVICES	127,825
						5,563
						126,405
01	1221	6331	300	00	SE EMPL TRAVEL REIMBURSEMENT	1,100
						-
						743
01	1221	6411	105	00	SE GENERAL CLASSROOM SUPPLIES	11,000
						-
						10,958
01	1221	6421	300	00	SE IEP SUPPLIES	15,657
						-
						3,698
01	1221	6511	105	01	SE EQUIPMENT	5,243
						-
						5,242
					SUBTOTAL	764,068
						68,053
						711,099
FUNCTION CODE 1224: PROPORTIONATE SHARE SERVICES						
01	1224	6124	105	41	PS CERTIFIED SALARY	2,246
						25.00
						2,196
01	1224	6224	105	41	PS TEACHER RETIREMENT	1,528
						2.00
						1,429
01	1224	6324	105	41	PS PURCHASED SERVICES	500
						-
						-
01	1224	6424	105	41	PS SUPPLIES	126
						-
						78
					SUBTOTAL	4,400
						27
						3,703

Total IDEA Part B Allocation - \$515,412

Separate Function source of funds codes will be established for Title I.A, Title II.A, Title III LEP, Title III Immigrant, Charter School Program, SIG, Title I Priority School, Schoolwide Pool, Special Education, etc. KIPP KC will be able to account for expenditures that may overlap fiscal years (i.e., funds obligated during the 2014-2015 school year, but checks written in July or August of 2016). In addition, separate project codes will be established for Special Education Part B Funds and Special Education State and Local Funds. KIPP KC will comply with DESE's requirement that the information on the Special Education FER and MOE match the ASBR. (i.e. Project code "042" represents Federal Funds, "015" represents State and "001" for Local Funds).

Function Code 1251 has traditionally been used for Title I activities. However, this code should be used for instructional activities only. If you are providing professional development activities with Title I funds, they should be coded to Function Code 2213, Instructional Staff Training Services. The use of a Source of Funds/Project Code will then identify these expenditures as Title I.

- Function Code 2214 may only be used to record those expenditures made to meet the requirement of Section 160.530, RSMo, to allocate at least one percent (1%) of basic formula.
- Class 1000 is Instruction
- Class 2000 is Support Services that provide admin, technical and logistical support to facilitate and enhance instruction.

The Object Codes represent the accounting codes, and are driven by DESE's Accounting Manual.

Accounting records must be supported by source documentation such as purchase orders, invoices, payrolls, time and effort records, contract and sub-award documents. Electronic copies are okay to use.

Source documentation must be kept on the Federal Awards; Authorizations; Obligations; Unobligated balances; Assets; Expenditures; Income; and Interest. KIPP KC will retain source documents for at least 10 years from the date of submission of the FER (200.333).

D. Budgeting

Budgeting is concerned with the translation of organizational goals and objectives into financial (and human resource) plans. A budget should be designed and prepared to direct financial and human resources to their most efficient and prudent use for the organization. A budget is management's commitment to a plan for present and future organizational activities toward accomplishment of the organization's mission. The budget process provides an opportunity to examine the composition and viability of the organization's programs and activities in the light of available resources.

Policy

Budgets are created for each program annually. The budgeting process involves key stakeholders including Director of Operations, Executive Director, School Leaders, and KIPP KC staff. Once budgets are approved by the Board of Directors before the start of the fiscal year, they are uploaded into the accounting software. These budgets are then used to run monthly Budget-to-Actual Expense Reports that are shared with School Leaders. Monthly Cash Flow Statements are also created and are reviewed by the Finance Team and are distributed upon request.

At the end of the fiscal year, the following key financial statements are produced: Balance Sheet, Income Statement, Statement of Cash Flows, and Statement of Functional Expenses.

The budget should be prepared by the appropriate levels of management on an accrual basis for final approval by the Board of Directors.

Procedures

Budget Planning

Budgeting should be a priority starting in December of the prior school year. In December, the Director of Operations, with the assistance of the Executive Director will get approval from the Board of Directors on projected student enrollment for the following school year. This projected enrollment by grade level will be the basis for budget setting for the following year.

Budget preparation, which will begin no later than February of each year, will result in the Finance Committee receiving the proposed budget in time to review it before presentation to the full Board in May. The Director of Operations and the Board Treasurer will present the proposed budget to the Board of Directors for final approval at the end of May.

Preparation of the Budget

The School Leaders and all appropriate levels of KIPP KC management will prepare their projections of revenues and expenditures for planned services, projects and programs. They will consider historical data along with future growth plans, and factor in any shifts or adjustments to staffing levels.

Once these budgets are complete, they will be submitted to the Director of Operations, along

with their justifications, for review and approval. After reviewing the budgets with the Executive Director and the School Leaders throughout April, the Director of Operations will consolidate these budgets into a total organizational budget.

After any adjustments or changes, the budget will be ready for submission to the Finance Committee for review.

Budget Approval

Budget setting is an important activity that sets the course for financial stability and ultimately gives guidance on operation of the school through the entire year. The Board of Directors are required to review and approve an initial budget before the start of the school year.

Budget Revisions

Any material revisions to the budget need to be presented to the Board of Directors for approval on an as needed basis. A material revision should be defined as any change in projected employee headcount and student enrollment or other financial changes that result in revenue, expense, or net profit changes greater than 10%.

Forecasts

Based on monitoring events that occur during the year, Forecasts will be developed and reviewed monthly by the Finance Committee. These forecasts will be reviewed at least quarterly by the board.

E. Cash and Investment Management

The statement of cash and investment policy reflects the investment policy, objectives, and constraints of the KIPP Kansas City ("KIPP KC") Cash Management Fund (the "Fund"). The Fund will principally be used as a source of readily-available funds to KIPP KC.

Policy

Purpose

The statement of investment policy is set forth by the Board of Directors of KIPP KC in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Fund assets.
3. Offer guidance and limitations to all Portfolio Managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results.
5. Manage Fund assets according to prudent standards as established in common trust law.

6. Establish the relevant investment horizon for which the Fund assets will be managed.

Delegation of Authority

As a fiduciary, the Board of Directors of KIPP KC (the "Board") is responsible for directing and monitoring the investment management of Fund assets. As such, the Board of Directors is authorized to delegate certain responsibilities to professional experts in various fields (each, an "Agent"). These include, but are not limited to portfolio managers, custodians, attorneys, auditors, consultants and other specialists as designated by the Board from time to time.

Assignment of Responsibility

The Board will appoint one or more portfolio managers (each, a "Portfolio Manager") to manage the assets of the Fund. Each Portfolio Manager will be held responsible and accountable for all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. The Board will not reserve any control over investment decisions, other than to establish guidelines and limitations as set forth in this statement. Specific responsibilities of the Portfolio Manager(s) include:

1. Decisions to buy, sell, or hold individual securities within the guidelines established in this statement.
2. Reporting investment results, on a timely basis as determined by the Board.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of the investment process, or the progress of the Fund in meeting its investment objective.
4. Informing the Board regarding any qualitative change to the investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, financial condition, regulatory investigations and/or legal proceedings.

General Investment Principles

1. Investments shall be made solely in the interest of KIPP KC Cash Management Account.
2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investment of the Fund shall be reasonably diversified.
4. The Board may employ one or more Portfolio Managers of varying styles and philosophies to attain the Fund's objectives.

5. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

Investment Objectives

In order to meet the ongoing needs of KIPP KC, the principal investment objective of the Fund is the preservation of capital. The secondary objective is to generate investment income consistent with adherence to the principal of preservation of capital. Mitigation of risk (that is, the avoidance of loss of principal) is an important element in the investment of Fund assets.

The investment horizon of the Fund (that is, the time over which the investment objectives set forth in this statement are expected to be met) is three years.

Liquidity

The Fund shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. For this reason, all Fund assets shall be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price. To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Board of Directors will periodically provide the Portfolio Manager with an estimate of expected net cash flow and anticipated needs for cash.

Investment Guidelines

Allowable Assets

1. Cash Equivalents
 - Treasury Bills
 - Commercial Paper
 - Time Deposits
 - Bankers Acceptances
 - Certificates of Deposit
2. Fixed Income Securities
 - U.S. Government and Agency Securities
 - Taxable Municipals
 - Corporate Notes
 - Bank Notes
3. Mutual Funds, Separate Accounts and Collective Trust Funds
 - Mutual funds, separate accounts and collective trust funds the sole holdings of which consist of the allowable assets listed above and which otherwise meet the liquidity, maturity, quality and other guidelines set forth in this document.

Maturity Restrictions

All purchases shall have a maturity date no longer than three years from the date of acquisition,

unless otherwise authorized by Board of Directors.

Portfolio Quality

All taxable and tax-exempt securities must have a long-term debt rating of at least “A2” by Moody’s and “A” by Standard & Poor’s. All commercial paper must be rated “P-1” by Moody’s or “A-1” by Standard & Poor’s or “F-1” by Fitch- must be rated by at least 2 of 3 rating agencies; no split-rated paper is permitted.

Prohibited Assets

The Fund shall only invest in the allowable assets listed above. Without limitation, the Fund shall be prohibited from investing in the following:

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture-Capital Investments
6. Real Estate Properties
7. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs
8. Equities – Common or Preferred
9. Derivatives

Prohibited

Transactions

The Fund may not engage in any of the following transactions:

1. Short Selling
2. Margin Transactions
3. Investing with leverage

Diversification

In order to achieve a prudent level of portfolio diversification, the following guidelines shall be followed:

1. The securities of any one issuer should not exceed 10% of the total Fund, with the exception of U.S. Government obligations and U.S. Agency securities.
2. Notwithstanding the foregoing, more than 25% of the Fund may be invested in cash or in shares or units of a broadly diversified investment fund meeting the requirements of this statement of investment policy.
3. No more than 5% of an outstanding debt issue may be purchased.

Investment Manager Performance Review and Evaluation

The Board of Directors shall periodically review the investment results of the Fund. Each Portfolio Manager shall provide the Board with such materials as they may reasonably request

to allow them to conduct such a review. Consideration shall be given to the extent to which the investment results of such Portfolio Manager are consistent with the investment objectives, goals, and guidelines as set forth in this statement.

In addition, the Board of Directors intends to evaluate the Portfolio Manager(s) on a regular basis. Portfolio Manager(s) shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. The Board reserves the right to terminate a Portfolio Manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Ethics and Conflict of Interest

Board members and Agents shall disclose the existence of a material relationship with the same individual with which business is conducted on behalf of KIPP KC.

Borrowing: Line of Credit and Credit Cards

The Director of Operations is authorized by the Board of Directors to secure a borrowing line of credit for KIPP KC. It is projected that the borrowing line of credit should not exceed the equivalent of 60 days' payable outstanding. The Director of Operations is allowed to borrow funds against the line of credit on behalf of KIPP KC, as needed to assure that the schools meet its financial obligations.

The School Leaders and other staff are authorized to use a corporate credit card for the daily operations needs of the schools.

Any other type of borrowing shall require the specific approval of the Board of Directors.

Grants Management

KIPP KC utilizes only the "Expenditure Method" for requesting reimbursement from Federal and State programs, such as Department of Elementary and Secondary Education (DESE) Title I, Title IIa and SPED.

- As long as KIPP KC is Schoolwide Pool, the school will draw down Federal and State program money in equal increments when possible
- An Account Manager (e.g. EdOps) will maintain a GL that supports grant reimbursement
- The Director of Operations will ensure that the school keeps documentation that ties payment requests to expenditures

For all other grants, KIPP follows all regulations and agreements as outlined in the grant documents.

Certification of Expenditures

To assure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved budget, payment requests and FERs will include the below certification statement:

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.”

F. Bank Reconciliation

Policy

Cash is any organization's most liquid and sensitive asset. Therefore, it should be the object of utmost control. A Bank Reconciliation is an important instrument of control.

KIPP KC' cash accounts will be reconciled to the books on a regular basis: monthly for accounts with significant activity and quarterly for relatively inactive accounts. The reconciliation will be performed by a staff member who does not have authority to make cash disbursements or handle cash deposits. If that is not possible, the reconciliation will be thoroughly reviewed by an individual who is not involved in the handling of cash.

Procedures

Bank reconciliation is a simple, effective internal control device that should not be treated as strictly a clerical process. Monthly reconciliations should be done within two weeks of the month's end.

- The Staff Accountant or a staff person without access to cash and accounts receivable will prepare the bank reconciliation.
- The Staff Accountant will receive the bank statement directly and unopened, and review its contents.
- Each cash and money market account will be reconciled monthly by the Staff Accountant.
- All reconciliations will be reviewed and signed off by the Director of Operations, who will pay particular attention to any reconciling items that are outstanding for an extensive period of time.

G. Asset Management

Physical assets acquired in excess of \$1,000 will be capitalized as fixed assets on the financial statements, and depreciated over their useful lives. Fixed assets are physical or tangible assets that are used in the normal operations of the school, that are not held for resale, and that have a useful life of more than one year. These assets are accounted for at historical cost and all such assets, except land, are subject to depreciation.

Policy

It is KIPP KC' policy to capitalize all physical assets with a cost in excess of \$1,000 and a useful life of more than one year. Items with an acquisition cost of less than \$1,000 or a useful life of less than one year are expensed in the year purchased.

Procedures

Establishment of a Fixed Asset (Inventory) Register

All purchased equipment and furniture having a useful life of more than one year and an acquisition cost of \$1,000 or more come under the definition of non-expendable property. A record of all non-expendable property is to be maintained in a fixed asset register showing date of purchase, purchase value, a complete description of the item (including model and serial number), specific location and the assigned KIPP School. All KIPP KC capitalized property will be tagged upon receipt and the assigned numbers recorded on all applicable documents pertaining to the property control system. When a fixed asset is purchased, the fixed asset account is debited and the cash account is credited. The backup documentation will include the value of the asset, date purchased, inventory number and useful life.

Equipment/Property Records/Inventory list must be maintained and include:

- Description of the property
- Property Type (i.e. furniture, fixture, hardware, etc...)
- Serial number or other identification number
- Funding source of property
- NEW – Federal Award Identification Number (FAIN)
- Who holds the title, if applicable
- Acquisition date
- Cost of the property
- Percentage of federal participation in the project costs for the Federal award under which the property was acquired
- Location, use and condition of the property
- Any ultimate disposition data including the date of disposal and sale price of the property
- Depreciation method and useful life

Dispositions

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset register. If money is received for the asset then the difference between the money received and the "book value" (purchase price less depreciation) of the asset needs to be entered in the financial statement (as a gain if the money received is more than the book value, or a loss if less).

Year End Inventory

At a minimum, every two years KIPP KC will conduct a review of all tagged assets.

The Operations staff will generate reports of the previous year's capital assets and current year procurements. Assigned staff will create an inventory list of all such items located in KIPP KC facilities. The list will note the inventory numbers on each piece of equipment and furniture or, lacking an inventory number, a description of the item and the purchase date, usually the check payment date. In addition, the list will specify the room in which the item is located and the Department using it. Furniture or equipment that is not accounted for in the inventory shall be deleted from the fixed asset register and written off the financial books.

Once the inventory is completed it should be compared with the fixed asset register. If discrepancies are noted, the Director of Operations should investigate the differences in the two lists.

Write Off 's

The Director of Operations will approve the disposal of all inventoried items that may be worn out or obsolete.

Property that is discovered to be missing or stolen will be reported immediately to the Director of Operations and the Executive Director. If not located, this property will be written off the books with the proper notation specifying the reason.

Depreciation

For financial purposes, all tangible personal property with a useful life of more than one year and a unit acquisition cost of \$1,000 or more shall be capitalized and depreciated over its useful life using the straight-line method of depreciation. All capitalized assets shall be maintained in the special fixed assets account group and are not to be included as an operating expense.

Depreciation policy:

Computers	3 years
Office/Classroom Equipment	5 years
Office/Classroom Furniture	7 years
Leasehold improvements	Life of lease or 5 years, whichever is
greater Musical Instruments	3 years

Reconciliation

The items from the physical count should be reconciled to the fixed asset register which should be reconciled to the general ledger. Adjustments will be recorded as appropriate.

H. Grants, Contracts, and Cooperative Agreements

Definitions

There are various agreements through which KIPP KC will receive financial support:

- **Grant:** A financial assistance award given to KIPP KC to support its programmatic purpose.
- **Contract:** A mutually binding legal agreement where KIPP KC agrees to provide supplies or services and the purchaser agrees to pay for them.
- **Cooperative Agreement:** A legal agreement where KIPP KC implements a program with the direct involvement of another organization.

Post Award Procedures

After a grant award has been confirmed, the following steps will be taken:

1. Verify the specifications of the grant or contract. The Executive Director or designee will review the terms, time periods, award amounts and expected expenditures associated with the award. All reporting requirements under the contract or award will be noted.
2. For grants or awards that are restricted, a new fund will be created in the general ledger to record receipts and expenditures in-line with the grant or contract budget.
3. Gather documentation. A file will be established for each grant or contract. The file will contain the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funders. The file will be maintained and updated by the Development team.
4. The Development team will provide the Finance team with a schedule of secured grants so they can be recorded in Software Unlimited as a receivable. The grant schedule will be updated by the Development team on a monthly basis.
5. Conferences/Meetings – If KIPP KC is a Sponsor or Host, allowable costs are:
 - Rental of Facilities
 - Speaker Fees (employees should not be paid a speaker fee unless specifically permitted by the program)
 - Costs of meals and refreshments
 - Local transportation
 - Other items incidental to such conference

Costs should be appropriate, necessary and managed in a manner that minimizes costs to Federal program.

Allowability Procedures

The Executive Director in conjunction with the Director of Operations, share the primary responsibility to assure proper and efficient administration of all federal funds. The Executive Director is responsible for the planning the programmatic aspects of the grant, while budgeting, requesting and coding of expenditure for federal funds are the responsibility of the Director of Operations, who will confer with Federal and State officials, and external consultants as needed throughout the grant to ensure expenditures are allowable.

Considerations for allowability of costs under Federal awards include:

- Necessary, Reasonable and Allocable (see §200.404 and §200.405)
- Conform with federal law and grant terms (see §200.407)
- Be consistent with state and local policies
- Be accorded consistent treatment (federal funds receive the same treatment as non-federal funds)
- Be determined in accordance with generally accepted accounting principles
- Not be included as match
- Be net of applicable credits §200.406 (i.e., purchase discounts, rebates or allowances, etc.)

Necessary and Reasonable

Cost must be “necessary” for the performance or administration of the grant.

Reasonable –

- Cost does not exceed that which would be incurred by a prudent person under similar circumstances
- Must follow sound business practices:
 - Arms-length bargaining (procurement processes)
 - Follow federal, state and local laws
 - If you cannot do under state law, cannot pay with federal funds
 - Teacher Bonuses are prohibited based on the Missouri Constitution, Article III, Section 39
 - Follow terms of the grant award
- Fair market prices - No significant deviation from established prices
- Allocable - Can only charge in proportion to the value received by the program

Billing and Financial Reporting

KIPP KC strives to provide management, staff and donors with timely financial reports.

KIPP KC will prepare and submit financial reports as specified by the financial reporting clause of the grant or contract award document.

Some grants and contracts will request anticipated expenditures and will advance funds prior to the actual expenditures. Other grants and contracts will reimburse KIPP KC after expenditures have taken place. A schedule will be established for each grant and contract to ensure the advances and reimbursements are sought on a timely basis and that any reporting that is required is submitted.

Advances will be reconciled against actual expenses to determine if they have been under or over actual expenditures, and appropriate adjustments will be made. Invoices regarding contract expenditures made after expenses have taken place will use the general ledger as the source document for all invoices.

To ensure timely submission of financial reports, KIPP KC may submit an unaudited and un-adjusted year-end financial report covering the grant period. Because accruals and adjustments will not be known until after the auditors submit their report, the financial report may differ from the audited financial figures. Therefore, it may be necessary to submit a revised final financial report after all year-end audit adjustments and indirect cost rates have been determined.

To the extent that KIPP KC maintains billing records in addition to the official general ledger

accounting records, it shall reconcile these records to the general ledger on a monthly or quarterly basis as appropriate.

Direct Cost

Direct costs include those expenditures that are easily identifiable as directly relating to a program. KIPP KC will charge the appropriate allowable cost to each program.

Each invoice will be coded with the appropriate account number reflecting whether it relates to program or administration. Time sheets for hourly employees will be submitted by the employee's coach on the 10th and 25th of each month reflecting employees' work and they will be apportioned between Program and Administration, and allocated to the appropriate fund.

Indirect Cost

Indirect costs include those expenditures that cannot be readily identified and charged to program or to a specific fund, but are nevertheless necessary to the operation of the organization and the performance of its programs. KIPP KC will allocate such indirect costs each month.

Examples of the types of expenditures normally classified as indirect costs are:

- General administration
- Salaries and expenses of the finance, accounting and administration team
- Depreciation of certain equipment used in an administrative capacity
- Building rent and maintenance

Accounting for Pledges

The Development team will provide the Finance team with a schedule of secured pledges so they can be recorded in accounting software (e.g. software unlimited) as a receivable. All donations and pledges will be handled in accordance with the development committee's policies and procedures.

I. Purchasing

A purchasing system is in place to help facilitate the purchasing of supplies and equipment at the lowest reasonable cost. KIPP KC buys some items based upon accepted written proposals, via leases (e.g. copier machines) or ongoing service contracts (e.g. telephone service).

Policy

Purchasing is handled at the school level by the Director of Operations, based on the following guidelines:

All purchases need a Purchase Order that follows the approval chain as noted below.

- Any purchase under \$3,000 can be approved by the Director of Operations or designee.
- Purchases greater than \$3,000, but under \$20,000 require at least three (3) quotes from separate vendors and approval by The Director of Operations and Chief Operating Officer. Records of price comparisons must be captured on the purchase order.

- Purchases between \$20,000 and \$100,000 require at least three (3) quotes from separate vendors and approval from the Director of Operations, Chief Operating Officer, and Executive Director. Records of price comparisons must be captured on the purchase order.
- Any combined purchase greater than \$100,000 requires a Competitive bid process with a criteria grading sheet to award winner. A member of the Finance Committee must participate in the rating of bidders.

Standard of Conduct Regarding Gratuities

The officers, employees, and agents of the KIPP KC may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. KIPP KC deems any “unsolicited” item or gift of nominal value to be equal or less than \$25. Should any KIPP KC representative be found in violation of our Gratuity Policy, by accepting gifts in excess of the stated limit, they are subject to disciplinary action up to and including repayment of the gift, suspension without pay or termination, at the judgement of the Board Personnel Committee.

Invoice Approval/Delivery Tickets

Receipt of goods will be counted and initialed as received on the delivery tickets and forwarded to accounting. Invoices are received or routed to accounting to be matched with approved delivery tickets. Vendor invoices for which there is no matching delivery ticket should be investigated. No payment on an unmatched invoice should be made until the issue has been resolved.

Capital Equipment

Equipment is tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds \$1,000.

The following items are subject to the inventory management requirements:

- Equipment items with an acquisition cost of \$1,000 or more per unit.
- Items with an acquisition cost under \$1,000 per unit which are considered attractive or easily pilfered. These supplies are sometimes referred to as “sensitive” items and may include audio-visual equipment, PDAs, digital cameras, laptops, television sets, DVD players, iPads, cell phones, power tools, computers, and computer accessories.

Contract Review

Staff with the appropriate authority (as authorized by the Board of Directors; see Responsibilities and Authorizations chart, above) may negotiate consulting agreements and contracts for lease or purchase of capital equipment. Contracts will be reviewed by the Director of Operations and Executive Director and be based upon expenditures approved by the Board of Directors. Accounting will receive a copy of all contracts and letter agreements.

Procurement procedures must ensure that all solicitations:

- Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured.
- Identify all requirements which the Offerors must fulfill and all factors to be used in evaluating bids or proposals.

- A weighted scale method will be established to grade proposals – taking into consideration items such as Cost Effectiveness, Expertise/Program Design, Demonstrated Experience/method of performance, etc.

The KIPP KC must ensure all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition.

KIPP KC is responsible to make sure the third party provider follows all program requirements.

Conflict of Interest

No KIPP KC employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal (State or Local) award if he or she has a **real or apparent** conflict of interest. Such an interest would arise when the employee, officer, agent, or any member of immediate family, partner, has a financial or other interest in or tangible personal benefit from a firm considered for a contract.

Rule of Thumb: Apparent conflict of interest would be if an outsider or news agency would consider this a conflict of interest.

Debarment and Suspension

KIPP KC acknowledges that as a grant (or sub-grant) recipient of Federal and State Funds that we are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR Part 180.

KIPP KC must verify the status of contractors with the federal government. This order is **Not applicable to employees, meeting registration, material & supply orders.**

To search a contractor view:

<http://exclusions.oig.hhs.gov/>
www.sam.gov (EPTS)

To search a contractor/vendor, follow the steps listed below.

- Click on “Search Records”
- Click on “Advanced Search-Exclusion”
- Enter the social security number/tax identification number in the SSN/TIN search field

If the results indicate “No Records Found,” then the contractor/vendor is in good standing with the federal government. The non-federal entity should print a copy of the search results for procurement record documentation purposes. KIPP KC will print a copy of the search results for procurement record documentation purposes.

J. Accounts Receivable

Accounts receivable are important to the cash flow of KIPP KC and require regular follow-up and attention. Responsibilities should be clearly assigned for billing, collecting and accounting for accounts receivable.

There will be a division of duties so that the person billing and recording the transactions is not the one depositing the receipts.

Invoicing

Invoices will be sent to Anybill Financial Services via fax, email or mail.

Accounts Receivable Entry

All invoices are entered into the sub-ledger with an offsetting revenue account classification. The Accounting staff will review the entry to ensure the appropriate accounts have been entered.

Reconciliation

At the end of each fiscal year, all accounts receivable reports are reviewed to see if they balance with the general ledger. All outstanding invoices are compared to the accounts receivable aging and then compared to the general ledger.

Bad Debt Expense

This account is used to write off receivables that are deemed uncollectible. Minimal or zero bad debts greater than 90 days old, are expected to be realized by KIPP KC.

K. Revenues and Cash Receipts

KIPP KC receives revenues from the following primary sources:

- Corporations
- Federal Government
- Foundations
- Individuals
- Missouri State
- School District

Cash

Cash is the most liquid asset an organization has. Therefore, internal controls should be strongest in this area. All cash received must be given to the Finance team immediately, and a receipt provided to the customer reflecting the transaction. A duplicate receipt will be kept by the Finance Team to support the Deposits. The cash must be counted by two individuals, and both individuals must sign the Finance Form to verify the amount of the deposit. The cash is then included with checks for deposit to the bank.

Cash receipts will be monitored very closely including separation of duties, and reconciliations to the general ledger (applicable mainly to food service sales, fundraisers and uniform sales). Cash receipts are centralized to ensure that cash received is appropriately directed, recorded and deposited on a timely basis. Cash is collected as follows:

- On a weekly basis, the Director of Operations or a School Ops Manager reconciles all incoming cash through the square register by counting the entire drawer, running an “end drawer report” and then placing the report receipt with the cash in an envelope
- The cash taken out of the drawer is put into KIPP’s safe until it is ready to be deposited
- When the DOO makes a deposit, s/he takes all envelopes and marks and different revenue sources by checking sales types in the POS software (e.g. uniform, before and after care, field trip, etc.)
- The DOO identifies the revenue types and communicates to the accounting team prior to making the deposit

Checks

All donation checks should be passed on to the Director of Community Engagement. The Director of Community Engagement fills out the appropriate form and passes the check and attached Form to the Director of Operations. Checks will be immediately restrictively endorsed to KIPP KC. Restricted funds received will be coded to a restricted account and monitored to ensure compliance with donor’s intent and requirements. The Director of Operations will use the desktop deposit machine to deposit checks on a weekly basis and the original copy of each check is kept on file.

Procedures for Receipts

The Finance Team of KIPP KC is responsible for recording cash and check receipts as well as

various other functions.

All checks are recorded using Software Unlimited, name and check number; they are then stamped "For Deposit Only" with the appropriate bank account number. The Director of Operations deposits all checks into the appropriate account using the desktop deposit machine. The payee and intended use for the money determine into which bank account the check gets deposited.

Copies of the deposit slips received in the weekly package from schools are given to Development and Finance to keep as backup documentation. These are kept in the corresponding bank account binder and filed by the appropriate month of deposit. Entries are made in Software Unlimited debiting the correct GL account associated with the bank account the deposit was made and is offset to the correct revenue account.

L. Accounts Payable/Disbursement

KIPP KC strives to maintain efficient business practices and good cost control. A well managed accounts payable function can assist in accomplishing this goal, from the purchasing decision through payment and check reconciliation.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized
2. Invoices are processed in a timely manner
3. Vendor credit terms and operating cash are managed for maximum benefit

Accounts payable are processed weekly. Information is entered into the financial accounting system from approved invoices with all appropriate documentation attached. As appropriate, an Aged Payables Report will be produced and reviewed. Disbursements are reviewed for accuracy by the accounting staff prior to presenting the checks for signature to authorized individuals.

Processing Vendor Invoices

Invoice Flow

Paying Invoices:

1. Invoices and bills are submitted to a bill pay company (Anybill or similar) by a member of the Ops Team
2. The expense is first sent to KIPP's accountant (e.g. EdOps) to be checked for accuracy and tied to the proper budget line
3. The expense is then reviewed by the DOO to ensure that the bill is accurate, tied to the proper budget line, and should be paid by KIPP
 - a. If the expense is over 10,000 dollars, it is then routed to the Executive Director for an additional approval
 - b. If the expense is over \$100,000, it is then routed to the Board Chair for an additional approval
4. Finally, after all approvals have been made the expense is released for payment authorization by a member of the regional team not otherwise in the routing process

Check Request Preparation

Check requests can be made by the Director of Operations if the school needs to be reimbursed. Information to be completed includes:

- Requested by
- Approved amount
- Approved by – in accordance with thresholds set in this manual
- Chart of accounts number(s)
- Date paid
- Check number
- Vendor name

Accounting System Input

At a minimum, invoices are to be processed individually on at least a weekly basis. The following information will be entered to record the transaction as prompted by the system:

- Invoice number
- Invoice date
- Vendor name or number
- Invoice amount
- Discount
- Brief description of product/service received (memo)
- Purchase order number (memo field)

Travel and Expense Reimbursements Policy

The purpose of this policy is to document the allowable travel expenses eligible for reimbursement. All expenses must be accompanied by a receipt or supporting documentation. Failure to provide such will result in denial of reimbursement. KIPP KC does not offer a per diem rate.

Travel Arrangements

Travel Requests for work related travel must be submitted to the School Leader or Director of Operations for region staff at least one month prior to the travel date. Upon granting approval for the trip, the School Leader or Director of Operations will authorize employee to book transportation and hotel arrangements. Travel by the Director of Operations will be approved by the Executive Director and travel by the ED will be approved through the Finance Committee. All additional travel related expenses should be paid by the employee and submitted for reimbursement according to the following categories and guidelines:

Airport Parking:

Long-term parking should be used for travel exceeding 24-hours.

Taxi/Shuttle/Public Transportation/Rapid Transit/Flights

Employees should evaluate their individual circumstances and select the safest, most economical alternative when traveling to and from all destinations. Taxi, shuttle, and public transportation expenses must be accompanied by a receipt and must not be for personal use.

In order to maximize cost savings, employees should book flights at least 14 days in advance and book with criteria as follows: cost of flight, shortest duration routes, consideration of flights within two hours before or after desired flight time.

Personal Vehicle

When required to travel by personal vehicle outside the greater Kansas City, Missouri area, mileage will be reimbursed using the standard IRS rate. When traveling out- of-town, a "Fair & Reasonableness" test should be submitted to confirm that the cost of flying is a cost and time effective option to driving. Staff is not authorized to transport students in their personal vehicles at any time. If an employee uses their personal vehicle for business transportation during working

hours, proof of adequate insurance coverage must first be presented to the School, otherwise the worker is not considered as being on duty when using their own vehicle and the School holds no responsibility for the vehicle use.

Lodging, Meals, Incidental Expenses

All lodging, meals and incidentals will follow federal per diem rates for the destination city. Information on specific cities can be found at <https://www.gsa.gov/portal/content/104877>

Non-Reimbursable Expenses

The following list includes (but is not limited to) examples of non-reimbursable expenses, since they are primarily for personal use. For further clarification for items not explicitly listed here please contact the Director of Operations:

- alcohol
- car repair
- credit card interest charges
- day-care for children or pets
- fees for upgrades of air, hotel, or auto
- golfing or green fees
- golfing cart rental
- grooming, nail or hair salon expenses
- headphones on airlines
- laundry (unless 3 out of town 3 nights or more)
- medicines
- movies (either in-room or at the theater)
- personal bar bills
- personal books, magazines or other entertainment
- personal travel portion during business trip
- pet hotel stays or pet transportation
- political or charitable contributions
- spouse's expenses if accompanying an employee on trip
- toiletries
- theater, cinema or opera tickets
- traffic citations (parking tickets or fines)
- expenses for non-KIPP KC employees
- health club fees
- massages
- sporting events

Reimbursements for travel expenses, business meals, or other approved costs may be made via a Travel Expense Report. Expenses will be completed with the proper authorization and with all receipts attached. Expense reports should be completed within 30 days in order to assure reimbursement.

If a travel advance is obtained by a staff member to pay for travel expenses, any prior travel advance must be settled within three business days upon the travelers return.

KIPP KC issues credit cards to authorized staff who travel frequently. The school requires that for those individuals, charge receipts be attached to the Finance Forms. KIPP KC credit cards may not be used for personal expenses.

Travel Documentation Justification

KIPP KC Staff must submit documentation that participation of the individual is necessary and reasonable for successful performant under the Federal award. Documentation could include:

- Agenda
- List of Attendees
- Prior Written Approval
- Written Justification - participation is necessary to the Federal program

Check Preparation

Checks are printed and backup documentation is attached to the check voucher. The Staff Accountant or Accounting Manager reviews the intended disbursements for accuracy before presenting checks to authorized signers for signature.

All check stock will be controlled by the accounting department and maintained under lock and key by the Finance team. All checks will be pre-numbered, voucher style, containing one stub for the vendor (attached to outgoing checks), and one to be kept by the accounting department (with the supporting invoice attached). The latter stub will be filed by month and/or vendor.

Rush/Manual/Special Handling

Rush check requests will be kept to a minimum and should be reasonable. Manual checks should be avoided. The Director of Community Engagement will be responsible for approving “rush/emergency checks.” These checks will follow normal signing and documentation procedures.

Void/Stop Payment

Voided Checks

Checks may be voided for processing errors by making proper notations in the check register, marking the check “void” and filing it. For automated checks, a notation is needed in the cash disbursement journal, and a reversing entry is also required.

Stop Payments

Stop payment orders may be made for checks lost in the mail or for other valid reasons. Stop payments are processed by telephone instruction and written authorization to the bank by the Director of Operations. As for a “voided check,” an entry is made to record the stop payment and in this case an entry is required to record any related bank fees.

Petty Cash

A Petty Cash account with a balance of \$300 may be maintained at the schools. The schools’ Director of Operations will secure and manage the petty cash. Disbursements of small amounts of cash may be made from the petty cash fund for minor expenses such as cab fare or photocopying. A petty cash voucher is completed and signed by the individual requesting the funds. Vouchers will be approved/initialed by the School Leaders. The Director of Operations will keep the voucher and supporting documentation (invoices and receipts) to support the petty cash fund accounting. Periodically, the Director of Operations will submit a request for a check equal to the amount of disbursements made. The accounts receiving the cash will be debited and the petty cash fund will be credited. When the check is prepared, the cash account will be credited and the petty cash fund will be debited.

1099's

Consultants (independent contractors), subcontractors and sub-grantees will receive payment through the accounts payable module of the accounting system, with the 1099 designation selected. These payments require the same authorization and supporting documentation as for other vendor payments, plus a properly completed W-9. A brief report summarizing consulting work during the period should accompany each invoice. Form 1099 should be mailed to these vendors no later than January 31st for timely preparation and submission of their income tax forms. 1099s are not distributed to vendors receiving less than \$600 from KIPP KC.

Monthly Reconciliation

At the close of a fiscal period, accounts payable reports are produced and reviewed. These must be reconciled to the general ledger control account.

Internal Control

Internal control over disbursements is best maintained when the authorization, processing, check signing, recording and bank reconciliation functions are clearly segregated. Invoices will be supported by receipts and/or approval indicating receipt of goods or services. The use of pre-numbered checks provides another control. Persons authorized to approve expenditures will continue to be identified, and threshold limits established and double signature requirements defined. Authorized check signers will never sign blank checks.

M. Credit Cards Policies & Procedures

Corporate credit cards facilitate the acquisition of certain services (i.e. booking travel charges, charges for food while on travel, registering for professional development conventions, etc.). Credit cards are also susceptible to misappropriation and accordingly should be subject to utmost control by the cardholders.

Policies

The Executive Director and other staff members designated by the Executive Director, may be authorized to obtain a corporate credit card for individuals who show a need to hold a credit card in the performance of their daily duties.

Charges to credit cards should be limited to charges incurred while on official business travel for travel and entertainment purposes only, or charges when vendors will not extend credit (invoice the school) and will not deliver without payment by credit card.

Corporate credit cards are not to be used for personal purposes.

Procedures

Monthly reconciliation of credit card accounts is a simple effective internal control device that KIPP KC should not overlook. Because of credit card information is susceptible to misappropriation, cardholders should exercise utmost control of their cards. Credit cards should not be shared with other staff members or with anyone not employed by KIPP KC.

- All receipts for charges must be kept.
- Along with the monthly bill, cardholders will submit the receipts for all charges incurred, and provide an explanation for the school purpose of the charges so the amounts can be properly entered into Software Unlimited.
- All credit card charges are reconciled against the credit card statement, identifying those charges on the statement for which no receipt has yet been submitted. The cardholder will provide all information needed to submit the receipt.
- If a receipt is lost, the cardholder must submit a Finance Form with a signed letter explaining that the receipt cannot be submitted and confirming the purpose of the expense and the fact that it was a school-related expense.
- Personal charges to the corporate credit card are prohibited, and staff members with credit cards will be personally responsible for unauthorized use of credit cards.
- Cards can be suspended or terminated if the cardholder does not comply with these policies for all charges

N. Payroll Policies & Procedures

The processing of the payroll involves a series of tasks necessary to ensure that employees are properly compensated and that the applicable federal, state and local withholdings are deducted from gross wages. Additionally, detailed records must be maintained to support tax deposits.

KIPP KC uses an outside payroll vendor to process its payroll. Even though an organization may use an outside payroll service, it is still the organization's responsibility to ensure that all withholding and tax obligations are properly satisfied.

Payroll Processing is comprised of the following:

Responsibilities:	Performed by:
Obtaining Payroll Information	Payroll & Benefits Administrator
Computing Wages	Payroll & Benefits Administrator
Review and Approve Payroll Preprocess	Accounting Manager
Performing Pay Period Activities	Payroll & Benefits
Administrator Preparing various annual payroll tax returns	Payroll Vendor
Preparing 1099's	Staff Accountant

Policies

All employees will be paid on the 15th and 30th calendar month. Should either of these days fall on a weekend or holiday, employees will be paid on the preceding business day.

All new employees will have to complete a series of forms to evidence their eligibility to work in the United States, elect benefit options and to define the number of exemptions and other data for income tax withholding purposes (W-4). These forms are to be used by the Payroll & Benefits Administrator to set up the new employee in the payroll system and to register them for their benefits.

The forms for all new employees should be collected by the Payroll & Benefits Administrator by the end of the employee's first working day. The School Leaders should notify the Payroll & Benefits Administrator of any projected new hires, whether full-time or part-time.

Timesheets will be required for all staff for any extra work performed for which they are compensated beyond their salary. These timesheets are to be approved by the School Leaders or Director of Operations at the end of each payroll period.

Payroll checks and direct deposits will be processed by the payroll vendor and will be reviewed by the Payroll & Benefits Administrator.

Returns for payroll withholding tax, Social Security/Medicare, and SUI will be prepared by the Accounting Manager, in accordance with guidelines established by federal, state and local authorities. The Accounting Manager will file these returns and make payment on behalf of KIPP KC. The Payroll & Benefits Administrator and the Director of Community Engagement

will ensure that all returns are reviewed and that they have been submitted to the respective authorities.

All changes in an employee's payroll status will be properly documented with an Employee Change Form. Employee initiated changes, as for benefits, exemptions and marital status will require signed forms. Change in working hours/days or pay rate will require a revised letter of employment or status change form, signed by the School Leader and the employee. These changes must be reported on a timely basis to the Payroll & Benefits Administrator.

Payroll advances are not authorized.

Pension Plan

KIPP KC is a participant in the Kansas City, Missouri School District's Public School Retirement System - Defined Benefit retirement plan (KCPSRS).

403(b) Plan ("Plan") has been adopted to provide employees with the opportunity to save for retirement on a tax-advantage basis. The Plan has been designed to comply with applicable legal requirements. The Plan is subject to federal laws, such as the Employee Retirement Income Security Act ("ERISA"), the Internal Revenue Code, and other federal and state laws that may affect your rights. The provisions of the Plan are subject to revision due to changes in laws or due to pronouncements by the Internal Revenue Service ("IRS") or Department of Labor ("DOL").

The Summary Plan Description ("SPD") contains valuable information regarding when you may become eligible to participate in the Plan, your Plan benefits, your distribution options, and many other features of the Plan. You should take the time to read this SPD to get a better understanding of your rights.

Procedures

Upon receipt of the employee's benefit election forms and W-4, the Payroll & Benefits Administrator will establish an employee file for these and related documentation.

In the event anyone claims more than 10 exemptions on the Federal Form W-4, a copy is to be sent to the IRS.

Time sheets will be signed by both the employee and his/her supervisor to certify the validity of the time shown as worked and absent. To facilitate the timely processing of payroll checks, Director of Operations will:

- Ensure that all subordinates prepare signed time sheets, as appropriate.
- Certify the validity of time worked and absent in time for the Payroll & Benefits Administrator to process an accurate and timely payroll.

Obtaining Payroll Information

The Payroll & Benefits Administrator is responsible for the following:

1. Establishing a Personnel File for Each Employee

The personnel file serves as a chronological performance record throughout the employee's tenure with the organization and, as such, is kept secure and confidential. Personnel records are kept for a minimum of 10 years. Access to such personnel files is limited to the Director of Operations, Human Resources Team. Depending on which school an employee works for, their personnel files will contain the following documents:

Form	Updated	Month updated
W-4 or W-9	Annually	December
I-9	As needed	
Pension plan application	Annually, As needed	June – July
Health application	Annually, As needed	September– October
Dental application	Annually, As needed	September– October
Vision application	Annually, As needed	August – September
Certification	Annually, As needed	
Offer letter	Annually, As needed	March– April
Resume & Job Descriptions	As needed	
Background Cks/Fingerprinting	As needed	

Retroactive Benefit Premium Deductions

During the audit process, an incorrect under deduction in benefit premium may be identified. As soon as the error is discovered, it is the Payroll & Benefit Administrator's responsibility to contact the employee to work out a payment arrangement to remedy the underpayment. If the total amount owed to KIPP KC is under \$300.00, the Payroll & Benefit Administrator is required to deduct the entire balance owed from the next payroll.

If the total amount owed to KIPP KC is over \$300.00, the Payroll & Benefit Administrator is required to offer one of the following options to the employee:

- A one-time payroll deduction for the total amount owed to KIPP KC on the next payroll; or
- A payment plan dividing the unpaid premium into no more than four (4) payments over the next four (4) payroll periods.

A copy of the payment plan communication should be filed in the employee's personnel file and a soft copy is to be sent to the Director of Operations for review and approval.

2. Analyzing Job Information

The Fair Labor Standards Act (FLSA) sets employee minimum wage and overtime requirements. Job positions are classified as either exempt or nonexempt from the requirements. These requirements are summarized below and are adhered to by the Schools.

Attribute	Exempt	Nonexempt
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Payment amount	The employer pays an exempt employee a fixed salary for any and all work performed during a workweek. Minimum wage and overtime pay requirements do not apply.	The employer may pay a nonexempt employee using an hourly, salary, commission, or any other method. Total compensation must be at least the minimum wage for all hours plus overtime pay for hours over the maximum.
Pay deductions	Generally, deductions for time not worked may not be made from the weekly salary.	The employer pays a nonexempt employee only for the hours worked. Therefore, wage deductions may be made for tardiness, full or partial day absences, and any time the employee does not work.
Time records	Employers are not legally required to record the hours worked, although overall time sheets are encouraged in order to properly allocate salaries and benefits.	Employers must maintain accurate daily and weekly records of all hours worked.

3. Employee Information

In order to prepare a payroll, the Payroll & Benefits Administrator obtains and maintains the following information for each employee:

<u>Information</u>	<u>Source of Data</u>
Name and address	W-4
Social Security Number (SSN)	W-4
Job Title	Job Description
Wage Rate	Employee Agreement/Offer of Employment
Withholding Status	W-4
Other authorized deductions	Employer information sheet

4. Withholding Status

The completed Form W-4 serves as a basis for employee withholding. If an employee needs to change withholding allowances, the employee files an amended Form W-4 within 10 days of an event that decreases the number of withholding allowances. An employee may amend his/her Form W-4 to increase the number of withholding allowances at any time.

When a Form W-4 is received, the Payroll and Benefits Administrator will be responsible to ensure that KIPP KC complies with the withholding instructions within 30 days. The withholding instructions usually continue to apply unless and until the employee amends the Form W-4.

Although not obligated to evaluate an employee's number of exemptions, the Schools have three duties relating to the contents of W-4s:

- Disregard invalid W-4 forms. A W-4 form is rendered invalid if the employee changes or adds language to the form.
- Report excessive allowances. The organization is required to send copies of all W-4 forms claiming more than 10 withholding allowances along with the organization's Form 941 to the IRS.
- Report full exemptions. The organization is required to send the IRS all claims for full exemptions from withholdings by employees with normal weekly wages of more than \$200.

Because of their importance to both the IRS and to employees, the Schools retain signed original W-4s (no copies) for 4 years after the annual employment tax returns are filed.

Monitoring of Employee Timesheets

Salaried and Hourly Employees

KIPP KC does not require full-time exempt employees to fill out timesheets unless a requirement of a grant. All full-time employees are salaried and are paid for the same amount of time each pay period. Part time hourly employees must maintain time sheets and seek the School Leader's approval in writing. This time sheet is submitted semi-monthly to the Payroll & Benefits Administrator.

Time and Effort Reporting

For Grants requiring demonstration that employees paid with federal funds actually worked on the specific federal program/cost objective Time and Effort Logs (Timesheets) will be utilized. The will take the following forms:

- **Semi-annual Certification** - Single Cost Objective -employee works solely on a single Federal award or cost objective.
 - Must be prepared at least semi-annually; and
 - Must be signed after-the-fact by employee or supervisory official having firsthand knowledge of the work performed by the employee.
- **Personnel Activity Report (PAR)** - Multiple Cost Objectives - employee works on more than one Federal award; a Federal award and a non-Federal award, etc.
 - Reflect an after-the-fact distribution of the actual activity of the employee
 - Account for the total activity for which each employee is compensated
 - Be prepared at least monthly & coincide with one or more pay periods; and
 - Must be signed after-the-fact by the employee.
 - At least quarterly, the actual time reflected on the PAR must be compared to the payroll charges, and if differences exist, then payroll adjustments must be made.

Stipend and Extra Duty Pay

Stipends and Extra duty Pay must be documented through a Written Agreement:

- Indicating the extra work to be performed
- Date(s) of performance
- Amount to be paid to the employee; and
- Must be signed by the employer and the employee to show the acceptance of the terms,
- Reflected through a Semi-Annual Certification or Personnel Activity Report (PAR)

Entering Time Data

Payroll is processed 2 days prior to the fifteenth and thirtieth, unless those days fall on a weekend or holiday, in which case employees are paid on the last workday before these dates. The payroll vendor maintains records of all relevant personnel information as provided by the Payroll & Benefits Administrator. The Payroll & Benefits Administrator enters the payroll information online and sends it to the payroll vendor at least 48 hours before each pay date.

The payroll vendor calculates gross pay and all withholdings and prints the paychecks (or pay statements for those employees that receive direct deposit). Payroll records are automatically posted and relevant tax return data are stored. The payroll vendor provides a payroll package, which is delivered to KIPP KC schools' offices for distribution to employees.

Calculation and Deposit of Payroll Taxes

The payroll vendor's services include the calculation and electronic deposit of federal and state taxes. The payroll vendor also prepares all quarterly payroll tax returns. In addition, the payroll vendor prepares the annual Form W-3 and supporting W-2 statements.

Recording Payroll into General Ledger

Based on the payroll vendor records, payroll reconciliation is prepared by the Payroll & Benefits Administrator who then enters the payroll journal entry into Software Unlimited 2 business days after pay day.

Terminations and Resignation

Upon terminating an employee, the Executive Director notifies the Payroll & Benefits Administrator in writing. The Executive Director includes the employee's name, last date of employment, termination date of benefits and termination date of compensation. The Payroll & Benefits Administrator terminates compensation and benefits according to the directive of the Executive Director.

Preparation of the Payroll

Timesheets, for Non-exempt, Temporary and employees with multiple funding source codes (Title I, IIa or SPED) are to be submitted to the Payroll Admin on the 10th and 25th of each month. Upon receipt of timesheets and the Payroll & Benefits Administrator will:

- Ensure that both the Employee and Manager/School Leader have signed the time sheet.
- Check accuracy of the time submitted (reported time should not be in excess of

that covering the interval used by the school.)

- If overtime is involved, make sure that the proper authorizations for overtime are on the time sheets.
- Review employee roster and payroll, and make any necessary changes.

Upon receipt of properly documented changes in an employee's payroll status, the person responsible for processing payroll will:

- Ensure that any appropriate approval signatures are on the documents and that sufficient information is recorded to set up and process the changes in the payroll processing system.
- Ensure that any prorated payroll adjustments are correct.

The person in charge of payroll will also ensure that all withholding tax liabilities are satisfied and that all of the appropriate tax reports are filed within their respective guidelines for all federal, state and local taxing authorities. The payroll service bureau will process the payroll and file the required forms, but KIPP KC still bears the responsibility for timely and accurate filing. Accordingly, the payroll service bureau will do the following, and the Payroll and Benefits Administrator will review the returns and accounts to assure that these requirements are in order:

- Complete and file with any required payment a Form 940 once every quarter.
- Complete and file with any required payment a Form 941 once every quarter.
- Complete proper withholding tax deposit forms for appropriate taxing agencies and forward with payments as required. Complete the annual filings required by taxing authorities and reconciliation of withholding.
- Complete the proper unemployment insurance forms and submit to the appropriate taxing authorities. Send payment for appropriate amount with the completed forms within the guidelines prescribed by the relevant taxing authorities.
- Prepare W-2 Forms each year and distribute them to employees by January 31st.

Internal Control

Once the payroll is prepared by the Payroll and Benefits Administrator, it will be reviewed and approved by the Director of Operations and the Executive Director or his/her designee Accounting Manager to ensure its accuracy and validity.

- Payroll checks will be drawn by, and direct deposits will be made by the Payroll and Benefits Administrator.
- Periodic payroll and benefits audits will be performed by the Payroll & Benefits Administrator to ensure the accuracy of the payroll.
- Payroll registers will be made available to the Director of Operations and Executive Director.
- Payroll variances will be reviewed by the Director of Community Engagement and brought to the attention of the Payroll & Benefits Administrator as they are discovered.
- Payroll checks and direct deposit payment records will be distributed to employees by the Payroll & Benefits Administrator. Any checks not delivered will be held in safe keeping until they can be delivered.

O. Processing of Financial Statements

Preparing financial statements and communicating key financial information is an important accounting function. Statements are management tools used in making decisions, in monitoring the success of financial objectives and as a standard method for providing information to interested parties external to the organization. KIPP KC' statements are audited each fiscal year and reflect year-to-year historical comparisons.

The Statement of Financial Activity, presented according to program revenue and cost centers, reflects the financial activities of a period. A balance sheet presenting assets, liabilities and surplus (equity) provides a financial "picture" of KIPP KC as of a particular date.

In designing and distributing financial statements, the Finance team will consider the following:

- Confidentiality and public disclosure requirements.
- Purpose to serve – internal or external
- Amount of detail and technical data to include
- Frequency of distribution
- Presentation of variances, footnotes and graphics

Policy

The objective of KIPP KC is to prepare accurate financial statements according to GAAP and distribute them on a timely basis in the most cost effective manner.

Procedures

Monthly Financial Statements

Monthly financial statements will be provided by the Accounting Manager to the Executive Director and Director of Operations and the Finance Committee. Such monthly financial statements will be reviewed by the recipients for accuracy and comprehensiveness. These statements will report the year-to-date actual revenues and expenses, the year-to-date budget, and a comparison of actual vs. budget for the period. Significant variances will be reviewed by the Director of Operations to identify any potential fiscal issues or irregularities.

Quarterly Financial Statements

Quarterly financial statements will be provided to the Finance Committee of the Board of Directors. Such quarterly financial statements will be reviewed by the Finance Committee for accuracy and comprehensiveness. These statements will report the year-to-date actual revenues and expenses, the year-to-date budget, and a comparison of actual vs. budget for the period. Significant variances will be explained by the Director of Operations team for the Finance Committee review to identify any potential fiscal issues or irregularities.

Annual Financial Statements

To provide an independent opinion of KIPP KC's financial status, an independent audit will be conducted annually by a certified public accounting firm. The Finance Committee, or its designee, will appoint this firm. The audit will cover the twelve (12) month period ending June 30th. In accordance with Federal regulations, these Financial Statements will be completed no later than four (4) months following the close of the fiscal year.

- All receipts, statements, checks, Board minutes and other required information will be compiled and assembled after the close of the organization's fiscal year by the Finance Team.
- A formal letter of engagement specifying the start and end date of the audit engagement will be conveyed to the auditor.
- A copy of the audited financial statements will be provided to all members of the Board of Directors. The Finance Committee of the Board of will review the statements with the members present. A vote to accept the report will be held with the results of the vote recorded in the minutes of the annual meeting.
- The Finance Committee Chair will present any recommendation made by the independent auditor to the Board of Directors at a regularly scheduled meeting of the Board of Directors. Recommendations will be discussed and adopted in principle by the Board of Directors, if deemed appropriate.

The following is a linear responsibility chart. Symbols are used to indicate who performs the initial work, supervises and approves.

Linear Responsibility Chart

Function	Functional Responsibility	Supervise and Review	Timing
Establish Chart of Accounts	Director of Operations	Finance Committee	Annually
Draft Statement & Report Formats	Director of Operations	Finance Committee	Annually
Prepare Journal Entries	Staff Accountant		Ongoing
Close Books	Staff Accountant		Monthly, on the 8 th day of month
Prepare Trial Balance	Staff Accountant		Monthly, on the 8 th day of month
Reconcile Accounts	Staff Accountant		Monthly, on the 10 th day of month
Prepare Statements	Accounting Manager		Monthly, on the 10 th day of month

Review Statements	Director of Operations	Finance Committee	Monthly, on the 15 th day of month
Reconcile all subsidiary accounts to the general ledger;	Accounting Manager		Quarterly, on the 16 th -18 th days of month

make adjustments for any material errors.			
Collect Adjusting Data & Update Statements	Staff Accountant		Quarterly, on the 16 th -18 th days of month
Distribute Final Statements	Accounting Manager	Director of Operations	Quarterly, on the 20 th day of month

Annual Close

KIPP KC will follow the procedures for the month end close. After reconciling subsidiary accounts to the general ledger and the School Leader has reviewed the statements, a second close for year- end will be prepared.

After the annual audit, KIPP KC will prepare adjusting entries from the audit and perform a final, audited close. Reports will then be issued.

Basis of Accounting

KIPP KC will prepare its budget and monthly financial statements on the cash basis of accounting. Revenue will be recognized when received instead of when earned and expenditures will be recognized when paid instead of when incurred. The annual audited financial statements will be prepared using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues and expenses when they result from cash transactions with a provision for recording payroll withholding and facility deposits, which are recognized when incurred.

P. Government Reporting

KIPP KC will honor its obligations and comply with the requirements of donors, the Missouri State Department of Elementary and Secondary Education, and Federal, Missouri State and city laws and regulations. These may include, but are not limited to, filing annual reports, information returns, reports for retirement benefit plans, and payroll withholding tax returns.

KIPP KC intends to become familiar with its obligations in each jurisdiction and to honor those obligations on a timely basis, whether they relate to reports or filings or the payment of taxes.

Federal Form 990 and any state equivalent will be filed by its due date of February 15 annually unless it is necessary to obtain an extension. Other required filings will also be completed in a timely manner.

Q. Annual Audit

Auditing Standards

An audit is a review of the school's financial condition by an independent organization, selected by the Finance Committee, to render an opinion on the integrity of the organization's finances. KIPP KC is required by State Charter Law to have its accounts audited on an annual basis. "Ad hoc" audits may also be required under the terms of a grant or contract.

The financial audit of the organization will be performed in accordance with auditing standards generally accepted in the United States of America. Such standards will be applicable to the financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States; and the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Selecting an Auditor

When selecting an auditor, KIPP KC will perform due diligence, including the following:

1. Talk to peers.
2. Seek an auditor that understands and has experience with charter schools and other nonprofit organizations.
3. Seek an auditor that can provide the services the school requires at a cost the school can afford.
4. When KIPP KC decides to prepare a written Request for Proposal (RFP) to be sent to prospective audit firms, the following information will be included:
 - a. Minimum informational requirements to be given to proposing firms:
 - Required period for services
 - Work to be performed such as:
 - Audit of financial statements
 - Preparation of management letter including the firm's willingness to discuss the letter in draft form so any misconceptions can be clarified
 - Preparation of other documents (such as the 990)
 - Meetings requiring their attendance such as staff or Finance Committee meetings
 - Organization chart
 - Chart of account information
 - Financial information about the organization
 - Copy of prior year reports (financial statements, management letters and other relevant documents)
 - Need to perform audit based on the Uniform Guidance This applies to institutions with expenses of \$750,000 or more per year in federal awards.

b. Minimum Proposal Requirements

- Maximum length of proposal and due date
- Biographical information
- Client references
- Information about the firm's capabilities
- Firm's approach to performing an audit
- Identification of the engagement team
- Other resources available from the firm
- Expected timing and completion of the audit
- Expected delivery of reports
- Cost estimate including estimated number of hours to be spent by the engagement team on the job
- Rate per hour for each auditor

- c. The Finance Committee will review proposals and determine the firm to be selected. A letter will be sent to all firms informing them of the decision.

How Often to Review the Selection of the Auditor

KIPP KC will review the selection of the auditor:

1. Anytime there is dissatisfaction with the service of the current firm;
2. When a fresh view point is desired; or
3. After 3 but before 6 years as a matter of "best practice."

Preparation for the Annual Audit

KIPP KC will do the following to prepare for the annual audit:

1. Planning: Assignment of responsibilities and scheduling.
2. Involvement: KIPP KC staff will be actively involved to reduce the cost of the audit.
3. Year End Procedures:
 - a. KIPP KC will prepare schedules and other items, as requested by the auditors before the audit begins. Examples include:
 - Accounting files
 - Working trial balance
 - Financial reports
 - Schedules to support balance sheet items, including cash, accounts receivable, investments, notes receivable, inventory, prepaid expenses, accounts payable and deferred revenue.
 - Reconciliation of fund balances
 - Copies of Board of Directors' minutes
 - Preparation of confirmation letters
 - b. Determine cut off for accounts receivable and accounts payable.

- c. Make all deferrals and accruals.
- d. Write off or reserve uncollectible balances.

R. Insurance

To ensure the viability and continued operations of KIPP KC, the school needs to have an active risk management program that includes a comprehensive insurance package.

KIPP KC maintains adequate insurance against general liability, as well as coverage for building contents, student accident, Directors and Officers Liability and the other risks cited below.

The KIPP KC Director of Operations will recommend to the Finance Committee the type and level of insurance needed for the school and/or for any sub-grantees or subcontractors. Under its Charter, the school must obtain at least the following coverage:

Type of Coverage and Amount of Coverage:

- General Liability -- \$1 million for each occurrence;
- Directors & Officers -- \$1 million annual aggregate;
- Student Accident & Medical Expense -- \$250,000 annual aggregate per location;
- Auto – for non-owned vehicles in use for school business -- \$1 million for each occurrence;
- Property – \$250,000 in coverage for leasehold improvements, school furnishings and equipment;
- Workers' Compensation – calculated at approximately 2.25% percent of payroll;
- Employee dishonesty insurance with limits of \$500,000, and
- Educator's legal liability insurance with limits of \$1 million each claim and \$1 million aggregate.
- Excess Liability - \$2 million per occurrence excess of \$1 million underlying coverage
 - Products-Completed Operations Hazard aggregate
 - Wrongful Act aggregate
 - Employee Benefits Liability aggregate

A concerted effort will be made to ensure that reasonable deductibles are maintained, to limit any potential hardship to KIPP KC in case of loss resulting from accessing the insurance coverage.

S. Records Retention

Policy

The policy is designed to ensure compliance with federal and state laws and regulations, to eliminate accidental or innocent destruction of records, and to facilitate KIPP KC's operations by promoting efficiency and freeing up valuable storage space.

Records Retention Schedule

Documents that are not listed, but are substantially similar to those listed in the schedule, will be retained for the appropriate length of time.

Corporate Records

Annual Reports to Secretary of State/Attorney General

Permanent Articles of Incorporation

Permanent

Board Meeting and Board Committee Minutes

Permanent

Board Policies/Resolutions

Permanent

Bylaws

Permanent

Construction Documents

Permanent

Fixed Asset Records

Permanent

IRS Application for Tax-Exempt Status (Form 1023)

Permanent

IRS Determination Letter

Permanent

State Sales Tax Exemption Letter

Permanent

Contracts (after expiration)

7 years

Correspondence (general)

3 years

Accounting and Corporate Tax Records

Annual Audits and Financial Statements

Permanent

Depreciation Schedules

Permanent

IRS Form 990 Tax Returns

Permanent

General Ledgers

7 years

Business Expense Records

7 years

IRS Form 1099

7 years

Journal Entries

7 years

Invoices

7 years

Sales Records (box office, concessions, gift shop)

5 years

Petty Cash Vouchers

3 years

Cash Receipts

3 years

Credit Card Receipts

3 years

Bank Records

Check Registers	7 years
Bank Deposit Slips	7 years
Bank Statement and Reconciliation	7 years
Electronic Fund Transfer Documents	7

years Payroll and Employment Tax Records

Payroll Registers	Permanent
State Unemployment Tax Records	Permanent
Earnings Records	7 years
Garnishment Records	7 years
Payroll Tax Returns	7 years
W-2 Statements	7 years

Employee Records

Employment and Termination Agreements	Permanent
Retirement and Pension Plan Documents	Permanent
Records Relating to Promotion, Demotion or Discharge	7 years after
termination Accident Reports and Worker's Compensation Records	5 years
Salary Schedules	5 years
Employment Applications	3 years
I-9 Forms	3 years after termination
Time Cards	2 years

Donor and Grant Records

Donor Records and Acknowledgment Letters	7 years
Grant Applications and Contracts	7 years after completion

Legal, Insurance, and Safety Records

Appraisals	Permanent
Copyright Registrations	Permanent
Environmental Studies	Permanent
Insurance Policies	Permanent
Real Estate Documents	Permanent
Stock and Bond Records	Permanent
Trademark Registrations	Permanent
Leases	6 years after expiration
OSHA Documents	5 years
General Contracts	3 years after termination

Electronic Documents and Records

Electronic documents will be retained as if they were paper documents. Therefore, any electronic files, including records of donations made online, that fall into one of the document types on the above schedule will be maintained for the appropriate amount of time. If a user has sufficient reason to keep an e-mail message, the message should be printed in hard copy and kept in the appropriate file or moved to an “archive” computer file folder. Backup and recovery methods will be tested on a regular basis.

Emergency Planning

KIPP KC’s records will be stored in a safe, secure, and accessible manner. Documents and financial files that are essential to keeping KIPP KC operating in an emergency will be duplicated or backed up at least every week and maintained off-site.

Document Destruction

KIPP KC’ Director of Operations is responsible for the ongoing process of identifying its records, which have met the required retention period, and overseeing their destruction. Destruction of financial and personnel-related documents will be accomplished by shredding.

Document destruction will be suspended immediately, upon any indication of an official investigation or when a lawsuit is filed or appears imminent. Destruction will be reinstated upon conclusion of the investigation.

Compliance

Failure on the part of employees to follow this policy can result in possible civil and criminal sanctions against KIPP KC and its employees and possible disciplinary action against responsible individuals. The Director of Operations will periodically review these procedures with legal counsel or the organization’s certified public accountant to ensure that they are in compliance with new or revised regulations.

T. Fraud and Whistleblower Policy

In keeping with the policy of maintaining the highest standards of conduct and ethics, KIPP KC will investigate any suspected fraudulent or dishonest use or misuse of KIPP KC's resources or property by staff, board members, consultants, or volunteers.

Staff, board members, consultants, and volunteers are encouraged to report suspected fraudulent or dishonest conduct (i.e., to act as "whistleblower"), pursuant to the procedures set forth below.

Reporting

A person's concerns about possible fraudulent or dishonest use or misuse of resources or property should be reported to his or her supervisor or, if suspected by a volunteer, to the staff member supporting the volunteer's work. If, for any reason, a person finds it difficult to report his or her concerns to a supervisor or staff member supporting the volunteer's work, the person may report the concerns directly to the Executive Director. Alternately, to facilitate reporting of suspected violations where the reporter wishes to remain anonymous, a written statement may be submitted to one of the individuals listed above.

Definitions

Baseless Allegations

Allegations made with reckless disregard for their truth or falsity. Individuals making such allegations may be subject to disciplinary action by KIPP KC, and/or legal claims by individuals accused of such conduct.

Fraudulent or Dishonest Conduct

A deliberate act or failure to act with the intention of obtaining an unauthorized benefit. Examples of such conduct include:

- Forgery or alteration of documents
- Unauthorized alteration or manipulation of computer files
- Fraudulent financial reporting
- Pursuit of a benefit or advantage in violation of KIPP KC's Conflict of Interest Policy
- Misappropriation or misuse of KIPP KC's resources, such as funds, supplies, or other assets
- Authorizing or receiving compensation for goods not received or services not performed
- Authorizing or receiving compensation for hours not worked

Whistleblower

An employee, consultant, or volunteer who informs a supervisor or the Executive Director about an activity relating to KIPP KC which that person believes to be fraudulent or dishonest.

Rights and Responsibilities

Supervisors

Supervisors are required to report suspected fraudulent or dishonest conduct to the Director of Operations or Executive Director. Reasonable care should be taken in dealing with suspected misconduct to avoid

- Baseless allegations
- Premature notice to persons suspected of misconduct and/or disclosure of suspected misconduct to others not involved with the investigation
- Violations of a person's rights under law

Due to the important yet sensitive nature of the suspected violations, effective professional follow-up is critical. Supervisors, while appropriately concerned about "getting to the bottom" of such issues, should not, under any circumstance perform any investigative or other follow-up steps on their own. Accordingly, a supervisor who becomes aware of suspected misconduct:

- Should not contact the person suspected to further investigate the matter or demand restitution
- Should not discuss the case with attorneys, the media, or anyone other than the Executive Director or Director of Operations
- Should not report the case to an authorized law enforcement officer without first discussing the case with the Executive Director or Director of Operations

Investigation

All relevant matters, including suspected but unproved matters, will be reviewed and analyzed, with documentation of the receipt, retention, investigation, and treatment of the complaint. Appropriate corrective action will be taken, if necessary, and findings will be communicated to the reporting person and his or her supervisor. Investigations may warrant investigation by independent persons such as auditors and/or attorneys.

Whistleblower Protection

KIPP KC will protect whistleblowers as defined below:

- KIPP KC will use its best efforts to protect whistleblowers against retaliation. Whistle-blowing complaints will be handled with sensitivity, discretion, and confidentiality to the extent allowed by the circumstances and the law. Generally, this means that whistleblower complaints will only be shared with those who have a need to know so that KIPP KC can conduct an effective investigation, determine what action to take based on the results of any such investigation, and in appropriate cases, with law enforcement personnel. (Should disciplinary or legal action be taken against a person or persons as a result of a whistleblower complaint, such persons may also have the right to know the identity of the whistleblower).
- Employees, consultants, and volunteers of KIPP KC may not retaliate against a whistleblower for informing management about an activity which that person believes

to be fraudulent or dishonest with the intent or effect of adversely affecting the terms or conditions of the whistleblower's employment, including but not limited to, threats of physical harm, loss of job, punitive work assignments, or impact on salary or fees.

Whistleblowers who believe that they have been retaliated against may file a written complaint with the Executive Director or Director of Operations. Any complaint of retaliation will be promptly investigated and appropriate corrective measures taken if allegations of retaliation are substantiated. This protection from retaliation is not intended to prohibit supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.

- Whistleblowers must be cautious to avoid baseless allegations (as described earlier in the definitions section of this policy).

Effective Date

This policy is effective: February 2019