

INTERNAL CONTROLS AND PROCEDURES CORAL COMMUNITY CHARTER SCHOOL

GENERAL

Coral Community Charter School (CCCS or School) 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 the school follow all applicable laws including The Governmental Accounting Standards Board.

CONTROL FRAMEWORK

CCCS has implemented an internal control system and framework based on its internal and external needs. It is the policy of the CCCS 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 CCCS that its own internal control framework and review evaluations:

- Be free from bias;
- Permit reasonably consistent qualitative and quantitative measurements of CCCS'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

CCCS 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

CCCS 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. CCCS's Governance Council Policies and meeting agendas are maintained on the school's website 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 ensure proper approvals and processes are in place.

PERSONNEL

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. Financial Management System access is reviewed at the beginning of the fiscal year, quarterly, when a new person receives access, and after any major Financial Management System version upgrades are completed.

- Transaction Authorization. The budget is allocated to CCCS 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.
- Transaction Recording. Transactions are recorded at the time of authorization resulting in the encumbrance of the budget. The school Business Manager is responsible for verifying the amounts, the classification to the appropriate account codes, and the proper authorization of all transactions prior to posting to the Financial Management System. All source documents (checks warrants, etc.) used to record transactions are official School, District, or Department (where applicable) 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.
- Safekeeping Assets. Access to assets is limited to the Head Administrator or her designee. The designee may vary depending on the asset needing safekeeping. Each designee may be responsible for monitoring the access of building, vehicles, cash, prescription medication, or 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, reviewed by the Finance Committee, and approved by the Governance Council. The fixed asset list is maintained and reconciled to the general ledger by the Business Manager and verified annually by the Finance Committee of CCCS. This list is also regularly monitored by school administrative staff.

RISK ASSESSMENT

CCCS regularly analyzes Internal Controls Procedures to ensure compliance. Emphasis is on communication to ensure that each employee is aware of necessary processes to meet certain objectives. The school will hold meetings at least annually with key personnel to ensure that Internal Control Procedures are being followed and that employees involved with the acquisition and disposal of assets are thoroughly trained and informed of proper procedures.

CONTROL ACTIVITIES

BUDGET

CCCS 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 by the Business Manager. The school's Budget Committee will provide input regarding budgetary issues. Selection for

the Committee is designed to insure representation from the Governance Council, school staff and members of the community.

The Head Administrator will ensure that all state laws and PED requirements are met with regards to proper positions and staff salaries. The deadline for submitting the budget to the PED via the OBMS (Operating Budget Management System) will be determined by the school's budget analyst.

Once a balanced budget is developed by the Head Administrator and Business Manager, the Governing Council will approve the budget at a public meeting. This meeting must be held each year prior to June 20th. The notice of the public hearing for the approval of the budget shall be published in accordance with the Open Meetings Act, Section 10-15-1 et seq. 1978, Public School Code, and Governing Council policy. Once the budget has been approved by the Governance Council and the local authorizer the Business Manager will submit the budget to the Public Education Department as required.

The approved and certified budget constitutes the Operating Budget, which is authorization for the CCCS to begin operations on July 1 of each fiscal year. The Business Manager integrates the Operating Budget formally into the Financial Management prior to or on July 1 by uploading the budget spreadsheets.

FINAL CASH BALANCES

Upon completion of the final close for each fiscal year, CCCS 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, then CCCS 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 CCCS 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 OBMS for approval. Budget adjustments, which do not alter the total amount of the budget, are processed as follows:

Intra-budget transfers – Transfers between expenditure account codes within the same function are prepared as Maintenance BARs and presented to the Governance Council (GC) for approval at the regularly scheduled Council meetings. Once approved by the GC, the adjustments are recorded in the Financial Management System and into the OBMS. No further approvals are needed from Public Education Department.

Inter-budget transfers—Transfers between expenditure account codes outside of the same function are prepared as Transfer BARs and presented to the Governance Council for approval at the regularly

scheduled Council meetings. 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.

Budget changes – Increases or decreases to the approved budget are prepared as either an Increase or Decrease BAR and presented to the Governance Council for approval at the regularly scheduled Council meetings. The increase or decrease request is 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.

BUDGET REPORTING

The Business Manager will submit periodic financial reports to the PED using the OBMS system. The reporting periods will be determined by the school's budget analyst. Reports sent to the PED and the local authorizer are due the last day of the month following the end of the reporting period. Extensions may be requested by the Business Manager and must be approved by the school's budget analyst.

The Business Manager will present detailed financial reports to the Governing Council at its regular meetings. These reports will include a detailed report showing expenditures and revenues in all line items used by the school. Accompanying these reports will be a monthly check register. Any BARs needing approval shall be attached to these reports.

FINANCE SUBCOMMITTEE

The Governance Council shall appoint at least two members of the GC as a finance subcommittee to assist the GC in carrying out its budget and finance duties. The finance subcommittee shall make recommendations to the GC in the following areas:

- Financial planning, including reviews of the school's revenue and expenditure projections
- Review of financial statements and monthly monitoring of revenues and expenses, payroll liabilities, and bank reconciliations
- Annual budget preparation and oversight
- Procurement
- External monitoring on budget and other financial matters

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 Representative will obtain a Personnel Action Request (PAR) containing employment information (staffing cost multiplier, fund to be paid from, background check, training verification, license verification) is submitted to the Business Manager and Student Information System Manager for new or replacement personnel by the Head Administrator. The Business Manager and Student Information System Manager will verify the data supplied by the Head Administrator and enter or import the

information into the Financial Management System and Student Information System. All payrolls are processed from the approved employment contracts.

The Business Manager and/or Third Party Agent submits the payroll for approval from the Head Administrator, who initials the Payroll Payment Report. This approval covers all tax, insurance, retirement and annuity payments associated with that payroll. The Head Administer approves all payroll disbursement online with the bank once the business office has submitted the disbursement requests to the bank. The Business Manager and/or Third Party Agent prepares payroll checks/direct deposits and records all information in the accounting software. Payroll tax and retirement reports are prepared by the Business Manager and/or Third Party Agent and paid on a timely basis, meeting all payment deadlines.

CCCS may choose to use an outside source in order to prepare and process payroll instead of processing in house. If processed in house, the Business Manager 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. A report is generated from the accounting software to be used for the verification process prior to the generation of the payroll checks.

CCCS maintains one payroll bank account, which is used as a clearing account for all payments 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 and Head Administrator processing the direct deposits and federal tax payments.

All employees are paid twice a month by direct deposit and payments are prorated according to the services rendered and to insure 24 checks throughout the calendar years. Employees who are no longer employed may receive their final paycheck before the next scheduled payroll at the discretion of the Executive Director.

The school's Business Manager 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 Business Manager and/or Third Party Agent and are reviewed regularly by the School Finance Committee.

CONTRACTS

The Governance Council recognizes that in order to accomplish the specific mission, goals, and objectives of the school, the administration must enter into contracts for specific purposes. Furthermore, the GC recognizes that it is in the school's best financial interest to secure services on an as-needed basis rather than employ full-time personnel to fulfill short-term needs or requirements – as allowed by the State Procurement Code.

The GC authorizes the administration to seek contractual services wherever it is deemed appropriate.

The Chief Procurement Officer will keep and maintain a contract file evidencing the obtained information that is required for procurement. Written contracts clearly defining work to be performed

will be maintained for all contract service providers (i.e., consultants, independent contractors, subcontractors). If the contract service provider is a sole proprietor or a partnership the Chief Procurement Officer will obtain a W-9 from the contract service provider prior to submitting any requests for payments. The Head Administrator will be responsible for ensuring the terms of the contracts are fulfilled.

The GC shall be notified at each meeting of any contracts entered into on behalf of the school in excess of \$10,000 but less than \$60,000.

TRANSACTIONAL PROCEDURES

The Business Manager is responsible for monitoring the budget, making sure that all purchases are appropriate and necessary, and processing all requisition forms, purchase orders, check requests, and travel reimbursements. Additionally, the Business Manager must ensure compliance with all applicable federal statutes and regulations, and state statutes and rules relating to financial procedures. Independent of Governing Council approval, the Business Manager is ultimately responsible for monitoring school assets, financial resources, and building usage, and therefore is required to alert the GC to any instances which may be cause for concern.

PURCHASING

All purchases which expend public school money fall under the definition of purchase from public funds and are subject to the New Mexico Procurement Code, as well as all other applicable law.

The Procurement Code shall apply to every expenditure by CCCS for the procurement of items of tangible personal property, services and construction. If federal law or regulations are found to be in direct conflict with state requirements, compliance with federal law or regulations shall be considered as compliance with the Procurement Code.

The CPO may be the Business Manager of the school or other school administrative staff. The CPO is responsible for the control of procurement of items of tangible personal property, services or construction of a local public body. The CPO shall be properly trained and registered as required by applicable law.

Pursuant to New Mexico statute only certified Chief Procurement Officers may do the following, except that persons using procurement cards may continue to issue purchase orders and authorize small purchases:

- (1) Make determinations, including determinations regarding exemptions, pursuant to the Procurement Code;
- (2) Issue purchase orders and authorize small purchases pursuant to the Procurement Code;
- and
- (3) Approve procurement pursuant to the Procurement Code.

The CPO shall be responsible for ensuring all training and registration requirements of this position are met.

The CPO will purchase or authorize the purchase, rent, lease, or otherwise acquire on behalf of the school all items of tangible personal property, services, or construction. All purchases will be strictly in

accordance with the laws of the State of New Mexico and federal law in addition to applicable policies and procedures of the Board and State Public Education Department. This manual of purchasing policies and procedures shall be reviewed and approved by the GC as part of the school's financial policies and procedures.

All purchases must be approved by the Head Administrator. The initial purchase request is first received by the Chief Procurement Officer. The Chief Procurement Officer then checks with the budget before approving or denying the request, and obtains proper documentation required for the purchase order. If the purchase requisition is approved, the Chief Procurement Officer or Business Manager creates a purchase order electronically through the school's Financial Management System. The Chief Procurement Officer will then review the purchase request for procurement and accuracy. Once verified the Chief Procurement Officer will issue a purchase order electronically through the school's Financial Management System. Purchase Orders are issued and approved by the Chief Procurement Officer of the School and the amount is encumbered into the encumbrance ledger. The Chief Procurement Officer will ensure the purchase order packet contains all required documents, such as Vendor Conflict of Interest, W-9, Quote, and Purchase Order. The Chief Procurement Officer will also add items to the Inventory List if it falls under the description for Fixed Assets. The Purchase Order shall also be approved by the Head Administrator, and a copy shall be given to the employee to order the requested item(s). The Chief Procurement Officer will include a Non-Taxable Certificate for all purchases of tangible goods.

The following purchasing practices will be followed in accordance with the New Mexico Procurement Code Sections 13-1-28 through 13-1-199 NMSA 1978:

- I. The school may procure services, construction or items of tangible personal property that range from \$0.01 - \$19,999.99, excluding applicable state and local gross receipts taxes, by issuing a direct purchase order to a contractor based upon the best obtainable price. The school will select the best value for their money, which may not always be the least expensive. The School will consider all aspects of value including timeliness and quality of work to decide which is the best.
- II. The school may procure professional services that range from \$0.01 - \$60,000.00, excluding applicable state and local gross receipts taxes, in accordance with professional services procurement rules promulgated by the general services department or a central purchasing office with the authority to issue rules Section 13-1-125 NMSA 1978. Professional services are defined in Section 13-1-76 & 87 NMSA 1978.
- III. The school may procure services, construction or items of tangible personal property that range from \$20,000.00 - \$59,999.99, excluding applicable state and local gross receipts taxes, by obtaining 3 written quotes, unless using a Cooperative Purchasing Agent, joint procurement, sole procurement of any other exemption under the Procurement Code;
- IV. Any goods or contract (service or professional) equal to or more than \$60,000.00, excluding applicable state and local gross receipts taxes, will require an existing statewide price agreement, an existing contract, or the procurement methods set forth in the New Mexico State Procurement Code and accompanying regulations of this rule are not used, the competitive sealed bid or competitive sealed proposal methods of procurement shall apply. The winning bid/quote, unless using a Cooperative Purchasing Agent, must be approved by the board and have formally been a submitted bid processed by the Chief Procurement Officer as outlined in Sections 13-1-28 through 13-1-199 NMSA 1978.

- V. If the lowest quotation is not acceptable, the Chief Procurement Officer must issue a written determination as to the reasons for such a decision. These reasons must not be arbitrary or capricious. The written determination becomes a part of the procurement file.

RECEIVING

The merchandise ordered is delivered directly to the end user. The Inventory Contact Person will verify receipt, check off all items on the packing slip/invoice and indicate this on a copy of the Purchase Order. The vendor then will invoice the school after the products have been received and the School will pay the invoice based on the approved Purchase Order. Once this document has been received by the Business Office, release of payment can be made to the vendor by the Business Manager. Payment of invoices shall be made by the Business Manager within 30 days of receipt of invoice or within agreed upon terms.

ACCOUNTS PAYABLE

All vendor invoices are provided to the Business Manager. 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. The Business Manager checks 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. A purchase order will not be created when an over payment has been made and needs to be paid back to the appropriate vendor or agency, as a direct payment will be issued.

All blank check stock is stored in a locked cabinet in the office of the Chief Procurement Officer and/or Third Party Agent. Access to this office and locked cabinet is limited. All checks are numbered sequentially by the financial management system and encoded with a signature and this signature has limited access. All Accounts Payable checks will state on the check, payment will be void after one year.

The Business Manager reviews invoices to match with Purchase Order when applicable and then generates an accounts payable payment within the Financial Management System and includes the vendor invoices for payments. Vendor invoices are submitted and approved within the payment by the Business Manager, which then the payments are verified with the invoice for accuracy prior to the final approval and printing or making payment to the accounts payable. The checks are then approved and signed by two authorized persons, and reviewed by the Head Administrator. Electronic payments and ACH payments are authorized to be made to vendors for accounts payable. ACH payments made from the school bank account will have two levels of payment approval; one from the Business Manager and one from the Executive Director.

BANK RECONCILIATIONS/REVIEW OF BANK STATEMENTS AND FINANCIALS

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. All bank accounts shall be reconciled on a monthly basis. Monthly bank statements, bank account reconciliations, and financial statements will be verified for accuracy by the Business Manager and submitted to the Governance Council for review prior to its regular meeting at which approval of the Council on the reconciliation will be sought.

REQUEST FOR REIMBURSEMENT (RFR)

The Business Manager prepares all supporting documents for RFRs. Once the documents are prepared, the Head Administrator reviews the RFRs for appropriateness and calculations and approves them by initialing each document. The Business Manager then submits the documents and RFRs to OBMS. All RFRs are reviewed by the Finance Committee on a regular basis.

PER DIEM & MILEAGE ACT

Employees and Governance Council Members of CCCS 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. Mileage will be reimbursed for all home visits required for Preschool students per requirements of the Preschool program. Per Diem and the Mileage Rate will be processed in accordance with the New Mexico Department of Finance and Administration (NMDFA) regulations posted on the NMDFA website and the IRS rate as of January 1st of the previous year for a distance greater than 50 miles from Coral Community Charter School when the employee is away on official business. The Business Manager will check the NMDFA website each January to ensure the school complies with the most updated regulations.

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 Manager 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.

CASH RECEIPTS

All operational monies received are receipted by school administrative staff. All monies are receipted using pre numbered receipts and are deposited into the school 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 Manager records all funds received in the Business Office to the Financial Management System. The recording of these receipts will follow segregation of duties so that no one employee handles all of the processes in handling cash receipts. Each receipt has a description of payment and has sufficient documentation for review by the auditors. These entries include the source, date, amount, fund, receipt number, and a description of the payment.

For monies received by mail, the school administrative staff assigned to mail duty reviews the incoming mail and places checks and other receipts in the locked deposit box. The school administrative staff checks the deposit box daily and receipts the funds. The Business Manager records the amount to the appropriate fund after a deposit has been made.

The Business Manager will make the entry in the Financial Management System for all money received by direct deposit into the school's bank account. These funds are directly handled at the school and the Business Manager is the only person in the Business Office who has access to the bank account. The original deposit is posted and recorded into the Financial Management System and a report is attached to the accompanying documents as appropriate. There is no need for a separate, manually written receipt.

Monies received at the School are receipted using pre-numbered receipts. School administrative staff is responsible for depositing all funds within 24 hours using the 24-hour rule. A monthly recap or revenue report is generated by the Business Manager and reconciled with the bank statement.

ACCOUNTS RECEIVABLE

CCCS 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 Manager. The responsibility for the collection rests with the Business Manager.

INVESTMENTS

CCCS does not invest any of their funds in any interest accounts.

DEBT

New Mexico state law prohibits Charter Schools from carrying any debt outside of routine accounts payable and lease to purchase for a facility.

INVENTORY

All CCCS equipment and items of tangible value are identified in a permanent way using pre-numbered tags. It is the responsibility of the Inventory Contact Person assigned by the Head 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 Head Administrator and the Inventory Contact Person. All adjustments to the records are given to the Inventory Contact Person for updating. All requests for removal of surplus property, deletions, and discards must follow applicable property disposal laws.

FIXED ASSETS & ASSET CAPITALIZATION

The school will capitalize and depreciate annually all assets of \$5,000 or more as required by the State of New Mexico. Capital Assets are defined as tangible or intangible property owned by the school which meets the definition and minimum dollar amount for capitalization as determined by statute, and as may be amended from time to time by legislative mandate. Capitalized assets are recorded at cost and depreciated under the straight-line method over their estimated useful lives as required by either the New Mexico Public Education Department 'Manual of Procedures PSAB12 Capital Assets' or the New Mexico Department of Finance & Administration 'Manual of Model Accounting Practices' guidelines. The school will keep a depreciation schedule for all assets \$5,000 or greater.

All assets purchased with an individual value of less than \$5,000, will be recognized as non-depreciable assets and will be expenses in the year incurred.

Assets sold, retired, lost, or stolen and related amounts of accumulated depreciation will be removed from the depreciation schedule during the annual audit.

Depreciation expense is recognized for financial statement purposes at year-end only. For budgetary purposes, the full acquisition cost of a capital asset is recognized at the time of acquisition. The depreciated term at year-end will be rounded to the closest half-month based on the asset's acquisition date.

Capital assets which are deemed to be obsolete or no longer meet the requirements of the school may be disposed of pursuant to NMSA (1978) 13-6-1 to 13-6-4, Sale Of Public Property, transferred to another office or classroom, or traded-in. An Inventory disposition form must be prepared and presented to the Governance Council for all inventory dispositions. Upon approval of the disposition, each member of the Governance Council making up the voting quorum must sign the disposition. Each Fixed Asset Disposal should be identified on the disposition form and any Fixed Asset disposal with a market value exceeding \$5,000 must be accompanied by a form PED-947. Pursuant to NMSA (1978) 13-6-1 and 13-6-2, all licensed software and any electronic media (computer hard drives) must be completely erased before being disposed of. The School's Inventory Contact Person shall retain the approved forms to preserve the integrity of the asset records.

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 Manager 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 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 claim's loss ratio established by the New Mexico Insurance Authority and their brokers, Poms and Associates. A Memorandum of Coverage is provided to the CCCS and forwarded to the Independent Public Accountant for review annually.

ANNUAL AUDIT

CCCS 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 State Auditor's Office. CCCS 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 and school administrative staff will both review the Account Receivables and Account Payables audit template prior to submission to ensure all applicable invoices and payments have been included. The Business Manager, Head Administrator and GC Chairperson or designee will attend the audit conference. Audit findings indicated by the audit review will be responded to and corrected in a timely manner.

As per State of NM, 2010 NMSA 1978, (22-8-12-3), the Governing Council shall appoint an audit committee consisting of two Governing Council members, one volunteer member who is a parent of a student attending CCCS and one volunteer member who has experience in accounting or financial matters. The Head Administrator and the Business Manager shall serve as ex-officio members of the subcommittee. This committee will be chosen by May 30.

The audit committee shall:

- recommend the selection of the financial auditor if not previously selected by the charter's authorizer;
- attend the entrance and exit conferences for annual and special audits;
- meet with external financial auditors at least monthly after audit field work begins until the conclusion of the audit;
- be accessible to the external financial auditors as requested to facilitate communication with the Council and the Head Administrator;
- track and report progress on the status of the most recent audit findings and advise the Council on policy changes needed to address audit findings;
- provide other advice and assistance as requested by the Council; and

- be subject to the same requirements regarding the confidentiality of audit information as those imposed upon the Council by the Audit Act and rules of the state auditor.

REPORTING

Monthly reports are prepared and maintained by CCCS. 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 Finance Committee will review in detail and the Governance Council will approve the financial reports at its regular meetings. These include review and approval of Request for Reimbursements (RfR), bank reconciliation, monthly payroll liabilities, new hire ERB/RHC classifications, purchase orders, and review of budget to actual to ensure that balances agree to the general ledger. The Business Manager will be responsible for closing out monthly records in the accounting software once all information has been reviewed and approved by the Governance Council.

The Business Manager will additionally provide the following reports to the Governance Council prior to their regular monthly meeting:

1. Budget to Actual – Statement of Revenue / Expense and Summaries
2. Balance Sheet
3. Listing of bills, disbursements, and receipts
4. Listing of purchase orders issued since last report
5. Government funding update
6. Bank reconciliation to general ledger

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.

Pursuant to NMSA Section 13-1-38.1 each local public body shall have a Chief Procurement Officer (CPO). The CPO may be the Business Manager of the School or other School administrative staff. The CPO is responsible for the control of procurement of items of tangible personal property, services or construction of a local public body. The CPO shall be properly trained and registered as required by applicable law.

Pursuant to New Mexico statute only certified Chief Procurement Officers may do the following, except that persons using procurement cards may continue to issue purchase orders and authorize small purchases:

- (1) Make determinations, including determinations regarding exemptions, pursuant to the Procurement Code;

- (2) Issue purchase orders and authorize small purchases pursuant to the Procurement Code;
and
- (3) Approve procurement pursuant to the Procurement Code.

Adopted by the Governance Council this day of June 11, 2024.