

Connections Public Charter School

Accounting and Financial Procedures Manual

Introduction

Connections Public Charter School (Connections PCS) was established in May 2000 as a non-profit Hawai'i public charter school. As a New Century Charter School, Connections PCS implements an alternative educational framework emphasizing flexibility in curriculum design, facilities management, instructional methods, scheduling, and personnel administration. This model promotes autonomy in budgeting, encourages innovation in educational decision-making, and supports the school's mission through effective resource management.

Regardless of an organization's size or mission, sound policies and procedures are essential to ensure that:

1. The Governing Board and officers understand and fulfill their fiduciary responsibilities as defined in the school's bylaws.
2. The organization's assets are properly safeguarded and efficiently managed.
3. The stated mission of the organization is carried out effectively and with accountability.

Effective **internal controls** help protect assets, ensure proper financial management, maintain accountability, and support compliance with laws, regulations, and grant requirements. Internal controls encompass systems, policies, and communication processes—both internal and external—and collectively promote accurate reporting and responsible stewardship of public resources.

This manual focuses primarily on accounting and financial reporting procedures and serves as a reference for staff and administrators responsible for managing the school's financial activities.

Core Financial Responsibilities

Connections PCS maintains standard financial procedures to monitor and record all assets received, held, and expended. The following are foundational elements of the school's financial system:

1. **Budget Preparation and Oversight**
 - An annual income and expense budget is prepared in accordance with the Charter School contract and includes a detailed Operating Budget.
 - Periodic financial reports comparing actual receipts and expenditures to budgeted amounts, with explanations for variances, are presented at regular Governing Board meetings.

- A mid-year review is conducted to determine whether budget adjustments are necessary. Any significant changes require Board approval.
 - 2. **Cash Handling and Disbursement Controls**
 - Procedures ensure that no single individual has complete control over any financial transaction. Duties are segregated so that receiving, recording, and depositing funds, as well as requesting, authorizing, verifying, and recording expenditures, are performed by separate individuals.
 - This segregation of duties extends to all electronic financial data access and modifications to ensure adequate checks and balances.
 - 3. **Grant and Contribution Compliance**
 - All grants and contributions are properly recorded with clear documentation of any donor restrictions or conditions.
 - The school ensures full compliance with reporting and expenditure requirements established by grantors and donors.
 - 4. **Regulatory Compliance**
 - The organization complies with all federal and state reporting requirements, including payroll tax filings, general excise tax, and any other applicable tax obligations.
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Chapter 1: Accounting Policies

General Accounting Standards

Connections PCS follows **Generally Accepted Accounting Principles (GAAP)** as established by the American Institute of Certified Public Bookkeepers. Financial statements are prepared on the **accrual basis of accounting**, meaning:

- Revenues are recognized when earned, not when received.
- Expenses are recorded when incurred, not when paid.

Connections PCS is recognized as a tax-exempt organization under **Section 501(c)(3)** of the Internal Revenue Code and **Sections 416-19 and 416-20** of the Hawai'i Revised Statutes. Accordingly, the school is exempt from both federal and state income taxes.

All accounting and financial reporting data are maintained using **QuickBooks** accounting software.

Payroll Policies

Overview

Payroll processing includes the onboarding of new employees, tracking of leave balances, verification of timesheets, issuance of payroll checks, and timely filing of all required tax forms.

Payroll is processed **semi-monthly**:

- For the 1st–15th of the month, pay date is the **20th**.
- For the 16th–end of the month, pay date is the **5th of the following month**.
If the 5th or 20th falls on a weekend or holiday, payroll is issued on the preceding business day.

Payroll is processed through **Altres Payroll System** and paid via **First Hawaiian Bank**. Employees funded by the Department of Education (DOE) are paid through the DOE payroll system and receive paychecks by mail or direct deposit.

Payroll Internal Controls

1. **New Hire Processing**
 - New employees must complete a background check through the school's contractor, **Fieldprint Hawai'i**.
 - Upon clearance, they receive an employment packet including W-4, HW-4, I-9, EFT authorization, Employee Data Form, and Beneficiary Designation Form.
 - Full- and half-time employees also receive a **Personnel Action Form (PAF)**, signed by the Director, outlining hire date, salary, pay rate, and employment classification.
 - Benefits forms (EC1 medical enrollment/waiver, Securian life insurance, and ERS enrollment/beneficiary forms) are included for applicable employees.
2. **Recordkeeping**
 - Completed forms are submitted to Human Resources (HR) and entered into the payroll system by authorized payroll staff.
 - All documentation is securely filed for a minimum of **four years**.
3. **Personnel Changes**
 - New PAFs are generated for any changes in pay rate, job title, address, name, termination, or other employment status modifications. Copies are distributed to the employee and the Employees' Retirement System (ERS).
4. **Timekeeping**
 - Employees record daily attendance via the **HR Symphony app or website**.
 - Teachers are required to sign in only, in accordance with the BU05 contract.
5. **Leave Requests**
 - Full- and half-time employees must submit a **Leave Request Form** to HR for any planned or unplanned absence.

- The form is routed to the employee's supervisor for review and approval.
 - 6. **Timesheet Review and Approval**
 - Payroll personnel review timesheets each pay period to identify missing or incorrect entries.
 - Employees are responsible for ensuring their time entries are accurate and complete.
 - Supervisors and/or the Director periodically review timesheets for compliance with employment contracts.
 - 7. **Payroll Processing and Payment**
 - Paychecks are processed via **Altres Payroll** or DOE systems and distributed through **First Hawaiian Bank** or DOE payment channels.
 - Payroll packets (check stubs or paychecks) are received by FedEx on or before the scheduled pay date.
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Payroll Processing Procedures

On payroll processing day, the **Payroll Manager** or designee performs the following:

1. **Update Employee Data**
 - Verify and update tax, pay, and benefits information using authorized forms (PAFs, Change of Status, W-4, HW-4, etc.).
 2. **Input and Verify Hours**
 - Review timesheets for hourly employees and input approved hours.
 - Enter approved stipends or differentials authorized by the Director.
 - Generate a payroll summary report for review and sign-off by the **Chief Financial Officer (CFO)** or designee.
 3. **Batch Review and Approval**
 - Once the preliminary batch is generated, the Payroll Manager reviews all entries for accuracy.
 - The CFO verifies totals and authorizes the batch.
 - If corrections are needed, the batch is returned to Altres; otherwise, it is approved for final processing.
 4. **Post-Processing Review**
 - Final payroll reports are downloaded from HR Symphony.
 - Deductions and liabilities (taxes, benefits, etc.) are reconciled with EFT transactions in QuickBooks.
 - The Director reviews payroll reports and initials approval.
 - The Governing Board Fiscal Officer conducts periodic independent reviews of bank statements and payroll documentation.
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Tracking Sick and Vacation Leave

Full- and half-time employees accrue paid leave that may be used for vacation, illness, medical appointments, family care, bereavement, or other personal reasons. Accruals begin upon employment start date, as outlined in the **Connections PCS Employment Packet**.

Leave balances are tracked digitally using **Form 7**, customized for 10- or 12-month employees.

Leave Internal Controls

1. Employees submit a **Leave Request Form** to the Payroll Manager or designee.
 2. The request is reviewed and approved by an administrator. Approved requests are recorded on the employee's Form 7, and originals are filed in the employee's leave folder.
 3. Leave balances are updated for hours taken and hours earned each pay period.
 4. Discrepancies reported by employees are investigated by HR and corrected upon approval from the Director or CFO.
 5. Leave records are audited quarterly by a designated leave accounting auditor.
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Payroll Liabilities

At each pay period, **Altres Payroll** calculates and remits all federal and state payroll taxes. The Payroll Manager or CFO reviews all tax filings for accuracy and retains copies of all reports.

- **Quarterly Filings:** Altres submits **IRS Form 941** and **State Form UCB-6**.
 - **Annual Filings:** Altres prepares and submits **Forms W-2 and W-3**.
 - **Vendor Reporting:** The school prepares and issues **Form 1099** to vendors paid \$600 or more during the calendar year. Vendor information is maintained in QuickBooks.
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Chapter 2: Accounts Payable / Disbursements

Overview

The Accounts Payable (A/P) and disbursements function ensures that all school expenditures are properly authorized, accurately recorded, and supported by documentation. These procedures safeguard Connections Public Charter School's financial assets, ensure compliance with internal control policies, and maintain transparent accountability for all disbursements.

Accounts payable are processed **approximately once per week**. The process includes reviewing purchase orders (POs), entering and paying bills, printing checks, and maintaining proper documentation.

Internal Controls

1. **Purchase Initiation and Authorization**
 - The A/P process begins when an employee submits a **Purchase Order (PO)** to the **School Administrative Services Assistant (SASA)** or designee for approval, or when a bill is received directly by mail.
 - The **Chief Financial Officer (CFO)** reviews the PO or bill to verify available budgeted funds.
 - The **Director** or designee reviews the PO or bill for necessity, reasonableness, and compliance with the school's objectives. Once approved, the PO or bill is forwarded to the Business Office for processing and payment.
2. **Documentation and Matching**
 - The Business Office ensures that all purchase orders, packing slips, and invoices are matched and that all supporting documentation is complete before payment is issued and the transaction is recorded in QuickBooks.
3. **Payment Authorization**
 - Payments are made on a **weekly basis**, following approval of bills.
 - All checks require **two signatures**.
 - Authorized signers are approved by the **Governing Board**.
 - Prior approval from the **Local School Board (LSB) Finance Committee** is required for purchase of an item greater than **\$10,000**, except for pre-approved grant expenditures.
4. **Check Review and Distribution**
 - Check signers review each check and supporting documentation before signing.
 - Once signed, checks are mailed via **U.S. Postal Service**.
 - "Paid" invoices are filed in the Business Office in vendor order.
 - The **Governing Board Fiscal Officer** or designee reviews purchase orders monthly before final filing.
5. **Security of Check Stock**
 - Blank checks are stored in a **locked safe**, accessible only to the **CFO** and an authorized designee.

Entering Bills and Credit Memos

1. In **QuickBooks**, navigate to **Vendors → Enter Bills**. Both bills and credit memos are entered in this window.
2. Enter the **Vendor Name**. If the vendor is new, set up the profile with the correct address and contact details.
3. Enter the invoice **date**, **invoice number**, **amount**, **expense code**, and **class** or **customer** as applicable.

4. Use the selection button at the top of the window to choose whether the entry is a **Bill** or a **Credit Memo**.
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Paying Bills and Printing Checks

1. The **CFO** or designee reviews the **Unpaid Bills Report**, annotates which bills are to be paid, and confirms the payment amounts and dates.
 2. In QuickBooks, navigate to **Vendors → Pay Bills**.
 - Click **Show All Bills** to view all open bills.
 - Check the boxes next to the bills being paid.
 - Apply any available **credit memos** for the same vendor before finalizing payment.
 3. Enter the desired **check date** and select the **bank account** from which the checks will be issued.
 4. Once selections are complete, click **Pay Selected Bills → Close**. QuickBooks will mark the bills as “Paid,” assign check numbers, and record them in the check register.
 5. To print checks, navigate to **File → Print Forms → Checks**.
 - A list of checks to be printed will appear. Deselect any that should not be printed.
 - Verify that the **first check number** displayed matches the physical check number. Update if necessary.
 6. Use **three-part voucher checks**.
 - Remove the bottom third and staple it to the supporting documentation.
 - Stamp each invoice “**PAID**” and attach the payment stub to the back of the invoice.
 - Bundle checks with their source documents for review and signature by the **Director** or designated check signers.
 - Once signed, checks may be mailed.
 - File the source documents to await review by Governing Board Fiscal Officer.
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Key Internal Control Principles

To maintain transparency and accountability, the following internal control principles apply to all A/P and disbursement activities:

- **Segregation of Duties:** Different individuals must be responsible for approving expenditures, processing payments, and reconciling accounts.
- **Supporting Documentation:** Every disbursement must be supported by proper documentation (invoice, PO, packing slip, etc.).
- **Authorization:** All disbursements require prior approval consistent with budget limits and school policy.

- **Physical Security:** Blank checks, sensitive documents, and digital access credentials must be safeguarded at all times.
 - **Periodic Oversight:** The Governing Board Fiscal Officer or designee shall periodically review A/P documentation and processes for compliance and accuracy.
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Chapter 3: Cash / Accounts Receivable

Overview

The purpose of cash and accounts receivable procedures is to safeguard school funds, ensure timely and accurate deposits, maintain accountability, and verify that all receipts are properly recorded. These procedures apply to the handling of cash, checks, electronic payments, petty cash, and the reconciliation of all bank accounts.

Handling Cash

Objective: To ensure the security, accuracy, and integrity of all funds collected.

Internal Controls

1. **Receipts**
 - A receipt is issued for every payment received, regardless of the form (cash, check, or electronic payment).
 - Each receipt can be verified against the cash register record or the corresponding deposit slip.
2. **Mail Receipts**
 - Mail is opened by the Office Assistant, who records all checks received in a **Cash Receipts Log** and forwards them to the Business Office for deposit.
3. **Endorsements**
 - All checks are immediately restrictively endorsed with **“For Deposit Only”** and the First Hawaiian Bank account information.
4. **Deposit Preparation**
 - The **CFO or designee** prepares deposits in duplicate, noting payer names on the deposit slip.
 - Deposits are transported to the bank in a secure bank bag.
5. **Verification and Posting**
 - The bank provides a stamped deposit slip confirming receipt of funds.
 - The CFO or designee enters deposit details into QuickBooks and marks receipts as posted.
6. **Reconciliation and Oversight**
 - Deposits are reconciled with bank statements monthly.

- The **Governing Board Fiscal Officer** periodically verifies deposit records and reconciliations.
7. **Bank Statement Review**
- Bank statements are received by the Office Assistant and forwarded to the **Director** or designee, who reviews them for irregularities and initials approval before forwarding to the CFO for reconciliation.
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Petty Cash Procedures

The **petty cash fund** is used for small purchases and to make change for office transactions. The maximum fund balance is **\$500**.

Petty Cash Controls

1. The fund is managed by the **CFO or designee** and kept in the school safe at all times.
 2. **Reimbursement Procedure:**
 - The requester submits a purchase receipt to the CFO/designee for reimbursement.
 - A **Petty Cash Voucher** is completed, signed by the requester, and attached to the receipt.
 - The voucher and receipt are stored in the safe with the remaining cash.
 3. **Cash Advance Procedure:**
 - For purchases requiring funds in advance, the requester signs a voucher upon receiving cash.
 - After the purchase, the requester returns with the receipt and any change.
 - The CFO adjusts the original voucher accordingly and attaches all supporting documents.
 4. **Replenishment:**
 - When petty cash is low, a PO is completed to reimburse the fund.
 - A check is issued to the CFO/designee, cashed, and placed in the safe.
 - After replenishment, the petty cash total must always equal **\$500** (cash on hand plus receipts).
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Cash Reconciliation Procedures

The reconciliation process verifies that recorded transactions match bank records and ensures the integrity of cash management.

Reconciliation Steps

1. The **Director or designee** receives bank statements, reviews them for unusual activity (e.g., unauthorized checks or withdrawals), initials approval, and forwards them to the CFO.

2. The **CFO or designee** confirms receipt and prepares to reconcile in **QuickBooks**.
 3. Each deposit and cleared check is compared with the general ledger. Matches are marked in QuickBooks, and discrepancies are investigated immediately.
 4. A **Reconciliation Report** is printed, detailing all cleared and outstanding items.
 5. Outstanding deposits, stale-dated checks, or unposted charges are documented and resolved.
 6. The **Governing Board Fiscal Officer** reviews reconciliations monthly for oversight and compliance.
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Chapter 4: Month- and Year-End Closing / Financial Reports

Overview

Month- and year-end closing procedures ensure that all financial transactions are recorded, reviewed, and reported accurately and on time. These processes support accurate financial reporting, compliance with grant and audit requirements, and informed decision-making by school leadership and the Governing Board.

Monthly Closing Checklist

At the end of each month, the CFO or designee completes the following steps before preparing monthly financial reports:

1. Enter all checks for the month.
 2. Record all cash receipts.
 3. Post all miscellaneous bank transactions.
 4. Prepare and complete bank reconciliations:
 - **Bank Balance**
 - **Less: Outstanding Checks**
 - **Add: Outstanding Deposits**
 - **Equals: Book Balance per General Ledger**
 5. Provide copies of reconciliations and bank statements to the **Director** or designee.
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Accounts Payable and Expense Procedures

1. Verify that all written checks are included in the reconciliation.
2. Ensure that all unpaid invoices are recorded as accounts payable.
3. Record all debit card transactions individually.

4. Print the **A/P Aged Invoice Report** and review for overdue payables.
 5. Verify that all recurring monthly expenses (e.g., rent, utilities, health insurance, payroll) are recorded.
 6. Maintain a separate **1099 Vendor Schedule** for year-end reporting.
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Accounts Receivable and Revenue

1. Confirm that all cash receipts have been posted and verified.
 2. At year-end, identify any earned but unreceived revenue and record it as accrued income.
 3. Identify any deferred revenue and record appropriate journal entries.
 4. Print an **A/R Customer Detail Report** and review past-due accounts.
 5. Notify the **Director** or designee of overdue accounts for collection.
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Payroll Year-End Procedures

1. Accrue payroll for the final half of each month and reverse the entry after posting.
 2. For year-end, accrue July 5th payroll to include it in the fiscal year.
 3. Accrue summer salary obligations for 10-month employees to reflect expenses as of June 30.
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Fixed Assets

1. Update the **Fixed Asset Register** annually.
 2. Record any asset disposals and corresponding journal entries.
 3. Capitalize any purchases of \$5,000 or more not yet recorded.
 4. Calculate annual depreciation and post adjusting entries as needed.
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General Year-End Procedures

1. Review QuickBooks for any errors or irregularities.
 2. Prepare and post adjusting and closing entries.
 3. Print final financial statements and general ledger for CPA review.
 4. Assemble financial records and work papers for the annual audit.
 5. Roll forward equity balances:
 6. Beginning Equity
 7. + Net Income
 8. - Distributions
 9. = Ending Balance
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Financial Reporting

After completing the monthly and year-end checklists, the following reports are generated:

1. **Balance Sheet** – current year-to-date.
2. **Profit and Loss Statement** – includes budget vs. actual figures.
3. **Operations Report** – summarizes financial performance for the period.

These reports are presented to the **Local School Board** at the next regular meeting.

Chapter 5: Procurement

Overview

Procurement procedures at Connections Public Charter School ensure that all goods and services are acquired efficiently, ethically, and in compliance with applicable laws, grant requirements, and internal controls.

All procurement, fixed asset management, and compliance procedures follow the **Connections Public Charter School Board–approved Procurement Policy**.

Procurement Guiding Principles

1. **Transparency and Fairness:**
All purchases must be made using transparent and equitable processes that promote open competition and prevent conflicts of interest.
2. **Authorization:**
Expenditures must be pre-approved according to budgetary and Board policies before commitments are made.
3. **Documentation:**
All procurement transactions must be supported by adequate documentation, including purchase orders, contracts, quotes, and invoices.
4. **Compliance:**
All procurement activities must comply with federal, state, and local regulations, including applicable grant and charter school requirements.
5. **Internal Control:**
Segregation of duties must be maintained among staff involved in procurement, approval, and payment to safeguard against misuse or fraud.

Fixed Assets and Compliance

- All fixed assets purchased through the procurement process must be tagged, recorded, and tracked in the **Fixed Asset Register**.
- The school maintains documentation supporting the purchase, use, and disposition of each asset in accordance with state and grantor requirements.
- Annual physical inventory of fixed assets will be conducted and verified by the Business Office.

Conclusion

This manual serves as the comprehensive guide to Connections Public Charter School's financial operations. Adherence to these procedures ensures that financial activities are conducted responsibly, transparently, and in alignment with the school's mission, regulatory requirements, and best practices for nonprofit financial management.