

INTERNAL CONTROLS AND PROCEDURES  
**Coral Community Charter**

**GENERAL**

Coral Community Charter has established procedures to maintain internal control over all assets. The purpose of establishing internal controls is to provide a reasonable assurance that the school will accomplish its objectives of safeguarding assets, providing reliable financial information, promoting operational efficiency and ensuring compliance with laws, regulations and established policies and procedures. Internal Control Policies comply with all local and federal rules and regulations per NMSA 1078 Section 22-8B-8F & Section 22-8B-8G 6.80.4.9G NMAC and Generally Accepted Accounting Principles (GAAP).

**CONTROL FRAMEWORK**

Coral Community Charter (CCC) has implemented an internal control system and framework based on its internal and external needs. This framework includes elements modeled according to the COSO model. It is the policy of the CCC to ensure that its control framework provides for strong administrative governance. The school's internal control system is a relevant evaluation tool for internal control over financial reporting. It is the policy of the CCC that its own internal control framework and review evaluations:

- Be free from bias;
- Permit reasonably consistent qualitative and quantitative measurements of CCC's internal control system;
- Are sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of the district's internal controls are not omitted.

**ETHICS STATEMENT**

Coral Community Charter makes every effort to set an honest and ethical tone for the school that is demonstrated at every level. The school's operations reflect the overall attitude, awareness, and actions of the governance council, head administrator and others concerning the importance of how the school views internal control and the management of these controls.

**COMMUNICATION AND TRAINING**

Coral Community Charter (CCC) makes every effort to maintain communication with all employees regarding the policies and procedures of the school including but not limited to periodic training for personnel and regular meetings of the governance council. CCC's Governance Council Policies and meeting agendas are maintained on the school's web site along with other information necessary to the requirements for safekeeping of various assets and transparency of financial operations for both employees and taxpayers.

Supervisory hierarchies are maintained to insure proper approvals and processes are in place.

## PERSONNEL

The recruitment of competent, honest individuals is of the utmost importance and is overseen through the head administrator. The training of staff regarding the established policies and procedures governing all financial transactions is administered through both the head administrator and the school business manager.

- Segregation of Duties. The assignment of duties to staff members who have access to the Financial Management System is done with the intent of limiting their ability to cause and conceal errors or irregularities. Working within certain limitations, including staff size, incompatible functions are not assigned to any staff member. Details of incompatible staff assignments are specifically addressed for focal points, such as accounts payable and receiving, or posting cash receipts and reconciling the bank accounts. Continued monitoring and oversight must take place daily to ensure secure business operations.
- Transaction Authorization. The budget is allocated to CCC and program area and the authorization or expending of funds is assigned to the head administrator for monitoring. The head administrator is responsible for his/her budget and for assuring that each request is appropriate and necessary. The school allows for Purchase Orders of under \$5,000 to be processed without additional authorization unless otherwise restricted by funding source. Purchase Orders over \$5,000 are forwarded electronically to the next approver.
- All source documents (checks warrants, etc.) used to record transactions are official school forms and are sequentially numbered by the accounting system for accountability. All voided check warrants are marked VOID and kept on file for the auditor's review. All voided Purchase Orders are marked VOID and are reflected in the Financial Management System.
- Safekeeping Assets. The access to assets is limited by assigning a primary custodian for the assets at the school. The primary custodian is responsible for monitoring the access of building, vehicles, cash, and other assets.
- Record Reconciliation. The Business Manager administers the comparison of actual assets on hand with the amounts recorded in the financial management system. Monthly reconciliation of bank statements, fixed asset records, and other financial records are prepared and verified during the monthly closing process. All discrepancies found during the reconciliation process are researched and corrected at the time they are detected. Reconciliation of bank accounts is handled by the Business Manager, who does not participate in the purchasing or expending activities of the school. The fixed asset listing is maintained and reconciled to the general ledger by the Business Manager and verified by the Finance Board of CCC.

## RISK ASSESSMENT

Coral Community Charter analyzes all processes and applies a Risk Assessment tool to determine inherent risks in each of its accounting processes. Emphasis is on

communication to ensure that each employee is aware of necessary processes to meet certain objectives. The school will hold meetings several times a year with key personnel to ensure that employees involved with the acquisition and disposal of assets are thoroughly trained and informed of proper procedures. At the same time, the school must weigh the costs of certain requirements to make sure that the benefits derived do not outweigh the cost of implementing, maintaining and monitoring the system.

## CONTROL ACTIVITIES

### Budget

Coral Community Charter prepares and adopts an annual budget in accordance with New Mexico Statutory requirements. The Operating Budget is prepared under the supervision of the Head Administrator, Business Manager, and school budget committee. A budget committee is selected each year is designed to ensure representation from instructional, program, and governance perspectives. The Operating Budget is reviewed for technical accuracy and approved by the Public Education Department. It is then presented to the Governance Council for approval and certification prior to June 20 of each year. The approved and certified budget constitutes the Operating Budget, which is authorization for the CCC to begin operations on July 1 of the fiscal year. The business manager integrates the Operating Budget formally into the Financial Management as soon as practical.

## FINAL CASH BALANCES

Upon completion of the final close for each fiscal year, CCC determines the actual cash balances for all funds and reports them to the Public Education Department by the designated deadline. The Operating Budget is then adjusted by the use of a Budget Adjustment Request to incorporate adjusted cash balances as of June 30 into the Operating Budget. Upon approval by the Public Education Department through OBMS (Operating Budget Management System), the CCC will adjust the budget and incorporate the changes into the Financial Management System.

## BUDGET MAINTENANCE

The budget ledgers are maintained in the Business Office at CCC using the financial management system used in concert with the cash balance and encumbrances to ensure that all spending is in accordance with budget authority. While budget object lines may be temporarily overspent, budget functions may not be overspent. All Operating Budget function increases, decreases, and adjustments to the Operating Budget are presented to the governance council for approval and then submitted to the Public Education Department via the department's OBMS (Operating Budget Management System) for approval. Budget adjustments, which do not alter the total amount of the budget, are processed as follows:

Inter-budget transfers—Transfers between expenditure account codes outside of the same function are presented to the Governance Council for approval. The transfer requests are then submitted to the Public Education Department via OBMS for approval. Once all approvals are in place, the change is recorded to the Financial Management System as an adjustment to the Operating Budget.

All original budget documents are summarized and rolled up to the required elements in the account string maintained in the OBMS system. Copies are distributed to the appropriate staff for recording to the Financial Management System and these documents are made available to the auditor annually.

## PAYROLL

The Head Administrator is responsible for monitoring the hiring of personnel, authorizing salaries, initiating employment contracts, and maintaining the staffing levels approved in the annual budget. The Budget Committee verifies that budget is available for any staffing increases. The human resource Personnel Action Request (PAR) containing employment information (training and experience, fund to be paid from, and school information) is submitted to the payroll officer/STARS for new or replacement personnel by the Head Administrator. The payroll officer/STARS verify the data supplied by the Head Administrator with the information entered or imported into the Financial System using the PAR in the applications section. The information is then transferred to the Payroll system. All payrolls are processed from the approved employment contracts. All additional payrolls are processed by exception and only with proper authorization from the Head Administrator. These payroll payments can include substitutes, increments, noon duty, Saturday school, and/or additional services such as tutoring, classes for parents and summer school.

### Sick Leave

Absences for sick leave:

Employees must call Coral Community Charter and notify the school secretary or appropriate designee. All employees do not have to submit printed leave forms for sick leave, but they must verify their absences with the secretary upon their return to work.

### Other types of leave:

Other types of leave which require prior approval must be submitted on a printed "Application for Leave" or a printed "Professional Leave" form signed by the Head Administrator. The secretary will enter the approved leave into the system. The leave forms are used to verify absences. They are also used to make deductions for leave and are used to dock pay when leave is taken without a sufficient leave balance. The pay docks are deducted from the employee's pay on the next scheduled check.

Coral Community Charter may choose to use an outside source in order to prepare and process payroll instead of processing in house. If processed in house, the payroll officer/STARS is responsible for maintenance of employee insurance, tax sheltered annuities and other voluntary and mandatory payroll deductions. After the payroll data is entered into the Financial Management System, a pro forma payroll is run to verify data for accuracy. An excel spreadsheet is used for the verification process prior to the generation of the payroll checks. The Media/IT specialist will back up the Financial Management System nightly. CCC maintains one payroll bank account, which is used as a clearing account for all checks issued. A payroll check register is generated to document all payments made for each payroll run. Additional reports are available for review and verification, and for audit purposes. A payroll summary sheet is produced

from the Financial Management System and is reviewed by the Business Manager processing the direct deposits and federal tax payments. All blank check stock is stored in a locked cabinet in the office of the Business Manager. Access to this office and locked cabinet is limited. All payroll checks are numbered sequentially by the financial management system (FMS) and encoded with a signature and this signature has limited access. All contract employees are paid twice a month and payments are prorated according to the services rendered and to insure 24 checks throughout the calendar years. The school's Business Office maintains all employee earnings, deduction, and leave records according to the regulations. Monthly, quarterly, and annual payroll tax-benefit reports required by the Federal, State, and local governmental agencies are prepared by the Payroll Officer and/or the Director of Business Services and are verified monthly by the school Board of Finance.

#### PURCHASING

The Business Manager is responsible for assuring that all purchases against the assigned budgets are appropriate and necessary. The requests for purchase orders (requisitions) is the initial electronic document submitted to the school's Business office and once approved by the Head Administrator the document is then assigned a purchase order number. CCC's policies and procedures are designed to meet all of the requirements of the Procurement Code in accordance with Chapter 13 of the New Mexico State Procurement Code. CCC has implemented local procedures as required by PSAB Supplement 13, Purchasing in the Manual of Procedures for Accounting and Budgeting, and requires all Purchase Orders to be approved based on budget access to account codes used as enumerated in the Uniform Chart of Accounts.

#### RECEIVING

The merchandise ordered is delivered directly to the end user. Individuals at the school site, instructors and/or secretaries verify receipt and indicate this on a copy of the Purchase Order. Once this document has been received by the Business Office, release of payment can be made to the vendor by the Accounts Payable personnel.

#### ACCOUNTS PAYABLE

All vendor invoices are mailed to the Accounts Payable personnel in the school Business Office. The vendor invoice is matched to the receiving copy of the Purchase Order. Once the documents are matched, the items invoiced are checked back to the items listed on the approved copies of the purchase order. Accounts Payable personnel check each invoice carefully to verify amounts due, shipping and handling costs, and any other applicable discounts, etc. After these verifications are in place, payment can be processed.

The Financial Management System generates a check register, a schedule of checks to be written, a purchase order report, and a journal of entries. These are completed for each fund as applicable. These reports are verified for accuracy before the checks are printed. The checks are then signed by two authorized persons. Then, the checks are forwarded to the Business Manager for review as fiscal officer designated by the Governing Council to be authorized for release of payment.

## BANK RECONCILIATIONS

All bank accounts are reconciled on a monthly basis. The Business Manager prepares the bank reconciliation and approves any adjustments necessary to the general ledger. The Business Manager cancels all checks as the checks clear the bank (as indicated on each bank statement) in the Financial Management System bank reconciliation software and locates any discrepancies in the balances, and makes any journal entries necessary for correction. The monthly check registers, transactions journals, and general ledger are generated monthly and are stored in the Business Office and may be accessed from the Financial Management System for review by the Head Administrator and other interested parties. All journal entries needed for correction are detailed on the edit report from the Financial Management System.

## PER DIEM & MILEAGE ACT

Employees and Governance Council Members of CCC are entitled to reimbursement of registration fees, mileage, per diem, and other costs associated with authorized trips for official school business.

**In-State Travel** - All in state trips must have administrative approval, prior to traveling. This approval is requested on the leave request form. The business purpose of the trip must be justified and all costs associated with the trip must be itemized, if reimbursement is expected. The Business Office will process the reimbursement travel form only with sufficient approvals and required documentation such as agendas and invoices attached to the reimbursement request.

**Out-of-State Travel** - All out of state travel requires prior approval by the Head Administrator. The travel reimbursement form will be processed with sufficient documentation only and personnel will follow the same procedures as listed with in-state travel. If, in the event, personal vehicles are utilized, proof of insurance will be required and submitted to the Business Office prior to the trip. All reimbursements are processed in accordance with the Per Diem and Mileage act, as outlined in the DFA regulations. All receipts for out-of-pocket expenditures for transportation, registration, and miscellaneous expenses are required for reimbursement. Any meals and/or lodging cost included in the registration fee are deducted from the per diem reimbursement.

Pre-payment of up to 80% of any per diem related costs are allowed only under special circumstances and the Head Administrator must review these circumstances at least 30 days prior to the trip. All school employees are eligible for reimbursement of travel related expenses upon return from their approved trip, but must submit reimbursement requests within 60 days of returning from the trip in accordance with the school's reimbursement plan. Any requests for reimbursement not made within this time frame are forfeited. The Budget Committee must approve actual expenses.

## CASH RECEIPTS

All operational monies received are receipted in the Business Office. All monies are receipted using pre numbered receipts and are deposited into the district bank account within 24 hours, and according to the 24 hour rule. The Business Manager verifies all receipts posted as being deposited as part of the reconciliation of the bank account.

Business office personnel record all funds received in the Business Office to the Financial Management System. The recording of these receipts is rotated so that no one employee handles all receipts. Each receipt has a description of payment and has sufficient documentation for review by the IPA or Independent Public Accountant. These entries include the source, date, amount, fund, receipt number, and a description of the payment. For monies received by mail, the business office staff assigned to mail duty reviews the incoming mail and delivers a log of all receipts and the monies to the appropriate business office personnel who receipt the funds and record the amount to the appropriate fund. For monies received by ACH transfer and/or electronically, the same process is utilized, but the accompanying documents are generated by the bank and/or Public Education Department, and attached as appropriate. The original Financial Management System receipt is attached to the documents posted and recorded into the Financial Management System. There is no need for a separate, manually written receipt. Monies received at the school are receipted using pre-numbered receipts. The school secretary is responsible for depositing all funds within 24 hours using the 24-hour rule. A monthly recap or revenue report is generated in the Business Office and reconciled with the bank statement. Fund raising activities by students must always provide the user with a product or service and the method of accounting for funds collected before the fund raiser form will be approved. Training is provided at CCC to ensure anyone handling funds is aware of correct procedures

#### ACCOUNTS RECEIVABLE

Coral Community Charter is responsible for monitoring the collection of all amounts due from other departments and/or outside agencies including the Public Education Department. Cash Requests or reimbursement requests are entered in OBMS and a copy of the request is filed in the grant file. Invoices are prepared and approved by the Business Office Support person. The responsibility for the collection rests with Business Manager.

#### INVESTMENTS

Coral Community Charter's accounts for all monies placed in interest bearing accounts by fund. Excess cash balances in the bank accounts generate interest which is credited by the financial institution on a monthly basis. The amount of interest earned is receipted and recorded to the Financial Management System when the credit is received. Excess cash balances can also be invested using the State Investment Pool as authorized by the Governance Council. Investments are made by either issuing a check or by wire transfer. A paper trail is automatically produced with this procedure and the transaction is entered into the Financial Management System through the Accounts Payable System or by Business Office personnel other than the one generating the wire transfer. An investment register is maintained by the Business Manager and updated monthly. The register itemizes the type of investment, investment date, maturity date, investment institution, and the amount of investment. Interest to be earned is calculated at this time and made a part of the report. Correspondence with each banking institution is documented periodically and available for review by the auditor on an annual basis. A safekeeping receipts register is maintained by the Business Manager to track and monitor the pledging requirements for each financial institution, as required by state statute. The register

itemizes the safekeeping receipt number, description of the security, maturity date, amount, market value, pledge date, release date and released securities.

#### INVENTORY

All CCC equipment and items of tangible value (over \$1,000.00) are identified in a permanent way using pre-numbered tags. It is the responsibility of the "Inventory Contact Person" assigned by the site administrator at the school site to ensure that all equipment delivered to their location is appropriately marked. The Business Manager maintains fixed asset inventory records in the school's Business Office. The inventory database includes the inventory tag number, a description of the item, the serial number, the purchase order number, the acquisition date, the fund code, the location number and the building room/department number. Annual review of the current years' purchases is made by the site administrator and the "inventory contact person". All adjustments to the records are given to the Business Office for updating. All requests for removal of surplus property, deletions, and discards must be approved by the Governance Council if the amount is over \$10,000. Items should never be removed, transferred, or sold without expressed written approval of the Business Office.

#### SPECIAL REVENUE FUNDS

All proposals prepared by staff for special funding require administrative approval from the Head Administrator. Original and approved proposals are then submitted to the Head Administrator for final approval and signature. These procedures must be adhered to ensure proper budget authorization is obtained in a timely manner and prior to the expenditure of any monies.

Upon receipt of an award notice, a budget document is prepared and submitted to the Business Office for review and processing. New Budget Adjustment Requests are presented to the Governance Council for approval as applicable and then forwarded to the School Budget Finance and Analysis Bureau at the Public Education Department via OBMS for final approval as applicable. Special revenue fund approvals are then entered into the Financial Management System of the District and monitored by the Business Manager. The program manager Business Manager is responsible for program compliance with regard to the nature of the grant guidelines and the Head Administrator is responsible for the fiscal aspects of the award with oversight by the Business Manager.

#### INSURANCE

The New Mexico Public School Insurance Authority provides insurance for employee benefits and property and liability coverage. Premiums are determined for health, vision, and dental coverage by the Authority and their staff with procedures set by statute. Property and Liability coverage are determined by a claims loss ratio established by the New Mexico Insurance Authority and their brokers, Poms and Associates. A Memorandum of Coverage is provided to the CCC and forwarded to the Independent Public Accountant for review annually.



## ANNUAL AUDIT

Coral Community Charter will participate in the Annual Audit as required by the Audit Act [12-6-1 NMSA 1978]. An accredited auditor will be chosen by the approved list provided by the PED. CCC will incur required costs as noted in the budget. The auditor will have access to all financial documents necessary to complete the audit in a timely manner. The business manager and head administrator will comply with all requests. The business manager, head administrator and GC Chairperson will attend the audit conference. Audit findings indicated by the audit review will be responded to and corrected in a timely manner.

## REPORTING

Monthly reports are prepared and maintained by CCC. The Head Administrator reviews bank statements and a monthly reconciliation is performed by the Business Manager. The Business Manager reconciles each fund's activities on a year to date basis to determine all adjustments have been made to the Financial Management System correctly. The Business Manager is responsible for ensuring the reports are prepared accurately and timely. Any discrepancies are reported immediately to the appropriate business office staff member for correction. Access to the Financial Management System is limited and initiated by a password procedure. This limited access is established in an effort to ensure records will not be altered and accountability can be maintained. Reports are then filed and maintained as per the Schedule for Retention and Disposition of Records.

Adopted by the Governance Council this day of March 27, 2012