

OAKLAND SCHOOL FOR THE ARTS

Fiscal Policies and Procedures Handbook

(Updated September 25, 2019)



Oakland School *for the Arts*

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OVERVIEW

Oakland School for the Arts' 2016-19 Strategic Plan "Breaking New Ground" specifically establishes a priority for "Ensuring Stability" at OSA. To that end, we are updating, formalizing and implementing policies and procedures to establish, monitor, and enforce sound financial practices on an annual basis. This document identifies those practices and describes how OSA teammates will work together to reduce financial & operational risk, manage expenses, provide transparency, and be responsible stewards of the public's tax dollars and maintain the trust that OSA families demonstrate by sending their children here.

The Finance Committee and the governing board of Oakland School for the Arts have reviewed and adopted the following Financial Policies and Procedures. These policies and procedures may be updated from time to time to support the most effective use of the funds of Oakland School for the Arts in service of our mission, to ensure that the funds are budgeted, accounted for, expended, and maintained appropriately, and to ensure appropriate and adequate controls are in place to prevent financial error or fraud.

Michael Barr
Chair of the OSA Finance Committee

9/30/2019

Milica Mitrovich
Secretary of the OSA Board of Directors

9/30/2019

GOVERNANCE

Key Roles & Responsibilities:

Board	<p>Hires, evaluates and terminates the Executive Director (ED).</p> <p>Defines and oversees the financial goals and standards and provides oversight of all financial functions.</p> <p>Delegates to the ED the responsibility to develop specific financial policies and procedures, and to administer those policies.</p> <p>The board may, through a resolution passed at a public meeting, and at its own discretion and at any time, assign financial responsibilities to a third party if it feels the ED is not meeting the requirements for fiscal stewardship.</p> <p>Approves the annual budget before June 30th.</p> <p>Meets and acts as a corporate entity with no single board member empowered to set policy, priorities, or direct the ED/Staff.</p> <p>The OSA Board voluntarily complies with the Ralph M. Brown Act.</p>
ED	<p>Implements all operations and activities related to financial management.</p> <p>Meets regularly with the Finance Committee and the Full Board on topics of financial health, risk, projections and compliance.</p> <p>Reports to the Full Board.</p>
Finance Committee	<p>Meets regularly to review OSA's financial health, ensure accuracy and support the school's finance team.</p> <p>Reviews and approves large contracts in excess of \$250,000 or more, and may choose to send a contract to the Full Board for consideration.</p> <p>Reviews building lease arrangements and forwards to the Full Board with recommendations.</p> <p>Provides advice and consultation to the members of the finance staff and ED on all areas impacting sustainability of OSA.</p> <p>Reviews annual budget in detail and makes a recommendation to the Full Board re: approval in time for the Full Board to approve the annual budget by June 30th of each year.</p> <p>Recommends to the Full Board the selection of an independent auditor with expertise in Charter Schools (There is no requirement for a separate Audit Committee of the Board).</p>
Independent Auditor	<p>Conducts an independent third-party audit of OSA's financial statements, procedures, controls, attendance, and mandated state, federal and local compliance activities.</p> <p>Delivers a final audit report to the chair of the Finance Committee and the Full Board.</p>
Finance Team (under direction of the ED)	<p>Produces regular, accurate and timely standard financial & management reporting tools such as cash flow reports, operating income reports, balance sheets, etc. that are used to provide transparent access for all board members to OSA's financial position.</p> <p>Produces and submits the annual 990 tax documents in a timely and accurate manner.</p>

	Develops annual budget working with Principals, Arts chairs, and the ED to find the highest and best use of OSA's resources.
Principal, SpED Director/Coordinator, and Arts Chairs	Manages spending so that only approved items are purchased and only in the budgeted amounts

OPERATIONAL & ACCOUNTING GUIDELINES AT OSA (Guiding Principles)

1. General Funds and School Restricted Funds
 - a. Funds designated for restricted uses either by Government requirement (e.g. Title I) or donor specification are tracked separately from unrestricted funds.
 - b. Expenses associated with restricted funds will be coded appropriately
2. Capital Improvements
 - a. Capital improvements greater than \$25,000 in value will be depreciated using standard, customary accounting methods.
 - b. The cost and source of funding for capital improvements will be reported clearly in financial reports to the board.
3. Fox Theater Building Rent
 - a. Revenues from the Billboards are recognized as income.
 - b. Rent payments from the billboard account are recognized as expense.
 - c. OSA will record the income and expense at year end rather than monthly.
 - d. CAM charges will be scrutinized by the Director of Operations and Accounting Manager and challenged when inappropriate.
4. Clear Purchasing and PO process
 - a. Appropriate standard forms for expense reporting, purchase requisitions and other documents for Staff use will be maintained in a common electronic area (Google Drive) and current paper copies will be available to Staff in the faculty lounge.
5. Online computerized financial documents are backed up regularly and retained indefinitely.
6. Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts, disbursements, payroll, and reconciliation of bank accounts.
7. Liquidity
 - a. The Financial Management Firm and the Accounting Manager will work together to project cash requirements through the end of the following fiscal year.
 - b. The Finance Committee of the board will review cash flow reports
 - c. Arrangements for lines of credit and other financing to address cash flow issues will be established by the Executive Director and authorized by the Finance Committee.
8. Training & supervision
 - a. All Staff will receive appropriate training both at the start of their employment and again at the start of every school year.
 - b. Accounting and Finance staff will be responsible to ensure they are competent and have received training in the policies, procedures, and software used at OSA.
9. Transparency
 - a. OSA makes all final financial documents available to the public upon request.
 - b. The annual budget and the annual audit will be published on the OSA website.
10. Philanthropic support is used consistent with the donor's intent.

PURCHASING

1. The Executive Director may authorize expenditures and may sign related contracts within the approved budget. The Finance Committee or the Governing Board must approve contracts over \$250,000.
2. All purchases must be approved by the Department Head, Principal or Executive Director, and the Accounting Manager. Purchase requisitions, authorizing the purchase of items greater than \$5000 must be signed by the Executive Director. The Executive Director's expense reports and purchase requisitions must be reviewed and approved by the Chair of the Finance Committee and reported to the Board of Directors.
3. When approving purchases, the Accounting Manager must:
 - a. Determine if the expenditure is budgeted
 - b. Determine if funds are currently available for expenditures (i.e. cash flow)
 - c. Determine if the expenditure is allowable under the appropriate revenue source
 - d. Determine if the expenditure is appropriate and consistent with the vision, approved charter, school policies and procedures, and any related laws or applicable regulations
 - e. Determine if the price is competitive and prudent. All purchases over \$25,000 should include documentation of a good faith effort to secure the lowest possible cost for comparable goods and services.
4. Individuals other than those specified above are not authorized to make purchases without pre-approval.
5. Individuals who use personal funds to make unauthorized purchases will not be reimbursed. Authorized purchases will be reimbursed by check upon receipt of appropriate documentation of the purchase at the next regular accounts payable processing cycle.
6. The Accounting Manager, Director of Operations, and Executive Director may authorize purchases to be made on the school credit card, consistent with these policies & procedures.
 - a. The school card will be kept under supervision of the Finance Department.
 - b. The school card will bear the name of both Oakland School for the Arts and the authorized staff member.
 - c. Debit cards are not allowed.
 - d. The Executive Director, Accounting Manager, the Director of Operations or their designee can use the OSA credit card for online and phone purchases.

Contracts

1. Consideration will be made of in-house capabilities to accomplish services before contracting for them.
2. Competitive bids will be obtained where required by law or otherwise deemed appropriate and in the best interests of the school.
3. Written contracts clearly defining work to be performed will be maintained for all contract service providers (i.e. consultants, independent contractors, subcontractors).

- a. Contract service providers must show proof of being licensed, and bonded, if applicable, and of having adequate liability insurance and worker's compensation insurance currently in effect.
 - b. OSA may also require that contract service providers must list the school as an additional insured.
4. If the contract service provider is a sole proprietor, a partnership (including LP and LLP), or a limited liability corporation (LLC) the Finance Department will obtain a W-9 from the contract service provider prior to payments.
5. The Executive Director will approve proposed contracts and modifications in writing.
6. Contract service providers will be paid in accordance with approved contracts as work is performed.
7. The Executive Director or Director of Operations will be responsible for ensuring the terms of the contracts are fulfilled.
8. Potential conflicts of interest by the senior employees at OSA (Executive Director, Directors, Principal or Board members) will be disclosed upfront, and the Individuals with the conflict will excuse themselves from evaluating or voting on the contract.

ACCOUNTS PAYABLE

Paying Invoices

1. All original invoices will immediately be forwarded to the Finance Department for approval.
2. The Finance Department will review each invoice, attach all supporting documentation, and verify that the specified services and/or goods were received. Finance will adjust the invoice for any missing items noted on the packing list before processing for payment.
3. The Finance Department will stamp the invoice and complete the required information, including noting the specific budget line item that is to be charged for the specified expenditures.
4. Invoices and expense reports submitted prior to noon on Friday will be processed for payment the following Friday.
5. OSA maintains two checking accounts, operating and student accounts, from which the payments will be made.
6. Early payment discounts will be taken on all appropriate invoices.

Bank Checks

1. The Governing Board will approve, in advance, the list of authorized signers on the school account. The ED, Director of Operations, and Board Treasurer may sign bank checks within the established limitations.
2. The Governing Board authorizes the Executive Director to open and close bank accounts.

3. The Finance Department will be responsible for all blank checks and will keep them under lock and key.
4. When invoices are properly approved, the Finance Department prepares the check for processing based upon the approved invoice and/or purchase requisition.
5. Checks in excess of \$10,000 require two signatures. The signature stamps should only be used in very rare circumstances and only with proper notification to the signatories.
6. Checks may not be written to cash, bearer, or petty cash.
7. Under no circumstance will any individual sign a blank check.
8. Checks must be issued using the school's accounting firm's software unless in an urgent situation and the Finance staff or accounting firm is not available, the Director of Operations may hand write the check.
9. The Finance Department will distribute the checks and payment records as follows:
 - a. Original – mailed or delivered to payee
 - b. Payment record – attached to the invoice and filed by vendor name
 - c. Voided checks will have the signature line and the payee line stamped "VOID" in ink. Also, the payment record must be stamped "VOID."

Bank Reconciliation

1. Bank statements will be printed directly from online banking by the Accounting Manager.
2. The Finance Department will prepare the bank reconciliation, verifying the bank statements and facilitating any necessary reconciliation.
3. Checks outstanding from the prior fiscal year will be researched and if applicable written off at the end of the current fiscal year.
4. The Executive Director will review the bank reconciliations.

ACCOUNTS RECEIVABLE (AR)

1. Revenue projections of inflows from LCFF sources, Federal Funding, Local governmental funding, lottery funding and other miscellaneous governmental grants will be projected for the fiscal year and recognized as appropriate.
2. Pledges received and other AR items will be recorded and aged appropriately.
3. Accounts receivable will be recorded in the general ledger and collected on a timely basis.

Event Receipts (Credit Cards, Cash and Checks)

1. For each fundraising or other event in which cash, checks, or credit card receipts will be collected, a Volunteer Coordinator will be designated, who will be responsible for collecting and holding cash and checks for the purpose of the fundraising activity.
 - a. OSA will maintain electronic payment accounts and provide appropriate hardware to assist in using credit cards as the preferred way to receive payments for events.
 - b. The Volunteer Coordinator along with another non-related individual will count the cash, checks, and credit card receipts at the end of the day and complete a Cash Check Verification Form, and sign off on it.
 - c. Within 2 business days, the Cash Check Verification Form along with the cash, checks and check copies, must be submitted to the Accounting Manager.
 - d. Cash needs to be verified in the presence of both the Accounting Manager and Volunteer Coordinator. If the span of the event is longer than one weekend, submit Cash Check Verification Form within 2 business days of each weekend.
2. Checks received in the mail must be opened by Office Receptionist and stamped with a “received” stamp. The Office Receptionist will prepare a deposit packet itemizing the date received, amount, source, and check number. Checks must be submitted weekly to the Finance Department by 3 pm on Thursdays.
3. Cash amounts received must be verified with another designated staff member counting the funds and completing the Check Cash Verification Form. Cash receipts must designate the purpose. Cash along with the Check Cash Verification Form must be submitted weekly.
4. Cash and checks received will be entered into the accounting system where a deposit slip will be created. Photocopies of checks must be created prior to depositing at the bank.
5. Bank deposits will be made weekly by the designated school employee, typically the Accounting Manager.

Volunteer Expenses

1. All volunteers will submit an approved purchase requisition to the Finance Department for all potential expenses.
 - a. OSA does not manage the APT finances; APT expenses are not reimbursable from OSA.

- b. Only items with an approved purchase requisition from the Accounting Manager will be paid/reimbursed.

Returned Check Policy

1. A returned-check processing fee will be charged for checks returned as non-sufficient funds (NSF), account closed, etc.
 - a. The fee is based upon the bank's fee at time of event.
 - b. Unless otherwise pre-approved by the Finance Department, payment of the returned checks and processing fee must be made by cash, money order or certified check.
2. In the event that a second NSF checks is received for any individual, in addition to the processing fee, the individual will lose check-writing privileges. Payment of the NSF check, the processing fee and any subsequent payment(s) by that individual must be made by cash, money order or certified check.
3. In the case of NSF checks written by parents of students, failure to pay may result in the withholding of report cards/transcripts at the end of the semester and/or school year until payment is received, unless other mutually agreeable arrangements are approved by the Finance Department.

PERSONNEL

New Employees

1. The Director of Operations will be responsible for all new employees completing or providing all of the items on the New Hire Checklist.
2. The Director of Operations will be responsible for maintaining this information.
3. An employee's hiring is finalized upon the completion and submission of all new hire related documents.
4. Benefits
 - a. OSA will maintain an Employee Handbook containing a description of rules & requirements regarding benefits
 - b. Elections become effective the first of the month following the employee's date of hire if all necessary documents have been completed.
 - c. OSA may offer employees access to 403(b) or similar plan. The plan is independently administered and OSA does not provide financial advice or vouch for the reliability of the investments administered by that plan. OSA does not match employee contributions.
 - d. At the ED's discretion, OSA may choose to pay a portion of a terminated employee's COBRA obligation for a specific period, not to exceed three months.

Employee Status

1. The classification and status of an employee as to W2 or 1099 reporting will be determined by the Director of Operations adhering to appropriate IRS guidelines.
2. OSA follows CalSTRS guidelines for participation requirements.

PAYROLL

Timecards

1. All non-exempt employees will be responsible for completing a timecard including vacation, sick, and holiday time (if applicable). The employee and the appropriate supervisor will approve the completed timecard.
2. Employees who substitute for absent teachers must submit their hours in a timely manner.
3. The completed timecards will be submitted the next business day of the pay period end date, 1st-15th and 16th – last day of the month.
4. If an employee is unexpectedly absent and therefore prevented from working the last day of the pay period or submitting their timecard (such as an employee calling in sick), the employee is responsible for notifying the signatory supervisor or for making other arrangements for the timesheet to be submitted on time.

Overtime

1. Advance approval is required for overtime and compensatory time.
2. Overtime only applies to non-exempt employees and is defined as hours worked in excess of eight hours in one day and/or over forty (40) hours within a five-day period of time.
3. Any hours worked in excess of an employee's regular work schedule must be pre-approved by the employee's supervisor, unless prompted by an emergency. No overtime will be paid without approval.
4. Overtime will not be granted on a routine basis and is only reserved for extraordinary or unforeseen circumstances. If a supervisor identifies a recurring need for overtime in any given position, the supervisor should immediately consult with the Executive Director for further guidance.

Payroll Processing

1. For non-exempt employees, employees must complete a timecard to verify appropriate hours worked, resolve absences and compensations, and monitor number of hours worked versus budgeted. No overtime hours should be listed on a timecard without the supervisor's approval prior to the overtime being worked.
2. Faculty absences must be documented using the time off request form. The time off request form must be submitted to the Director of Operations. Staff absences must be submitted online through the payroll software system.
3. The Executive Director and/or Director of Operations will notify Finance of all authorizations for approved stipends and the hourly or daily rate.
4. Finance will prepare the payroll coversheet based on the timecards from non-exempt employees and salaried wages for exempt employees.

Deferred Compensation

1. Eleven-month employees may choose to receive their pay over twelve months by participating in the Summer Holdback Program.
2. Employees who chose deferred pay must choose at the start of the school year and may not change their choice until the next school year.
3. OSA will retain a portion of the employee's pay from each pay period.
4. All wage-related taxes will be withheld before OSA deducts the deferred pay portion.
5. Over the summer, the employee will receive the deferred pay, spread evenly over the summer pay periods.
6. Summer pay will not be the same as school year pay. OSA does not guarantee that the withholdings will be adequate to create an equivalent cash flow as the regular paychecks.

Payroll Taxes and Filings

1. The Finance Team will prepare the quarterly STRS, SDI, & UI employer tax forms and submit to the respective agencies. The payroll provider will prepare the state and federal quarterly and annual personal income employer tax forms and submit to the respective agencies.

Record Keeping

1. The Finance Department will maintain written records of all employees' use of sick leave and vacation days.
2. Hours will be updated through the payroll system and displayed on the employees' earnings statements. Records will be reconciled when requested by the employee.
3. OSA does not track or report employee STRS balances.
4. Each employee should maintain personal contemporaneous records.

EXPENSES

Expense Reports

1. Employees will be reimbursed for expenditures within 10 working days of receipt of the appropriate documentation.
2. Employees will complete expense reports in a timely manner.
3. Expenses older than 3 months will be reimbursed at the discretion of the Executive Director.
4. Original receipts or other appropriate documentation will be required for all expenses to be reimbursed.
5. The employee's supervisor and Accounting Manager must sign expense reports. Expense reports over \$500 must be signed by the Executive Director.
6. The Executive Director's expense reports must be submitted for review to the chair of the Finance Committee and approved at the next Finance Committee meeting.

Travel

1. Employees will be reimbursed for mileage when pre-approved by their supervisor or art school chair. Mileage will be reimbursed at the IRS approved rate for the distance travelled. Distance travelled is the lesser of school site to travel site or home to travel site.
2. The Executive Director must pre-approve all out of town travel.
3. Employees will be reimbursed for overnight stays at hotels/motels when pre-approved by the Executive Director and Accounting Manager and the event is more than 50 miles from either the employee's residence or the school site. Hotel rates should be negotiated at the lowest level possible, including the corporate, nonprofit or government rate if offered. The lowest rate cannot exceed the established per diem for that city. Meal reimbursements cannot exceed the established per diem rates for any breakfast, lunch, or dinner that is NOT included as part of the related event. Receipts must be provided. Use the government provided per diem rates.
4. Travel advances require written approval from the Executive Director and Accounting Manager, and a signed Cash Advance Request Form.
5. Travel advances require an expense report with original receipts for all advanced funds.
6. After the trip, the employee must enter all of the appropriate information on an expense report along with original receipts and submit to the Accounting Manager for approval and processing.
7. If the advance exceeds the amount of the receipts, the employee will pay the difference immediately in the form of a check.
8. If the advance is less than the amount of the receipts, the difference will be reimbursed to the employee in accordance with the expense report.
9. Rental cars are not allowed when public transportation or conference transportation is available. Rental cars require pre-approval from the Executive Director.
10. Hotel rooms must be shared with a bed for each person.

11. OSA does not pay for:
 - a. Entertainment including In-room movies
 - b. First class, business class, or extra leg room on airlines
 - c. Extra baggage unless required for the conference or event
 - d. Food on airplanes for flights less than 2 hours unless there is a medical condition documented by a physician
 - e. Alcoholic beverages
 - f. Meals when provided by the conference or event
 - g. Hotel amenities

Governing Board Expenses

1. It is generally expected that Board Members will pay their own OSA-related expenses.
2. Expense reimbursements for Board Members must be pre-approved by the Board Chair and the Executive Director.
3. The individual incurring authorized expenses while carrying out the duties of the school will complete and sign an expense report and must comply with all expense guidelines and limits..
4. The Executive Director will approve and sign the expense report and submit to the Finance Department for payment.

FINANCE

Financial Reporting

1. In consultation with the Finance Committee, the Executive Director will prepare the annual financial budget for approval by the Governing Board.
2. The Accounting Manager will submit periodic financial reports showing revenue and expense summaries both year-to-date and yearly forecasted. Large variances between actual and budget will be explained.
3. The Accounting Manager and Financial Management Firm will work together to present cash flow statements and projections.

Loans

1. The Executive Director and the Governing Board will approve all loans from third parties.
2. Once approved, a promissory note will be prepared and signed by the Executive Director before funds are borrowed.
3. Employee loans are not allowed. In extraordinary situations, salary advances, must be approved by the ED and must be documented with the employee's agreement reimbursement directly deducted from future paychecks.

Financial Institutions

1. All funds will be maintained at a federally insured financial institution.
2. Physical evidence will be maintained on-site for all financial institution transactions.

Retention of Records

1. Financial records, such as transaction ledgers, cancelled/duplicate checks, attendance and entitlement records, payroll records, and any other necessary fiscal documentation will be retained for three to seven years based on legal requirements. At the discretion of the Governing Board or Executive Director, certain documentation may be maintained for a longer period of time.
2. Financial records will be shredded at the end of their retention period.

Insurance

1. Appropriate insurance must be maintained at all times with an insurance agency with a rating of A- or better.
2. The Director of Operations will maintain the files of insurance policies, including an up-to-date copy of all certificates of insurance, insurance policies and procedures, and related claim forms.
3. The Director of Operations and Executive Director will carefully review insurance policies on an annual basis, prior to renewal.

4. Insurance will include general liability, property damage, worker's compensation, student accident, professional liability, and directors' and officers' coverage.

Asset Inventory

1. An asset is defined as all items, purchased or donated, with a value of \$5,000 or more and with a useful life of more than one year.
2. The Operations Department will maintain a log of all assets. The log will include the original purchase price and date, a brief description, serial numbers, and other information appropriate for documenting assets.
3. Departments shall be responsible for maintaining records that pertain to the theft, loss, damage, or destruction of assets.

OPERATING RESERVE AND INVESTMENT POLICY

Policy Statement

The primary objective of this policy is to establish an operating reserve for Oakland School for the Arts that will permit the organization to continue to operate during difficult financial times. OSA's operating reserve should cover a minimum of two and a maximum of six payroll obligations (i.e. 1 to 3 months).

Operating Reserve

- The operating reserve balance will be reviewed by the Finance Committee at least annually to see if the organization is in compliance with policy.
- Cash flow projections that indicate an operating reserve level below one month's payroll must be immediately reported to the Finance Committee and steps taken to fund the reserve balance.

Strategic Reserve

- A reserve balance for strategic projects will be built from any operating surplus as long as the operating reserve meets its requirement.
- The strategic reserve can be used to bring the operating reserve into compliance with policy.
- Earnings from the strategic reserve investments will be added to the balance.
- The Finance Committee must approve any spending or transfer of the strategic reserve in advance. The Finance Committee may, at its discretion, refer the request for the approval of the Full Board.
- The Full Board will be notified immediately if strategic reserve funds are diminished.

ANNUAL FINANCIAL AUDIT

1. The Finance Committee will recommend an independent certified public accounting firm with Charter School expertise to conduct annual audits.
2. The Full Board will contract for the services of the auditor
3. The audit shall include, but not be limited to:
 - a. An audit of the accuracy of the financial statements
 - b. An audit of the attendance accounting and revenue accuracy practices
 - c. An audit of the internal control practices
4. The Final Audit is a public document and OSA will make it available on its website.