Carolus Online Academy

(COA)

FISCAL POLICIES & PROCEDURES

Adopted by Board of Directors – 7/20/2023, revised 6/18/2026.

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I. Introduction

Policy Overview

The purpose of this document is to provide an overview of internal control policies to be followed by Carolus Online Academy/COA (hereafter also referred to as "School") and all Board-authorized designees and Stride – K12 Inc. ("K12")-employed staff that provide support to the School. The policies cover asset management, accounting, and financial reporting.

The Board's Board Chair, Board Treasurer, or other Board designee, K12's School Finance and Managed School Accounting (MSA) or jointly, the K12 School Financial Services (SFS) group, K12 Human Resources, K12 Payroll and K12 Regional Information Technology (IT) support and enforce these policies.

Internal controls are the methods and procedures used to provide reasonable assurance to items including:

- Safeguard assets
- Ensure validity of financial reports and records
- Promote adherence to policies, procedures, regulations, and laws
- Promote effectiveness and efficiency of operations
- Ensure financial systems are secure and backed up as needed
- Separation of duties

Audience

This policy is intended for the School Board, School Management, Board-authorized designees, K12-employed Staff, and other personnel assigned to support the school.

Policy Exceptions

Regulatory requirements and service agreements may modify the policy for the School; however, these changes must be documented in edits or an addendum to this document and approved by the School Board.

Annual Review of Fiscal Policies and Procedures

The Board Chair, Board Treasurer, or other Board designee, Executive Director (ED), the Operations Manager / Department Head and K12 SFS will monitor changes in authoritative guidance and regulations and recommend changes to the School's fiscal policies and procedures as necessary.

The Fiscal Policies & Procedures (FP&Ps) will be updated, reviewed, and approved by the Board annually, or sooner if policy changes and/or additions are necessary. The Board Chair, Board Treasurer, or other Board designee and K12 will make recommendations for updates, if applicable, at least annually.

Other Definitions:

Finance and Accounting support is provided by K12 via the Educational Products & Services Agreement (Services Agreement or EPSA) between the Partner Board and K12 Virtual Schools LLC ("K12"). K12 is a Stride Company.

COA:

Board-authorized Designees:

- Chair
- Board Chair, Board Treasurer, or other Board designee

Stride-K12-employed Staff:

- Executive Director (ED)
- Operations Manager
- School Finance Manager
- Managed School Accountant (MSA Accountant)
- Accounts Payable (AP)

K12 Enterprise Resource Planning Finance & Accounting System (K12 ERP) – currently NetSuite

K12 Accounts Payable Portal – currently Avid

II. Financial Management & Accounting

<u>Accounting, Budgetary Control & Financial Closing – Overview</u>

- A school Finance/Accounting calendar will be maintained.
- The school uses the accrual basis of accounting.
- Fund accounting is used to account for the financial activities of the school.
    - State and Federal funding compliance guidelines are adhered to.
- The preparation of monthly and fiscal year-end financial statements is in accordance with Generally Accepted Accounting Principles (GAAP) and any other State/District/Authorizer-specific reporting requirements.
- Budgets are prepared annually by the Finance Manager and the ED in collaboration with and oversight of the Board Chair, Board Chair, Board Treasurer, or other Board designee, based on projected revenues and expenses. The annual budget and applicable modifications are reviewed and approved by the Board in accordance with appropriate state legislation, Dept of Education/District rules and /or other authorizing agency requirements.
    - In collaboration with the Board Chair, Board Treasurer, or other Board designee, financial reports are provided to the Board via email monthly. Board questions are addressed at applicable Board, Board Finance Committee meetings (if applicable) or other requested meetings.
    - The monthly financial close is performed by K12 MSA.

        - The “Monthly Financial Pack – Accounting Actuals” report is prepared by MSA. Review and approvals are performed by the Board Chair, Board Treasurer, or other Board designee with communication sent to K12 MSA within 30 days of the report’s release.

- The school engages with an independent auditor selected by the Board to:
    - Perform the annual financial audit for the school.
    - Submit the audited financial reports to the appropriate state, Dept of Education, district, and /or another authorizing agency.
    - File Form 990 – To be filed annually by the 15^{th} day of the 5^{th} month following the close of the tax year.
    - The selected auditor(s) will be required to work with the K12 Finance and MSA teams.

<u>Treasury</u>

Authorization, Review/Approval and Delegation of Authority

- Banking
    - The School Board, or their designee, must authorize the opening of a bank account(s)
    - The Board Chair, Board Treasurer, or other Board designee, Executive Director (ED) and K12 SFS will review and update the bank authorized signatories at least annually, or with changes in School staff personnel and Board composition, confirm this review to School Board of Directors, however upon termination or change in job responsibility of a check signor, the bank authorized signatures must be updated immediately.
        - Board vs K12 authorizations and General vs Online Banking Accesses:
            - The Signatories/ Agents and Names/Titles for all School bank accounts are included in the Delegation of Authority/Approvals Matrix included as Appendix C to this document.
            - The School Board, or their designee, has authority to grant “Read-only or View Access” into the school electronic banking system for K12 personnel and any other documents needed to support the finance and accounting functions in accordance with the K12 Services Agreement with the school.
            - Other online banking credentials are included in the Delegation of Authority/Approvals Matrix.
    - See below for bank reconciliations processes.
- Debit cards issued on School bank accounts are not authorized. Credit cards are discouraged. If the Board chooses to approve the use of credit cards, reconciliations consistent with cash/bank reconciliations would be required to be prepared by the School and to be sent to the MSA accountant. In addition, <u>all receipts must be kept and forwarded</u> to the MSA accountant as backup to the reconciliation. **See Appendix F for the Credit Card Policy.**

  - Names/Titles of School credit cards approved and issued that are attached to the school bank accounts and associated custody are included in the Delegation of Authority/Approvals Matrix.

- Petty cash funds are not allowed; however, where necessary, cash fund should not exceed $100. A log of cash expenditures must be kept by a local school designee and reconciled prior to any replenishment. This asset must be secured and locked for safeguarding purposes.
- Checks must never be written for cash.
- Review/Approvals of Expenditures
  - Two signatures are required for payments for expenditures greater than $5,000 (recommended.)
  - The Board Chair, Board Treasurer, or other Board designee are authorized to approve financial transactions in accordance with school by-laws and delegation by the Board of Directors as included in the Delegation of Authority/Approval Matrix.
  - The Stride-employed ED is delegated by the Board to review recommendations for approvals for expenditures on behalf of the Board for School operational purchases as outlined in K12/School Educational Services Agreement (Also reference Expenditure – General Funds, Authorization and Approval).
  - Cash balances shall not be reduced below zero.
- Public fund balances over $250K must be insured (e.g., collateralization, other). (recommended)
  - Will discuss with the School's Bank on options.
- Due to Escheatment laws in all 50 states, uncashed checks cannot be written off. Uncashed checks will remain on the bank reconciliation until the disbursement is deemed "unclaimed property" by its designated state (payee or vendor state address.) Once escheatable, the unclaimed property will be reported to and turned over to the appropriate states.
  - To prevent unclaimed property, designated school personnel will review the listing of uncashed checks with their Finance / Accounting business partner's. Efforts to contact those individuals, update addresses and re-direct payments on outstanding checks 90 days and older will assist in the prevention of unclaimed property.
- Pay Pal, or other similar Accounts may be coordinated through K12 SFS to manage incidental student activities (field trips, events etc.) where necessary. The accounts must be tracked through the General Ledger and follow the standard monthly account reconciliation and review process.
- Transfers from School bank accounts to other Board accounts, including reserve amounts, require Board approval and incorporation in Board or subcommittee meeting minutes to include:
  - The timing of the reserve or other checks.
  - Amount of the check and support for calculation (it is recommended that this support for the calculation be provided by K12 School Finance).
  - A Board-prepared check request for reserve or other requested School funds with supporting documentation that is sent to MSA for entry and check processing.

– All support documentation for spending of reserve funds must be forwarded to MSA for fund reconciliation purposes and compliance with federal, state and local requirements

Check Custodial and Security Arrangements:

- Check payments are printed via a Magnetic Ink Character Recognition (MICR) toner cartridge. The banking industry uses these toners for check processing. MICR toners print the check number, the routing number and account number at the time of check printing. As such securing of blank check stock is appropriate, as no routing and account details are preprinted.
- Checks voided for any reason are processed in the ERP system by MSA Accounts Payable. If a school determines that a check in their custody needs to be voided, they must contact MSA Accounts Payable or their Managed MSA (MSA) Accountant to ensure the above protocol is followed.

Accounts Receivable

- Deposits of state student funding and federal grants should be routed to automatically deposit into School bank account, if functionality exists. A copy of all backup documentation for direct deposits must be sent to MSA and School Finance by the Operations Manager.
- Use of a bank lockbox for funding payments is highly encouraged. Checks should not be sent directly to the school. In the limited cases where checks are received by the school, the following process must be followed:
    - Operations Manager or a local school designee opens the mail and maintains a ledger of all checks received.
    - Checks are deposited into the school bank account by the Operations Manager or ED within one day of receipt. The Operations Manager provides a copy of all deposit backup documentation to MSA and School Finance.

Monthly Bank Reconciliations

- Bank reconciliations are performed and reviewed monthly for all bank accounts by MSA.
    - Bank statements must be available to MSA through online access (view only) or by paper statements.
    - Bank reconciliations are performed by MSA and include a beginning cash balance, listing of cleared checks/payments, deposits/credits, un-cleared checks/payments, deposits/credits, and the ending cash balance.
    - The bank reconciliation, with a copy of the bank statement, is included in the Monthly Financial Pack – Accounting Actuals and reviewed/approved by the Board Chair, Board Treasurer, or other Board designee and ED.
    - All deposit and payment activity must be provided to MSA for accounting purposes. Accounts must be reconciled monthly by MSA and be reviewed and approved by the Board Chair, Board Treasurer, or other Board designee.

Signature Policy

The Signature Policy is intended to ensure that commitments of COA resources are properly reviewed and approved by authorized employees. The Policy thus identifies which COS employees are authorized to enter into transactions with external parties on behalf of COA and to submit requisitions for purchases through the COA's Procurement Policy. **See Appendix D and Delegation of Authority Matrix Appendix D for additional details**.

Procurement Policy

To ensure that COA will obtain the maximum value for each dollar expended and that all equipment, materials, and services are procured in a systematic manner, the school must employ selective competitive solicitation by qualified manufacturers and suppliers as stipulated by the Authorizer and state requirements.

- – Procurements will be completely and impartial based strictly on the merits of supplier and contractor proposals and applicable related considerations such as delivery, quantity, etc.
- – Make all purchases in the best interest of the school and its funding sources.
- – Obtain quality supplies/services needed for delivery at the time and place required.
- – Buy from responsible and dependable sources of supply.
- – Obtain maximum value for all expenditures.
- – Deal fairly and impartially with all vendors.
- – Be above suspicion of unethical behavior at all times; avoid any conflict of interest, related parties or even the appearance of a conflict of interest in the school supplier relationships.

- Conflict of Interest
    - – All Stride or school employees and members of the Board of Directors are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business interests of an employee or Board Member conflict with the interests of the organization. Both the fact and the appearance of a conflict of interest should be avoided. See the School's Conflict of Interest Policy and Procedures.
- Standards of Conduct
    - – In accordance with 2 C.F.R. §200.318(c)(1), the School maintains the following standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.
        - ▪ No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or

her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

        - The officers, employees, and agents of the School may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value. See School Conflict of Interest Policy and Procedures for definitions of "nominal value" and "anything of value."

- Organizational Conflicts
    - If a school has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, the school must include written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization. 2 C.F.R §200.318(c)(2).
    - All employees of the school management company will recuse themselves from participation in any procurement where the school management company would have the potential to profit. The CEO of the board and the board will fully manage procurements with this organizational conflict present.
- Disciplinary Actions
    - The School will adhere to disciplinary actions related to Standards of Conduct as outlined in the Employee Handbook.
- Mandatory Disclosure
    - Upon discovery of any potential conflict, the School will disclose in writing the potential conflict to the federal awarding agency in accordance with applicable federal awarding agency policy. The School also discloses in writing to the federal awarding agency or pass-through all violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the award. 2 C.F.R. §§ 200. 112- 200.113.
- Each school/Board should be familiar with their State, Department of education (DOE), Authorizer and /or School District procurement policies.
    - If a school is receiving Federal, State, or other restricted funding (e.g., ESSER funds), the school is required to follow and be compliant with their state/authorizer/school district procurement policies. The school should have these policies readily accessible as this will be required to provide during a school compliance audit.
    - A copy of the state's policy is referenced in Appendix B.
- Purchasing:
    - All service contracts must be supported by a current written contract.
    - General Fund Procurement Documentation and Thresholds
        - For small purchases not exceeding $10,000 in total value, only one quote needs to be obtained if it is considered to be reasonable.

- For small purchases from $10,000 to $25,000 in total value, a minimum of 3 written quotes will need to be obtained. Documentation that the procurement is to the advantage of the School needs to be created and kept with the purchase order/request.
- For Small purchases from $25,000.01 to $50,000 a written Request for Proposal needs to be created. It must be documented that the purchase is to the advantage of the School and this documentation must be kept with the purchase order/request.
- Purchases over $50,000 must be approved by the Board. Under no circumstances shall the Board delegate their responsibilities to a third party.
- The following supplies and services are exempt from the documentation thresholds:
    - Books, periodicals, newspapers, technical pamphlets, standardized tests and other testing materials, copyrighted educational materials, filmstrips, slides and transparencies
    - Public utilities, such as electricity, water or sewer
    - Travel
    - Workshops, seminars, and conferences
    - Professional journals
    - Taxes, social security, annuities, and credit unions
    - Life insurance or supplemental insurance
    - Refunds on health insurance
    - Professional dues, registration and membership fees
    - Diplomas
    - U.S. postage stamps and post office boxes
    - Services and/or supplies provided by the Division of General Services to public procurement units

- Sole Source and Emergency Procurement
    - Where the School's needs can only be met by one method, means or item, sole source is an appropriate and necessary method of procurement. Such determination as to whether a procurement shall be made as a sole source shall be made by the School. Such determination and the basis thereof shall be in writing and shall include an explanation as to why no other source will be suitable or acceptable to meet the need. The Services Agreement between the Board and Stride-K12, and associated services through this agreement, is considered Sole Source Porcurement.
- All Purchases must follow the guidelines of the Federal Programs Handbook – See Appendix B for System for Award Management (SAM) excerpt.
    - The K12 Regional IT team must be consulted on technology purchase and implementation decisions. The IT team will assist in the securing of competitive pricing for computers, monitors, printers, software, and school technology infrastructure components.

        - Equipment must be supportable by the K12 technology infrastructure and meet necessary requirements to ensure the security and privacy of sensitive school data.
        - All K12 curriculum, materials/applications, student computers, testing and other products/services are excluded from this review, and are assumed to have already gone through other checks/approvals.

- Purchase Orders may only be required for restricted/federal fund purchases.
- Any uses and purchases of Gift Cards must be approved by the Board Chair, Board Treasurer, or other Board designee and controlled/ documented:
    - Staff: Gift cards distributed to teachers and other staff are taxable and are not allowed. (if used, payroll and imputed income must be taken into consideration).
    - Students/Families: Review and preapproval by the Board Chair, Board Treasurer, or other Board designee is required prior to purchase. Documentation must include the purpose of the gift cards, intended recipients and timing of distribution.
    - Gift cards must be locked in a secure location with restricted access.

  Monthly reconciliation of remaining gift cards and card distribution must be provided to K12 MSA and included in the Monthly Financial Pack – Accounting Actuals to be reviewed by the Board Chair, Board Treasurer, or other Board designee.

Expenditures - General Funds

Authorization, Review, Approval and Delegation of Authority/Approval Sections

- The Board Chair and Board Chair, Board Treasurer, or other Board designee are approved by the Board to approve and make expenditures on behalf of the School for operational purchases with the Board-approved budget/forecasts, and as outlined in K12/School Services Agreement. See Delegation of Authority/Approvals Matrix.
    – The Stride-employed ED is delegated by the Board to review recommendations for approvals for expenditures on behalf of the Board for School operational purchases as outlined in K12/School Educational Services Agreement (Also reference Expenditure – General Funds, Authorization and Approval).
- Checks must never be written for cash.
- Compensation and any other payments for goods and services may not be paid in advance except for insurance, rent, facility/room rentals and software licenses. A contract for each service must be tied to the service.
- All invoices must be paid in a timely manner, preferably within 30 days.
- Loans to employees and Board members are prohibited under all circumstances.
- Purchase Requisitions/Orders may only be required for restricted/federal fund purchases.

Expenditures - Restricted Funds

Authorization Review and Approval

Expenditures for Restricted Funds follow the same policies for General Funds with the following exceptions:

- K12 School Finance and MSA will work with the Board Chair, Board Treasurer, or other Board designee, ED, and Operations Manager/other applicable School roles within any state and / or federal procurement guidelines. Identified state and / or federal exceptions to the guidelines below will be factored in and documented accordingly.
- The Board Chair, Board Treasurer, or other Board designee, ED, Operations Manager, Department Head and / or approval workflow designees must pre-approve all Restricted Fund employee expenses.
- Purchase requisitions/orders must be completed for all restricted fund purchases and other one-time purchases (this is a manual process). All purchase requisitions/orders must show the amount of the purchase, if known, or if not known an estimate must be made. Prior to reviewing/approving grant expenditures, the Board Chair, Board Treasurer, or other Board designee, ED, and Operations Manager / Department Head must be certain that the expenditures are in accordance with federal or state requirements. Approvals must be secured.
- Prior to purchase. Quotes and/or other backup information must be attached to the purchase requisition/order. Items requiring purchase requisitions/orders include but are not limited to the following: technology purchases such as computers, printers and software, fixed assets, furniture, and equipment such as file cabinets, memberships and training or professional development costs.
    - If purchase requisitions/orders are required, the school will maintain these separately outside of the ERP system.
- All special education provider payments must be approved by the designated Special Education Academic Administrator/Manager or approved designee.
- Noncompetitive Procurement (Federal Funds)
    - All procurement transactions for the acquisition of property or services required under a Federal award must be conducted in a manner providing full and open competition consistent with 2C.F.R §§ 200.319 and 200.320. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:
        - Placing unreasonable requirements on firms in order for them to qualify to do business;
        - Requiring unnecessary experience and excessive bonding;
        - Noncompetitive pricing practices between firms or between affiliated companies;
        - Noncompetitive contracts to consultants that are on retainer contracts;

    - Organizational conflicts of interest;
    - Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and
    - Any arbitrary action in the procurement process.
    - Exception to Noncompetitive Procurement. There are specific circumstances in which noncompetitive procurement can be used. Noncompetitive procurement can only be awarded if one or more of the following circumstances apply:
        - Micro-purchases
        - The item is available only from a single source;
        - The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;
        - The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the School; or
        - After solicitation of a number of sources, competition is determined inadequate.
- When using federal funds, the following must also be met to ensure adequate competition.
    - Geographical Preferences Prohibited: The School must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.
    - Domestic Preference for Procurement: The School, to the greatest extent practicable, provides a preference for the purchase, or acquisition, of goods and products produced in the United States. The District includes this preference in all contracts and purchase orders for work or products using federal funds.
    - Prohibition on Certain Telecommunications Companies: The School will not procure, enter into a contract to procure, or extend or renew a contract to procure covered telecommunications and video surveillance equipment or services described in Public Law 115-232, section 889. Covered telecommunications and video surveillance equipment or services are those produced by Huawei Technologies Company, ZTE Corporation, Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company, or any subsidiary or affiliate of such entities. 2 C.F.R. §
    - 200.216. To ensure compliance, the School will check sam.gov and make certain the vendor for telecommunications and video surveillance equipment is not excluded under this prohibition.

  - Never Contract with the Enemy: The School complies with the regulations implementing Never Contract with the Enemy in 2 CFR part 183 prohibiting contracts, grants and cooperative agreements that exceed $50,000, are performed outside the U.S. and its territories, and are in support of a contingency operation in which members of the Armed Forces are actively engaged in hostilities. 2 C.F.R. §200.215.
  - Prequalified Lists: The School must ensure that 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. Also, the District must not preclude potential bidders from qualifying during the solicitation period.
- Public Notice
  - Public notice of the invitation for proposal shall be given. Such notice may include publication on the School's website. Proposal time will be set to provide the vendors a reasonable time to prepare their proposals. A minimum of ten (10) days shall be provided by the School.
- Bid Opening
  - Proposals over $50,000 shall be publicly opened, but only the names of the offerors disclosed at the proposal opening. Contents of competing proposals shall not be disclosed during the process of opening or negotiation. All proposals shall be recorded at the time of opening and shall be opened for public inspection after contract award. Proprietary or confidential information marked as such in each proposal shall not be disclosed without written consent of the offeror.
- Request for Qualifications
  - Prior to soliciting proposals, and after giving adequate public notice, the School may issue a request for qualifications, experience, and ability to perform the requirements of the contract from prospective offerors. At a minimum, the request shall contain a description of the goods or services to be solicited by the invitation for proposal and the general scope of the work. The request shall also contain the deadline for submission of information and how prospective offerors may apply for consideration.
  - After the School receives the responses, it will rank prospective offerors from most qualified to least qualified on the basis of the information provided. The School shall then invite vendors from at least the top two prospective offerors.
- Negotiations with responsible offerors and revisions to proposals
  - As provided in the request for proposals, negotiations may be conducted with any offeror submitting a proposal appearing to be eligible for contract award pursuant to the selection criteria set forth in the request for proposals. All apparently eligible offerors shall be afforded the opportunity to submit best and final proposals if negotiations with any other offeror result in a material alteration to the request for proposals and such an alteration has a cost consequence that may alter the order of offerors' price quotations contained in their initial proposals. In conducting negotiations, there shall be no disclosure of information derived from proposals submitted by any competing offerors.

- Evaluation
    - The request for proposals shall state the evaluation factors in relative order of importance. Price may not be an initial evaluation factor. Each responsive and responsible offeror's proposal shall be evaluated. The proposal shall then be ranked in accordance with the results of such evaluation.
- Award
    - The award shall be made to the responsible offeror whose proposal is determined in writing to be most advantageous to the School, taking into consideration the evaluation factors set forth in the request for proposals. No other factors or criteria shall be used in the evaluation. The contract file shall contain the basis on which the award is made.
- Contracts
    - All contracts must be approved per the Signature and Requisition Authority policy. The School will maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Invoice Processing

- K12's Accounting ERP platform (ERP) includes an MSA Accounts Payable portal (APP) A designee at the school scans invoices received locally and saves in a PDF format. The PDFs are emailed to the APPMSA Accounts Payable. Once received in the APP, invoices are indexed which creates a digital copy of the invoice and connects the invoice to the correct school subsidiary designation within the ERP. After this step, invoices are routed to the school's review/approval workflow.
    - If there are any exceptions flagged in the above process (Image issues, Duplicate invoice #s, or New Suppliers that requires setup) the exceptions are reviewed by the MSA Accounts Payable team. Once exceptions are resolved, MSA Accounts Payable routes invoices to the school's review/approval workflow.
    - New Vendors
        - All new approved vendors will require an approved vendor set-up form and a W-9 to accompany new vendor invoice to be entered for processing in the accounting. Exception - ISP check runs do not require W-9's.
            - All service contracts must be supported by a current written contract.
            - Loans to employees and Board members are prohibited under all circumstances.
- Once invoices are directed to the school review/approval workflow, invoices are coded and reviewed/approved via the workflow process. The workflow process obtains four to five levels of review/approval.
- Once a reviewer/approver reviews/approves the invoice, an email notification is sent to the next reviewer/approver advising of their action.
- All invoice history to include digital invoice copies, the invoice coding, approver names and dates of when the review approval was made, are all stored within the portal.
- All vendor invoices must be paid in a timely manner within 30 days.

- In the event of overpayment to a vendor, a refund or credit must be obtained and recorded accordingly.

Expense Reimbursements

- No personal credit cards can be used by employees or Board members for purchases greater than $250 related to school expenses.
- Individuals will compose an electronic expense report within the ERP tool via their employee center role.
- Once the expense report is saved and submitted, the electronic expense report is routed to the school review/approval workflow. Each school review/approval workflow contains an Operations Manager and / or an Executive Director. Some schools may have additional approvers in their designated workflow as requested. Additionally, school accountants (MSA) and school finance managers may perform a review of the school expense reports to ensure proper fund accounting and budgeting treatment.
    - The ED and Operation Manager will ensure compliance with the any School Board-reviewed School Travel, Procurement of Materials/ Services and Reimbursement Procedures, in accordance with federal or state requirements, if applicable, and confirm completion of supporting documentation.
- The first reviewer/approver in the workflow is notified via email that an expense report is in their queue for review and approval. If the expense report is reviewed/approved, it is routed to the second reviewer/approver in the workflow who will receive an email notification advising of their action. If the expense report is rejected, the employee is notified of the missing information via email and will take corrective action.
- All fully reviewed/approved expense reports that exceed $250 are reported to the AP team via an ERP saved search query report that is run on a weekly basis. The MSA Accounts Payable Auditor runs this query and reviews each expense report listed. Once the MSA Accounts Payable auditor approves, the expense report is processed for payment. Payment runs occur on a weekly basis.

Account Payable Invoice and Expense Report Payment Processing

- On a weekly basis, MSA Accounts Payable sends an Open Bills report via email to the MSA Accountant. This report displays a listing of all invoices and expense reports for the school that have yet to be paid. The MSA Accountant obtains approval from the Board Chair, Board Treasurer, or other Board designee and ED as to what items to pay in the weekly check run. This detail is returned via email to AP and checks for those designated as “approved to issue payment” are processed in the weekly check run.
- The Board Chair, Board Treasurer, or other Board designee reviews and signs the checks. See Delegation of Authority/Approval Matrix.
    - Electronic options: encrypted signatures or ACH.

- Optional: Some schools may have a local school designee photocopy the signed checks (if required for their school audits or other compliance requirements) and file them with their respective invoice copies.

Payment of K12 Invoices

Administration / Management and Technology Fees

- Administration / Management and Technology fee invoices are reviewed by the ED, Operations Manager, Finance Manager and approved by the Board Chair, Board Treasurer, or other Board designee to confirm compliance with the Services Agreement.

Student Computer, On-line School (OLS) invoices and Materials:

- Invoices are reviewed against student records and reviewed by the ED, Operations Manager, Finance Manager and approved by the Board Chair, Board Treasurer, or other Board designee to confirm compliance with the Services Agreement.

Other K12 Invoicing/Billing:

- Other K12 invoices, if any, that were initially paid by K12 and then charged back to the school, such as payroll, Special Education related services and any other direct costs, in accordance with the approved program expenses within the Services Agreement will be reviewed by the ED, Operations Manager, Finance Manager and approved by the Board Chair, Board Treasurer, or other Board designee to confirm compliance with the Services Agreement.
- Internet Service Provider (ISP) reimbursement payments (as per the Services Agreement)
    - The Operations Manager or other local school designee processes ISP reimbursement payments X times per year for those students who are eligible for ISP reimbursements. (frequency yet to be determined).
    - The Operations Manager or other local school designee downloads student and family information and completes a payment report based on approved enrollment dates and withdrawal dates, as well as the grade level students. Payments are pro-rated if students have not been enrolled during the entire service period.
    - ED reviews and the Board Chair, Board Treasurer, or other Board designee approves the payment report prior to sending to MSA which are then outsourced to a third service provider for check processing, signing, and mailing to the families designated on the approved listing.

Oversight Fees:

- Oversight invoices (if applicable) are reviewed by the ED and Operations Manager or other local school designee to confirm the fee is compliant per the Services Agreement. Once approved by the Board Chair, Board Treasurer, or other Board designee, the invoices are forwarded to MSA to process the related check, unless netted out with the state funding. If the Oversight Fees are netted against funding, reconciliation is completed as funding deposits are made to the School.

Fixed Assets – (See Appendix E)

Payroll

Per the Services Agreement between Stride-K12 and the Board all the staff will be Stride-employed and invoiced back to the school. As such specific Board policies on payroll management are not applicable.

Tax

Processing New Contracts: For new school EPSA contracts, outlined below are step-by-step procedures that need to be followed to ensure timely filing of tax forms by due dates for the non-profit organization in collaboration with School Finance, the Board Chair, Board Treasurer, or other Board designee.

1. Review Contracts*:*
    a. School Finance Manager should review EPSA contract and charter to determine responsibility of tax filing requirements and oversight. Finance Managers should consult with the Board Chair, Board Treasurer, or other Board designee to consider discussion with the School auditor, Board external counsel or Stride Legal if uncertain of terms and/or requirements. For questions regarding tax filing requirements, due dates, and forms please reach out to Stride Tax for guidance.
2. Entity Status:
    a. Check the entity's Federal exempt status at http://www.irs.gov/Charities-&-Non-Profits/. Select Tax-Exempt Organization Search and preform search by Employer Identification Number or Organization Name. Confirm and document annually that school's Federal non-for-profit status is valid.
    b. Form 1023: If the School needs to apply for non-profit status with the IRS, the application Form 1023 should be completed. The School Board along with Stride's assistance may engage a local law or accounting firm to assist with the process of applying for non-profit status. School Managers should maintain a copy of the IRS approval of non-for-profit status in the organization's permanent files.
    c. States have their own non-profit status and/or education exemptions requirements. Ensure the entity has applied for and received appropriate exemptions and maintain a copy of the status/exemption in the organization's permanent files. Visit your state specific nonprofit organization website for additional information and contact Stride-Tax if additional guidance/clarification is needed.
3. Federal/IRS Tax Filing Requirements
    a. Form 990 or Form 990-EZ (Short Form): To be filed annually by the 15th day of the 5th month following the close of the tax year. (A return for the June 30 year end would be due by November 15). Note that a 6-month extension can be filed on Form 8868 by the original due date, however an extension of time to file does not extend the time for paying tax. For additional due dates and extended due dates of annual returns, please visit https://www.irs.gov/charities-non-profits/return-due-dates-for-exempt-organizations-annual-return.
    b. Certain small organizations may file an electronic notice, Form 990-N in lieu of Form 990/990-EZ. The due dates are the same as the return due dates with no extensions available.

c. The School engages a CPA firm to prepare Form 990/990-EZ if required. Review and ensure accuracy of figures presented on the form agree with audited financial statements for the school.
d. The School Finance Manager in collaboration with the Board Chair, Board Treasurer, or other Board designee and auditor leverages www.stayexempt.irs.gov for information and training on IRS requirements of a non-profit.

4. State and Local Tax Filing Requirements

    a. Sales and Use Tax: Taxation of educational materials and services vary widely depending on state, type of organization and the item. Consult Stride Tax to determine sales/use tax filing requirements for your school.

    b. Business Property: Property tax is due at the local level and non-profits typically are not exempt from property tax. The School Finance Manager confirms the required property tax filings requirements in the local jurisdiction by accessing the county website. The Board, with Stride's support and recommendation, will engage an outside firm to prepare property tax returns, as applicable. The outside property tax firms can also help with payment of property tax bills (due annually, or bi-annually).

       Stride - Tax engages an outside firm to prepare property tax return for Stride. Please consult Stride -Tax if you wish to use this service for your School.

    c. Business Licenses and Business Registrations: Typically, annual, or bi-annual business licenses are required by the local judication in which the School operates. Confirm required filings and frequency against State and/or County website. The State and/or County websites contain information/training on the requirements and filing frequency. Consult Stride Tax for any guidance or clarification needed on business license requirements. For any business registration inquiries, please consult with Stride - Legal for guidance. Maintain a copy of the business license issued by the state/local jurisdiction in the organization's permanent files.

5. Calendar

    a. School Finance Managers should develop a calendar of forms and due dates for the non-profit to ensure all tax filings are completed timely.

6. Documentation

    a. Tax returns, business license filings and supporting workpaper: School Finance Managers should maintain copies of originally filed federal, state, and local tax filings in the organization's permanent files. Note that IRS Form 990 does not have a minimum retention period and must be kept in the organization's permanent files. For additional information on recordkeeping requirements, please visit https://www.irs.gov/charities-non-profits/eo-operational-requirements-recordkeeping-requirements-for-exempt-organizations.

    b. Copies of bylaws, articles of incorporation and board minutes should be maintained in the organization's permanent files.

    c. General ledgers, trial balances, and other financial reports should also be maintained in the organization's files. The organization must be able to document the source of receipts and expenditures reported on any tax return it must file.

Process For Existing Contracts

1. For existing contracts, the School Finance Manager follows the calendar of forms and due dates outlined under the previous section to ensure tax forms are timely and accurately filed for the non-profit organization.

2. The School Finance Manager can reach out to Stride-Legal or Stride-Tax for any additional questions or clarification.

Resources

1. Finance Managers can leverage www.stayexempt.irs.gov for information and training on IRS requirements of a non-profit.

2. IRS publication 557, Chapter 3 contains detailed information on various matters affecting 501(c)(3) organization (https://www.irs.gov/publications/p557)

3. Non-Profit organization due dates and extended due dates of Federal annual returns can be accessed here https://www.irs.gov/charities-non-profits/return-due-dates-for-exempt-organizations-annual-return. State and local judications due dates vary widely and are available on the state specific forms/website.

Information Technology

Excluding K12 leased student laptops and other access to the Learning Management System, the Information Technology policies established below are applicable to everyone (All employees, teachers, contractors, and vendors must ensure compliance) accessing K12 systems or utilizing technology assets.

Access to Systems

- User provisioning / de-provisioning requirements.
  - Notification of termination or changes in roles must be communicated to the Regional Technology Manager on or before the termination for removal/ change of access. This includes all employees, co-employees (i.e., AdvanStaff) and contractors.
  - Timely revocation of accounts must occur for all systems a terminated user has access to or as role changes occur.
  - Documented approval of new user access must be obtained from the ED and reviewed with the Board Chair, Board Treasurer, or other Board designee.
- Laptops / workstations must be returned immediately to School upon staff termination.
- Semi-annual user appropriateness review intended to validate appropriate user access and identify accounts that should be deactivated due to terminations and must be completed within two weeks of receiving request.

APPENDIX A

Month End Close Accounting Process

- Inputs
  - School Payables
  - Forecast Accruals
  - K12 Invoices/Bills
  - Invoice/Billing Accruals
  - School Enrollments
  - Instructional Staff List
- Month end journal entries and accruals
  - Payroll Related
  - Forecast Related
    - General Fund Revenue accruals
    - Revenue based Expenses – fees
      - Administration Fees –K12
      - Technology Fees –K12
      - Oversight Fees – Sponsor
    - Expenses
      - Teacher Bonus
      - ISP
      - Rent/Insurance/Others
  - Amortization & Depreciation
    - Fixed Assets
    - Deferred Rent
    - Prepaid Expenses (Insurance, Legal, K12)
  - Restricted Funding Revenue Recognition
- Balance Sheet Reconciliations
  - Bank Account Reconciliations
    - Manual Checks
    - Credit Cards
  - K12 Prepaid Expenses
  - Prepaid Expenses
  - Other Receivables

- Fixed Assets
- Accounts Receivable
- Deferred Revenue
- Restricted Funds Analysis
- Deferred Rent
- Other Accrued Liabilities
- Accounts Payable
  - Unpaid K12 Invoices

Monthly Financial Package – Accounting Actuals

- Comprised of:
  - Actuals in Budget Format (Income Statement and Balance Sheet)
  - Bank Reconciliation
  - Transaction Detail by Account
  - Journal Entry Posting
- The monthly financial close is performed by K12 MSA, in collaboration with K12 School Finance
- Monthly Financial Pack – Accounting Actuals review/approvals are performed by the Board Chair, Board Treasurer, or other Board designee and ED and the approval is sent to MSA within 30 days of financial pack release.

Monthly Board Meeting Financial Reports

- In collaboration with the Board Chair, Board Treasurer, or other Board designee, Finance Manager compiles the budget to actual report and forecast for the remained of the year for the Income Statement (General and Restricted Funds), Balance Sheet, and Cashflow Statement, which is reviewed and approved by the Board Chair, Board Treasurer, or other Board designee and ED. As required by the Board, financials are provided to the Board of Directors each month. Board questions are addressed at Board meetings, Board Finance Committee meetings or other requested meetings.
- Monthly Financial Package approvals are performed by the ED and the approval is sent to MSA within 30 days of Financial Package release.

Other Financial Reporting

- Applicable State/District reporting requirements

APPENDIX B – Federal Award Regulations

In addition to the policies above, COA will also ensure compliance with the below regulations. In the event there are two policies covering the same area, the most restrictive policy will be adhered to.

System for Award Management (SAM) Excerpt

Suspension and Debarment (2 CFR §200.213)

- Non-federal entities when using federal funds are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180.
  - These regulations restrict awards, sub-awards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.
- 2 CFR §180.220 Procurement contracts included as covered transactions:
  - Any vendor whose contract(s) (purchase orders) or subcontract(s) is expected to equal or exceed $25,000 during the GAN's budget period must be checked against the System for Award Management (SAM) for suspension or debarment (includes contracted tutors)
    - Evidence of the verification can be in the form of a date/time stamped print screen, or other digital method that is readily available
  - Website for checking status: System for Award Management (SAM)
  - When micro and small procurements are made with vendors, the LEA shall check the vendor for suspension and debarment when cumulative vendor purchases equal or exceed $25,000
  - Checking at the $25,000 threshold should suffice throughout the GAN's budget period (LEAs may check prior to reaching the $25,000 threshold at their discretion) (2 CFR 180.320)
  - If a vendor becomes suspended/debarred after checking SAM, the LEA may choose to continue to use the vendor if the LEA was using the vendor before the vendor was excluded (2 CFR 180.315)
  - When sealed bids or competitive proposals are made with vendors (over $250,000), the LEA must check SAM twice (FAR 9.405(d)(1) and (4)). After opening of bids or receipt of proposals and immediately prior to awarding the vendor Website for checking status: System for Award Management (SAM)

Other Grant Award Regulations

COA will ensure compliance with the following grant award regulations:

- The subgrantee must have written procedures for determining the allowability of costs for their award. The subgrantee will comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200; Uniform Grant Guidance) requirements in Subpart D— Post Federal Award Requirements (§§200.300-346) and Subpart E—Cost Principles (§§200.400-476) to ensure that the LEA and its schools use funds for purposes that are reasonable, necessary, and allocable under the ARP-ESSER.
- The subgrantee is authorized, in carrying out this subgrant, to follow the procedures outlined in Title 11 Chapter 35 of the South Carolina Procurement Code. Section 11-35-5320 requires

political subdivisions to develop and adopt procurement ordinances or procedures which embody sound principles of appropriate competitive procurements. Further, Section 11-35-5340 specifies that school districts whose budget of total expenditures, including debt service, exceeds seventy-five million dollars annually is subject to the provisions of South Carolina Procurement Code or a substantially similar procurement code as defined by SC Reg. 19-445.3000. Section 11-35-40 describes application of use with all funds, irrespective of the type of funds. Where subgrant funds are used, the more restrictive requirements (federal or state) shall apply. The subgrantee is encouraged to adopt the 2020 Model School District Procurement Code following its approved by the SC State Fiscal Accountability Authority (SFFA) Division of Procurement Services.

- The subgrantee must comply with the following specific conditions for disclosing federal funding in public announcements. When issuing statements, press releases, requests for proposals, bid solicitations, and other documents describing projects or programs funded in whole or in part with federal money, the subgrantee shall state clearly:
    - The percentage of the total costs of the program or project that will be financed with federal money;
    - The dollar amount of federal funds for the project or program; and
    - The percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources.
- Per 2 CFR Part 200.322, as appropriate and to the extent consistent with law, the subgrantee should, to the greatest extent practicable under a federal award, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States (including but not limited to iron, aluminum, steel, cement, and other manufactured products). (1) "Produced in the United States" means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States. (2) "Manufactured products" means items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.

APPENDIX C

Delegation of Authority/Approvals Matrix – see Separate Attachment

APPENDIX D

Signature and Requisition Authority Policy and Procedures – see Separate Attachment

APPENDIX E

Fixed Assets Policy and Procedures – see Separate Attachment

APPENDIX F

Credit Card Policy and Procedures – see Separate Attachment

APPENDIX G

<u>Fiscal Policies for Federal Grants – see Separate Attachment</u>