



Ocean View
School District

Fiscal Services SOP Manual

PREFACE

The **Standard Operating Procedures and Internal Controls** is a document that outlines the business practices that are approved by the Ocean View School District Board of Education and administered by Business Services. It is intended to be used as a reference manual by administrators, secretaries and any staff members that have Budgetary/Financial responsibilities. Its purpose is to provide an efficient, control and accountability system that will help assure appropriate use of “Public Funds.” It must be understood that the principles of this manual are based on, Generally Accepted Accounting Principles, GAAP, California School Accounting Manual, CSAM, Board Policies, California Education Code and other professional references. For this program to operate at optimum efficiency there must be a spirit of cooperation, teamwork and communication between the school staff and Business Services.

TABLE OF CONTENTS

INTERNAL CONTROLS.....	3
BUDGET.....	7
POSITION CONTROL.....	13
PAYROLL.....	16
ACCOUNT CODE STRUCTURE.....	20
ACCOUNTS PAYABLE.....	24
ACCOUNTS RECEIVABLE.....	26

INTERNAL CONTROLS

Purpose: Internal controls are not separate systems of the Ocean View School District. Controls are not an isolated activity but integral part of each activity used to guide the district. It is the process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

Scope: The evaluation of internal controls includes identifying the framework used by the administration to determine the effectiveness of the internal controls.

References and Related Documents: The District's Annual Financial Statements

Definitions:

Internal controls: are the mechanisms, rules, and procedures implemented by a company to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud.

District's Annual Financial Statements: which is the independent auditor's report on internal control over financial reporting, and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards.

Roles and Responsibilities: The three objectives of internal control are to ensure the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. The safeguarding of assets is a subset of all of these objectives.

Continuous monitoring and testing is needed to help to identify poorly designed or ineffective controls. The administration is also responsible for communicating the objectives of internal control and ensuring the organization is committed to sustaining an effective internal control environment.

Procedures: The five components of internal controls include the control environment, administration's risk assessment, administration's communication of the controls, control activities and monitoring of the controls.

1. Control Environment

The control environment includes the organizational structure, the control framework, the district's policies and procedures and internal and external influences. The tone set by Ocean View School District's board and administration determines the attitude toward the controls of the district.

The organizational structure determines the administration's responsibilities and sets the relationship with the board, which sets the policies.

Elements of a control framework include the following:

1. Segregation of duties to help ensure the reliability of the organization's internal controls, one person should not have access to all stages of a process. If there is not proper segregation situations could arise where errors or irregularities occur and go undetected.
2. Integrity and competence of the personnel performing the duties are key to achieving the desired controls. This includes hiring the proper people and continually training personnel. It is important to ensure that employees who perform financial tasks have the knowledge and skill to perform their duties.
3. Communication by the administration of the controls and the employee's responsibilities are as important as ensuring that employees know how to communicate irregularities that may arise.
4. Proper supervision of employees is needed to ensure proper execution of control activities.

The district's policies set the overall direction of the district. Procedures for all areas of financial preparation, reporting, operations, transportation, maintenance, personnel and payroll are needed. These policies and procedures will become the basis for the determination of compliance.

2. Administration's Risk Assessment

The administration has to conduct an assessment of risks relevant to the financial statements. This includes the identification of potential risks, the analysis of the potential impact of those risks on the ability to properly report the financial statements and the overall management of risks. Items to consider in the risk assessment of the district include, but are not limited to:

1. New personnel or new duties for existing personnel
2. How a change in accounting information system impacts controls and how effectively the training of personnel on new system was conducted
3. Changes in the regulations and laws that may affect the control environment
4. Record storage is appropriate and secure (District limits access to computers and data files)
5. Segregation of duties
6. Transactions are recorded timely
7. Cash is deposited timely
8. Assets are physically safeguarded

9. Transactions are performed by only authorized personnel
10. Reconciliations are properly and promptly completed
11. Occurrences of management override

3. Administration's Communication of Controls

The administration needs to determine if the information systems utilized in the district are adequate and relevant for their intended purpose.

The district's administration is responsible for communicating the controls of the district and the responsibilities of each employee in the control system.

The administration is also charged with reviewing information that may indicate a flaw in the controls that would not allow the control to detect an error in a timely fashion.

4. Control Activities

Control activities include the policies and procedures that are in place to achieve the controls desired. Documentation of the control activities is vital to the overall control environment.

These activities include, but are not limited to:

1. Segregation of duties
2. Transactions are recorded timely
3. Cash is deposited timely
4. Assets are physically safeguarded
5. Transactions are performed by only authorized personnel
6. Reconciliations are properly and promptly completed

Control Assertions

Control activities can be categorized into one or more assertions. All assertions should be addressed for each process (payroll, cash disbursements, etc.):

1. Existence/Occurrence – Existence is whether the assets or liabilities of the district exist at any given point in time (cash, state aide receivable). Occurrence is whether the transaction took place (goods were received before the PO was moved to accounts payable from encumbrances)
2. Valuation or Allocation – Valuation is whether the asset or liability is included on the board's report at the proper value (the amount of cash or state aide receivable). Allocation is whether the revenue and expenditures were recorded in the proper amounts.
3. Accuracy/Classification – transactions are recorded accurately and the classification of the transactions are proper.
4. Completeness – is whether all transactions are included (unrecorded purchase orders).
5. Cutoff – Transactions are recorded at the proper time (purchase orders written in the proper year).

5. Monitoring

The administration is charged with reviewing internal controls on an ongoing basis. Monitoring can include responding to the recommendation of the auditor in changes in the controls. Reviewing correspondence from outside sources such as banks and vendors for unusual items is part of monitoring.

Employees should be required to “sign off” on their understanding of the control activities and their responsibilities in those activities.

Appendices:



BUDGET

Purpose: The Board of Trustees shall adopt a budget that is aligned with the district's vision and goals and enable the district to meet its fiscal obligations.

Scope: The district budget shall guide administrative decisions and actions throughout the year and shall serve as a tool for monitoring the fiscal health of the district.

References and Related Documents: 3000 Series Board Policies (Business & Non-Instructional Operations)

Definitions:

Appropriation: is the act of setting aside money for a specific purpose.

Local Control and Accountability Plan (LCAP): is a tool for local educational agencies to set goals, plan actions, and leverage resources to meet those goal to improve student outcomes.

Roles and Responsibilities: In the development of a district budget, the Board of Trustees and the Superintendent or designee shall establish a calendar that reflects the full budget cycle and a process that satisfies the requirements of the law, including opportunities for public input. The Superintendent or designee shall provide fiscal data and prepare a proposed budget document within the budget priorities and parameters set by the Board. The Board shall adopt a budget that is aligned with the district's vision and goals and enable the district to meet its fiscal obligations.

The Board of Trustees expects sound management from the administration. The Superintendent or designee shall administer the adopted budget in accordance with Board policies and accepted business practices. The Board of Trustees shall monitor financial operations so as to ensure the district's fiscal integrity and accountability to the community. The Superintendent or designee shall complete all required financial reports, facilitate the independent audit process, recommend financial plans for meeting program needs, and keep the Board informed about the district's fiscal and non-instructional operations.

Procedures:

The district budget shall show a complete plan and itemized statement of all proposed expenditures and all estimated revenues for the following fiscal year, together with a comparison of revenues and expenditures for the current fiscal year. The budget shall also include the appropriations limit and the total annual appropriations subject to limitation as determined pursuant to Government Code 7900-7914. (Education Code 42122)

STANDARD OPERATING PROCEDURES AND INTERNAL CONTROLS MANUAL

The Board of Trustees shall adopt the budget only after a local control and accountability plan (LCAP) developed pursuant to Education Code 52060-52077 or an annual update to the LCAP is in place for the budget year. Expenditures necessary to implement the LCAP or the annual update during the subsequent fiscal year shall be included in the budget. (Education Code 42127)

Budget Development and Adoption Process

The Superintendent or designee shall establish an annual budget development process and calendar in accordance with the single budget adoption process described in Education Code 42127(i). He/she shall annually notify the County Superintendent of Schools of the district's decision to use the single budget adoption process in the subsequent year.

In order to provide guidance in the development of the budget, the Board of Trustees shall annually establish budget priorities based on identified district needs and goals and on realistic projections of available funds.

The Superintendent or designee shall oversee the preparation of a proposed district budget for approval by the Board of Trustees and shall involve appropriate staff at all levels in the development of budget projections.

The Board of Trustees encourages public input in the budget development process and shall hold a public hearing on the proposed budget in accordance with Education Code 42103 and 42127.

The budget that is formally adopted by the Board of Trustees shall be in the format prescribed by the Superintendent of Public Instruction. The Superintendent or designee may supplement this format with additional information as necessary to effectively communicate the budget to the Board of Trustees, staff, and public.

Budget Advisory Committee

The Board of Trustees may appoint a Budget Advisory Committee composed of staff, Board of Trustees representatives, and/or members of the community.

The committee shall develop recommendations during the budget development process and its duties shall be assigned each year based on district needs. All recommendations of the committee shall be advisory only and shall not be binding on the Board of Trustees, Superintendent or designee.

Budget Criteria and Standards

The Superintendent or designee shall develop a district budget in accordance with criteria and standards adopted by the State Board of Education (SBE).

The budget shall provide that funding received through state supplemental and concentration grants pursuant to Education Code 42238.02 and 42238.03 shall be used in accordance with regulations adopted by the SBE for school wide or districtwide purposes to increase or improve services for students who are English learners, eligible for free or reduced-price meals, and/or

foster youth at least in proportion to the increase to the district's revenue generated from such funds.

The Board of Trustees may establish other budget assumptions or parameters which may take into consideration the stability of funding sources, legal requirements and constraints on the use of funds, anticipated increases and/or decreases in the cost of services and supplies, categorical program requirements, and any other factors necessary to ensure that the budget is a realistic plan for district revenues and expenditures.

Fund Balance

The district shall classify fund balances in compliance with Governmental Accounting Standards Board (GASB) Statement 54, as follows:

1. Nonspendable fund balance includes amounts that are not expected to be converted to cash, such as resources that are not in a spendable form (e.g., inventories and prepaids) or that are legally or contractually required to be maintained intact.
2. Restricted fund balance includes amounts constrained to specific purposes by their providers or by law.
3. Committed fund balance includes amounts constrained to specific purposes by the Board. For this purpose, all commitments of funds shall be approved by a majority vote of the Board. The constraints shall be imposed no later than the end of the reporting period of June 30, although the actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.
4. Assigned fund balance includes amounts which the Board or its designee intends to use for a specific purpose. The Board delegates authority to assign funds to the assigned fund balance to the Superintendent or designee and authorizes the assignment of such funds to be made any time prior to the issuance of the financial statements.
5. Unassigned fund balance includes amounts that are available for any purpose.

When multiple types of funds are available for an expenditure, the district shall first utilize funds from the restricted fund balance as appropriate, then from the committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.

To protect the district against unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board intends to maintain a minimum unassigned fund balance which includes a reserve for economic uncertainties equal to at least two months of general fund operating expenditures, or seventeen (17) percent of general fund expenditures and other financing uses.

If the unassigned fund balance falls below this level due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.

Long-Term Financial Obligations

The district's current-year budget and multi-year projections shall include adequate provisions for addressing the district's long-term financial obligations, including, but not limited to, long-term obligations resulting from collective bargaining agreements, financing of facilities projects, unfunded or future liability for retiree benefits, and accrued workers' compensation claims.

The district's multi-year projection will determine whether the budget will allow the school district to meet its financial obligations during the current-year budget and two subsequent years. In addition to the district's own analysis of the budget, the County Office of Education and the County Superintendent of Schools shall review and consider studies, reports, evaluations, or audits commissioned for the school district. The County Office of Education and the County Superintendent of Schools shall either conditionally approve or disapprove a budget that does not provide adequate assurance that the school district will meet its current and future obligations (multi-year) and resolve any problems identified in studies, reports, evaluations, or audits described.

Budget Amendments

Whenever revenues and expenditures change significantly throughout the year, the Superintendent or designee shall recommend budget amendments to ensure accurate projections of the district's net ending balance. When final figures for the prior-year budget are available, this information shall be used as soon as possible to update the current-year budget's beginning balance and projected revenues and expenditures.

In addition, budget amendments shall be submitted for Board of Trustees approval when the state budget is adopted, collective bargaining agreements are accepted, district income declines, increased revenues or unanticipated savings are made available to the district, program proposals are significantly different from those approved during budget adoption, interfund transfers are needed to meet actual program expenditures, and/or other significant changes occur that impact budget projections.

Budget Development Philosophy

Ocean View School District uses an open, integrated budget development process. It is designed to provide an open and transparent process in which all members of district staff and community have the opportunity to provide input in the development of an annual budget. The budgeting process is continual and situations will arise that will need to be addressed. In this open process, a primary objective is sharing as much information as possible with all who are interested.

The budget reflects the district's goals and objectives that are established and adopted by the Board of Trustees. Budget development, monitoring, and evaluation are focused to support the goals and objectives.

Initial Budget Adoption

On or before July 1 of each year, the Board shall adopt a budget which adheres to the State's Standardized Account Code Structure (SACS) as prescribed by the Superintendent of Public Instruction (SPI).

Before adopting the district budget for the subsequent fiscal year, the Board shall hold a public hearing. The agenda for this hearing shall be posted at least 72 hours before the hearing and shall indicate the location where the budget may be inspected. The proposed budget shall be available for public inspection at least 3 working days before this hearing. This hearing shall be held at the same meeting as the public hearing to solicit public input on the Local Control and Accountability Plan (LCAP) or the annual update to the LCAP.

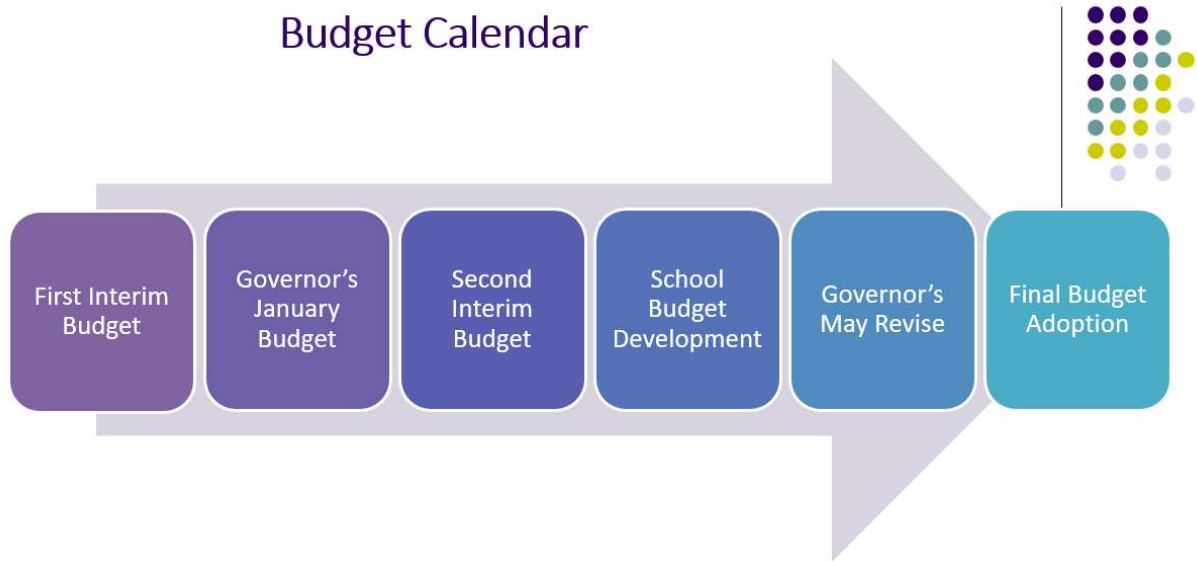
The Superintendent or designee shall notify the County Superintendent of Schools of the location, dates, and times at which the proposed budget may be inspected, as well as the location, date, and time of the public hearing, in sufficient time for the County Superintendent to publish such information in a newspaper of general circulation at least 10 days but not more than 45 days before the hearing as required by Education Code 42103.

During the hearing, any district resident may speak to the proposed budget or to any item in the budget. The hearing may conclude when all residents who have requested to be heard have had the opportunity to speak.

After the public hearing, at a public meeting held on a different date, the Board shall adopt the district budget following adoption of the LCAP at the same meeting. The budget shall not be adopted if an approved LCAP or annual update to the LCAP is not in effect for the budget year.

The Superintendent or designee shall file the adopted budget with the County Superintendent no later than 5 days after adoption or by July 1, whichever occurs first. The budget and supporting data shall be maintained and made available for public review.

Appendices:



POSITION CONTROL

Purpose: The purpose of this Standard Operating Procedure is to describe forms and procedures needed to assign Position Control Numbers (PCN) and create or abolish positions.

Scope: These procedures cover all positions and all employees of the district.

References and Related Documents: Fiscal Crisis & Management Assistance Team (FCMAT), California Association of School Business Officials (CASBO) reference material, and the District's Annual Financial Statements

Definitions:

Position: A position is a set of duties and responsibilities specified in a written job description assigned to be performed by an employee of the district. A position may be full-time, or part-time, salaried or stipend, permanent or temporary, seasonal (summer school, after school, athletics, etc.) and either filled or vacant. A permanent position does not exist until it has been authorized and established by the Board of Education, Human Resources, and Business Services.

Position Control Number (PCN): A Position Control Number (PCN) is created to represent each Board approved contraction position within a district. These control numbers are attached to the budget spreadsheet, telling the system which account(s) the position is to be paid from. As each position is filled, the corresponding control number is linked to the employee who is filling the position. Control numbers that are not linked to any employees represent vacant positions. An example: if the district has five Board approved positions for middle school math teachers, there would be 5 PCN's established to represent the 5 separate positions.

PCN's are independent of employee records. Each PCN represents a separate position within the district's operational structures, not the employee who fills it at any particular time. Thus, if an employee leaves a position and the position is not abolished, the PCN remains active in the system representing a vacant position to be filled. Once a new employee is hired for that position, the vacant PCN is assigned to that person.

Vacant PCN's can allow for the projections of estimated salaries, providing the district with the ability to budget for positions that are expected to be filled. An assigned PCN will forward a calculated salary into the budget projection. As PCN's represent positions within the district, they are only added or deleted when a job position itself is either created or abolished by the Board of Education.

STANDARD OPERATING PROCEDURES AND INTERNAL CONTROLS MANUAL

Roles and Responsibilities: The assignment of PCN's should be initiated by the Superintendent or designee. Human Resources, in conjunction with Business Services, should maintain a list available to the Superintendent or designee when hiring or transferring employees for the district. It is recommended that the PCN be referenced in the resolution approved by the Board of Education.

Procedures:

Position Control Number - Creating and Maintaining: Position control data is maintained in Business Services. It is recommended that a PCN audit be done at least monthly prior to the processing of payroll. The PCN audit report should indicate, at a minimum, the PCN of each individual being paid and linked budgetary account to be charged. Any individual not assigned a PCN must be assigned one, and any vacant PCN should be noted for future reference.

Request for PCN for a New Position: Any administrative request to use a PCN for a new position, or to reactivate the PCN of an abolished position, shall include detailed justification and a cost-benefit analysis. The Superintendent or designee will determine: whether the position is likely to provide the district with meaningful value adequate to justify its expense; and whether adequate funds are available in the budget. If the Superintendent or designee recommends, and the Board of Education approves the requested position, Business Services will create a new PCN.

Other: Each PCN shall be integrated with the payroll system to ensure that the correct budgetary account is charged. The PCN system shall be able to track through payroll and the personnel system the position by account number, individual, PCN and the history of the use of the PCN.

POSITION CONTROL (continued)

Appendices:

Recommended format for meaningful PCNs: Each individual district must develop a PCN format that represents their Board-approved positions. If broken down into segments, PCNs are easily identifiable.

Format for PCN Segments

District Number	District Location	Job Classification	Total # of Positions Available
2 digits	3 digits	1 character and 2 digits	2 digits
38	005	A01	01
38	010	A02	01
38	020	A03	01
38	025	A04	01
38	035	A05	01
38	040	A06	01

PAYROLL

Purpose: The purpose of the payroll procedure is to establish criteria for the proper control and handling of payments to employees.

Scope: These procedures cover all classified, certificated, and management positions for the entire district.

References and Related Documents: Manuals, guidance, and trainings from: Orange County Office of Education, IRS and State Franchise Tax Board, Union contracts from Classified School Employee Association (CSEA) and Certified Teachers Association (CTA), and California Association of School Business Officials (CASBO)

Roles and Responsibilities:

Budget Manager Responsibilities:

1. Properly authorize and approve appropriate personnel requisition forms.
2. Ensure that supervisors within their department are familiar with, and adhere to, policies and procedures.
3. Establish methods of timesheet submittal for employees who work in remote locations and who do not have access to regular time reporting systems.

Supervisor Responsibilities:

1. Be familiar with the basic provisions of the labor contracts covering hours worked, meal periods, overtime pay, travel pay, weekends, and other record keeping.
2. Ensure that employees are trained in reporting hours worked and leave time through the appropriate method.
3. Ensure employees adhere to the procedures as they relate to time recording and time worked.
4. Certify employee's reported time worked, leave time, and overtime for accuracy.
5. Ensure certified time reports are submitted to payroll by required deadlines.
6. Set and enforce employee's work schedule based on operational needs and personnel policies, procedures, and procedural guidelines.
7. In coordination with Human Resources, communicate matters of significance to employees.

Employee Responsibilities:

1. Comply with policies and procedures as well as department rules with respect to time, attendance, and reporting.
2. Accurately report time in and time out on a daily basis.

STANDARD OPERATING PROCEDURES AND INTERNAL CONTROLS MANUAL

3. Certify accurate hours worked and submit hours to immediate supervisor by the required time reporting due date.
4. Review payments and deductions.
5. Advise the immediate supervisor of any discrepancies in regards to time worked, leave hours, or deductions.
6. Keep information current.

Human Resources Responsibilities:

1. Authorize formal transactions to hire new employees and adjust salaries and wages.
2. Enter termination payroll deductions.
3. Review payroll deductions for accuracy.
4. Process personnel changes such as promotion, transfer, or terminations.
5. Set up employee direct deposit upon receipt of a Request for Direct Deposit Form.

Payroll Responsibilities:

1. Manage the payroll work flow to ensure efficient and timely payroll processing.
2. Audit the entry of hours worked in the administrative system.
3. Review completed payrolls.
4. Report payroll deductions to various agencies, in accordance with federal and state laws.
5. Act as a resource for employees and supervisors when there is a question about pay discrepancies
6. Calculate termination payroll deductions.

Procedures:

Pay Schedule:

1. An annual calendar is published establishing payroll dates to ensure that pay is processed in a timely manner.
2. Under no circumstance will the Ocean View School District make advance payments to any employee, outside the normal payroll process.

Direct Deposit Delivery:

1. Payments are issued to the designated financial accounts on the scheduled pay date. Fund availability may vary by institution.
2. Enrollment or changes to direct deposit can be done by the employee by completing a Request for Direct Deposit Form.
3. Direct deposit elections remain in effect until the employee files a change authorization, cancellation, or process change.
4. Direct deposit payments may be pulled during a payroll process if a legal garnishment is served.

STANDARD OPERATING PROCEDURES AND INTERNAL CONTROLS MANUAL

5. Final employee paychecks will not be delivered by direct deposit.

Check Delivery:

1. Checks are made available for pick-up on the designated payroll issue date, except in emergency situations.
2. Checks not picked up on the scheduled pay date will be dropped in outgoing mail.
3. A paycheck will not be released to anyone but the employee without written authorization.
4. A photo ID is required for check release.
5. Checks will not be distributed prior to the scheduled pay date.

Time and Attendance Reporting:

1. Employees are required to accurately account for their hours worked.
2. All benefit eligible employees are required to account for their approved hours in each work week through hours worked or use of authorized leave.
3. Employees with multiple jobs are responsible for the accurate recording of their time for each position. Hours worked will not overlap with each other.
4. Employees are required to enter time only for themselves, and only from the locations approved by their supervisor.
5. Reported time is calculated by a decimal and not by the number of minutes. Example: 7 hours and 15 minutes would be 7.25 hours. The .25 hours is derived by taking 15 minutes divided 60 minutes.
6. All lunch periods are considered unpaid and should not be reported in the hours worked in a day.
7. Employees and/or supervisor found to be improperly reporting work time and attendance information will be reported to their immediate supervisor for appropriate disciplinary actions.
8. Designated types of work such as grant funded projects, administrative work, or other positions may require additional recordkeeping of hours worked as a condition of employment.
9. If an error is caught by the employee or payroll after a pay period is processed, corrections will be made in the next payroll run.
10. If a supervisor or approver feels a change to reported hours is required, they will obtain an employee's initials on the change before submitting time to payroll whenever possible. All supervisor changes to reported time will be communicated to the employee by the supervisor and documented in an email.

Separation Pay-Out:

1. Payment for voluntary work separation due to resignation or retirement is paid no later than the regular pay date for the pay period during which the separation occurs.
2. Payment for work separation due to involuntary discharge is paid according to current California Revised Statute requirements.
3. Ocean View School District will process separation pay via check, even if the employee has an established direct deposit set-up.

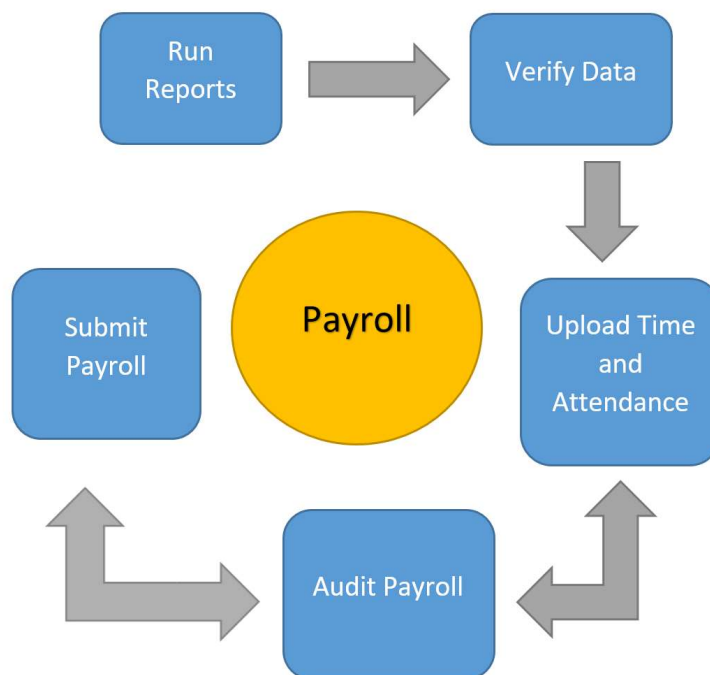
STANDARD OPERATING PROCEDURES AND INTERNAL CONTROLS MANUAL

4. For final pay-out due to the death of an employee, Ocean View School District will follow the established procedural guidelines and all IRS reporting regulations related to deceased employee pay.
5. Any debts or credits to individual benefit accounts will be settled with final pay.

Pay Corrections and Adjustments:

1. Due to cost and complexity of running a complete payroll process, adjustments are rare and may require special approval.
2. Adjustments are a manual process which runs outside a regular scheduled payroll run or to an already processed pay period.
3. Payroll adjustments will generally be processed during the next scheduled pay period, unless exception is made by Payroll based on the adjustment circumstances.
4. Due to pension requirements, hours will be reported in the correct work week, regardless of when pay is processed.
5. Overpayment is a legal debt and must be repaid.

Appendices:



ACCOUNT CODE STRUCTURE

Purpose: The chart of accounts provides for the establishment of a complete accounting system.

Scope: School Districts, County Offices of Education, and certain Joint Powers Agencies (JPAs) use a chart of accounts that corresponds to the Standardized Account Code Structure (SACS).

References and Related Documents: Ocean View School District Chart of Accounts, California School Accounting Manual, CSAM, and Orange County Office of Education guidance in reference to Generally Accepted Accounting Principles (GAAP)

Definitions:

Generally Accepted Accounting Principles (GAAP): A common set of accounting principles, standards, and procedures for financial reporting.

Governmental Accounting Standards Board (GASB): A private non-governmental organization that creates accounting reporting standards, or GAAP, for state and local governments in the United States.

California School Accounting Manual (CSAM): An accounting manual used by local educational agencies.

Standardized Account Code Structure (SACS) is an account string containing 7 numerically coded fields. The fields are used in combination to classify revenues, expenditures, and balance sheet accounts in order to determine and report the entity's financial position and results of operations. For each field there is a defined set of accounts necessary to group transactions according to the classification designated for that field. The seven fields stay constant, but the accounts in the fields are updated as needed to reflect changes in laws, regulations, types of transactions, or accounting principles or practices.

Roles and Responsibilities: The standardized account code structure for use by districts has been developed to accomplish several key objectives:

1. To ensure districts comply with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) in its Codification of Governmental Accounting and Financial Reporting Standards.
2. To establish a uniform, comprehensive, minimum chart of accounts state-wide to improve financial data collection, reporting, transmission, accuracy, and comparability among California districts and nationally. The California School Accounting Manual (CSAM) Chart of Accounts meets the requirements of the U.S. Department of Education's account classifications.
3. To reduce the administrative burden on districts in preparing required financial reports.

4. To create a logical framework that can be used to determine where monies for education originate and how they are used.
5. To provide better information for administrators, parents, board members, legislators, and other interested parties.

Procedures:

The Accounting Department shall review account code structure to provide a basis for financial reporting and budgeting consisting of the following required elements:

Fund (2 digits)

- Identifies the fund that is receiving the revenue, paying the expenditure, or otherwise being affected by the transaction. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, all related liabilities, and residual equities and balances or changes therein.
- Identifies specific activities or defines certain objectives of a Local Education Agency (LEA) in accordance with special regulations, restrictions, or limitations.
- Examples include general fund, child development fund, and cafeteria special revenue fund.
- Applies to revenue, expenditure, and balance sheet accounts.

Resource (Project/Reporting) (4 digits)

- Tracks those activities that are funded with revenues that have special accounting or reporting requirements or that are legally restricted.
- Includes Resource 0000 for accounting activities funded with revenues that are unrestricted.
- Applies to revenue, expenditure, and balance sheet accounts.

Project Year (1 digit)

- Identifies the reporting year for a project that has more than one reporting year during the LEA's fiscal year.
- If a project's reporting year is the same throughout the LEA's fiscal year, the Project Year code is 0.
- When applicable for a project, applies to revenue and expenditure accounts but is optional for balance sheet accounts.

Goal (4 digits)

- Accumulates costs by instructional goals and objectives of an LEA. Group costs by population, setting, and/or educational mode.
- Identifies revenues for special education.

- Examples include regular education K–12, continuation schools, migrant education, and special education.
- Allows the charging of instructional costs and support costs directly to the benefiting goals.
- Provides the framework for accumulating the costs of different functions by goals.
- Classifies financial information by subject matter and/or mode of education.
- Includes Goal 0000 for costs that are not directly assignable to a goal and for non-special education revenue.
- Applies to expenditure accounts. It is required for special education revenue accounts but is optional for other revenue accounts.

Function (Activity) (4 digits)

- Identifies activities or services performed to support or accomplish one or more goals or objectives.
- Describes the activity for which a service or material is acquired.
- Examples include instruction, school administration, pupil transportation, and general administration.
- Applies to expenditure accounts but is optional for revenue accounts.

Object (4 digits)

- Classifies revenues by source and type, e.g., Local Control Funding Formula (LCFF) sources, federal revenue, other state revenue, fees, and contracts.
- Classifies expenditures by type of commodity or service, e.g., certificated salaries, classified salaries, employee benefits, books, and supplies.
- Classifies balance sheet accounts such as assets, liabilities, or fund balance.
- Applies to revenue, expenditure, and balance sheet accounts.

School (3 digits)

- Designates a specific, physical school structure or group of structures that form a campus under a principal's responsibility for which a unique set of test scores is reported and that is identified as such in the California Public School Directory.
- Applies to expenditure accounts but is optional for revenue and balance sheet accounts.

Appendices:

SACS Fields

The seven fields in SACS and the required minimum digits for each are:

Field #	SACS Field	Number of Digits
1.	Fund	2 Digits
2.	Resource	4 Digits
3.	Project Year	1 Digit
4.	Goal	4 Digits
5.	Function (Activity)	4 Digits
6.	Object	4 Digits
7.	<i>School (A three-digit school field is required, but its use is optional.)</i>	<i>3 Digits</i>

ACCOUNTS PAYABLE

Purpose: The Board of Trustees recognizes the importance of developing a system of internal control procedures in order to help fulfill its obligation to monitor and safeguard district resources.

Scope: To facilitate warrant processing, Superintendent or designee shall ensure that purchasing, receiving, and payment functions are kept separate.

References and Related Documents: 3000 Series Board Policies (Business & Non-Instructional Operations)

Definitions:

Accounts payable: money owed by a company or government agency to its creditors.

Roles, Responsibilities, and Procedures:

Payment Process

Accounts payable shall assign all warrants and shall ensure that warrants have appropriate documentary support verifying that all goods and services to be paid for have been delivered or rendered in accordance with the purchase agreement. Employees receiving goods and services on behalf of the school district must provide receiving documentation to accounts payable. The Board of Trustees shall approve all warrants at a regularly scheduled Board of Trustees' meeting. The district shall not be responsible for unauthorized purchases.

Payment for Construction Costs

Payment on any contract for the creation, construction, alteration, repair, or improvement of any district property or facility or other public works project shall be made in accordance with the estimates, process, and/or schedule approved by the Board of Trustees.

As necessary, the Superintendent or designee may make progress payments as actual work is completed or materials are delivered. When a payment request is properly submitted by a contractor, any undisputed portion of the payment request shall be paid within 30 days. If the Superintendent or designee determines any payment request to be improper, he/she shall return the payment request to the contractor with a written statement of reasons why the request is not proper.

The district may withhold up to five percent of the proceeds due to the contractor until completion and acceptance of the project.

STANDARD OPERATING PROCEDURES AND INTERNAL CONTROLS MANUAL

The proceeds to be withheld by the district may exceed five percent when the Board has made a finding, prior to the bid and during a properly noticed and regularly scheduled meeting, that the project is substantially complex and requires a higher retention amount than five percent. In such cases, the Board's finding and the actual amount to be withheld shall be included in the bid documents.

At any time after 50 percent of the work has been completed, the Board may release the withheld proceeds if it finds that satisfactory progress is being made.

Proceeds withheld by the district from payments to contractors for public works contracts shall be released within 60 days after the construction or improvement is completed. In the event of a dispute between the district and the contractor, the district may withhold from the final payment an amount not to exceed 150 percent of the disputed amount.

Revolving Funds

The Board of Trustees has a fiduciary responsibility to effectively manage and safeguard the district's assets and resources. All revolving cash funds shall be subject to the internal control procedures established by the district to prevent and detect fraud, financial impropriety, or irregularity and shall be maintained in accordance with law and the California School Accounting Manual.

The Superintendent or designee shall provide regular reports to the Board regarding the use of revolving funds and the results of any audits conducted on the funds.

Appendices:



ACCOUNTS RECEIVABLE

Purpose: Business services recognizes the importance of developing a system of internal control procedures in order to help fulfill its obligation to monitor funds collected.

Scope: Business services in conjunction with department, and school sites shall ensure the proper accounting of all funds collected.

References and Related Documents: Fiscal Crisis & Management Assistance Team (FCMAT), California Association of School Business Officials (CASBO) reference material, and the District's Annual Financial Statements

Definitions:

Accounts receivable: The process of accounting for all funds received by the district.

Roles and Responsibilities: These are the guidelines for cash handling procedures that Fiscal Services has prepared to assist school sites and departments. This ensures the proper internal controls, segregation of duties, and adequate safeguards of district assets. School sites and departments leaders are responsible for complying with cash handling policies and procedures outlined, and also for developing detailed written school site or departmental operating procedures.

Fiscal Services will review the procedure documents and make any appropriate recommendations at the request of the department. Necessary procedures would include: System Regulation Receipt, Custody, and Deposit of Revenues.

Internal controls are necessary to prevent mishandling of funds to safeguard against loss. Strong internal controls also protect employees from inappropriate accusations or charges of mishandling funds by defining responsibilities in the cash handling process.

Segregation of duties is essential to prevent one individual from having responsibility for more than one component. Components of cash handling are collecting, depositing and reconciling.

When developing cash handling procedures departments should always take under consideration the importance of internal controls and segregation of duties and implement these two concepts into the procedures.

Procedures should be detailed steps of departmental processes. These detailed steps should map out the course of action so that persons not familiar with the process can follow them to perform the duties when necessary.

STANDARD OPERATING PROCEDURES AND INTERNAL CONTROLS MANUAL

Procedures: Below is an outline of suggested information to include in procedures.

- **Purpose and Source of Policy**
 - Should state the purpose of these procedures
 - Example: To ensure funds accepted follow the same process each time so that funds can be deposited in a timely manner and easily tracked while keeping both the funds and personnel handling the funds secure
 - Necessary procedures would include: receipt, custody, and deposit of funds
- **Segregation of Duties**
 - Should state the positions responsible for each role in the process
 - Position responsible for collecting funds
 - Position responsible for depositing funds
 - Position responsible for reconciling accounts
- **Receiving Funds**
 - Should include information about generating receipts including the method used by the school site or department (Online payment, cash registers, manual cash receipts)
 - Should include process for handling voids
 - Should include process of receiving funds face to face or via mail
 - Should include policy of acceptable payment method
 - Include information required on checks
 - Include whether or not you will accept temporary checks and if so, will you set a threshold amount
 - Should include an endorsement
 - Should include the display of Non-Sufficient Fund (NSF) fee charges
 - Example: A fee will be charged for all returned checks
- **Custody of Funds**
 - Should include departments safekeeping policy
 - Location of where funds are kept after receipt until deposited
 - Lock combinations and custody key must be kept on the person and never stored in a desk drawer
 - Lock combinations and keys should be changed periodically and always when custody changes hands
 - Locations of initial sales site
 - Must have adequate security
 - Should include responsibilities of the fund custodian
 - Should include shift change policy if applicable

STANDARD OPERATING PROCEDURES AND INTERNAL CONTROLS MANUAL

- Should include transfer of fund policy
 - Providing receipts or logging funds
- Should include policy on emergencies for absences
 - Policy during fire drills, etc.
- **Depositing Funds**
 - Should include process for depositing funds via online payments
 - Should include process of preparing bank deposit
 - Should include process for getting the deposit to the bank
 - Hand deliver deposit to cashiers, drop box, courier service
 - Should include transfer of deposit bag if delivered by someone other than the person preparing the deposit
 - Should include timing of depositing fund
 - Funds \$200.00 or more must be deposited weekly
 - Should include what the school site or department considers weekly
 - Funds under \$200.00 must be deposited every two weeks regardless of amount
 - Should include policy on overages **and** shortages
- **Reconciling Funds**
 - Should include timing of reconciliations (daily, weekly, monthly)

Appendices:

