

Vaughn Next Century Learning Center

TK-12th

FISCAL HANDBOOK (REVISED 05/16/18)

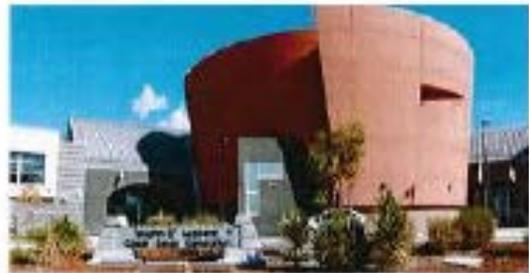


TABLE OF CONTENTS

1. Board Authorities and Signatories.....	3
2. Conflict of Interest Policy.....	4
3. Financial Standards, Internal Control, Reporting, Frequency and Reviews.....	6
4. Budget Development, Adoption, Adjustment, Cash Flow.....	9
5. Revenues: Capturing, Recording, Reconciliation, Receivables.....	9
6. Procurement Guidelines.....	12
7. Expenditures: Vendor Selection, Disbursement, Recording, Reconciliation, Payables, Cash Management.....	13
8. Account Maintenance.....	16
9. Accounting Systems.....	18
10. Contracts.....	18
11. Payroll, Timekeeping, Deductions, Taxes.....	20
12. Pay Plans and Salary Allocations.....	23
13. Health Benefits: Bids, Eligibility, Rates.....	24
14. Sick Days.....	25
15. Reimbursement Policies and Travel Authorization.....	25
16. Investment Policies and Reporting.....	27
17. Equipment: Inventory, Property Disposal.....	28
18. Real Estate Acquisitions and Facilities Construction.....	29
19. Chief Executive Officer Transition.....	29
20. Audit Preparation and Inspection of Records.....	30
21. Records Management Guidelines.....	31

BOARD AUTHORITIES AND SIGNATORIES

Vaughn will have an active Board of Directors that is responsible for setting the strategic direction of Vaughn and the oversight of the finances, operations and policies of the school. The Board of Directors shall perform the following responsibilities in good faith; in a manner such Board members believes to be in the best interest of Vaughn.

1. Review, revise and adopt school-wide mission and vision statement; review, revise and adopt core principles and policy guidelines related to curriculum and instruction, business and operation, and partnership development.
2. Follow a conflict of interest policy that ensures that any conflicts of interest or the appearance thereof are avoided or appropriately managed through disclosure, and recusal
3. Recommend and train new Board members; ensure that its Board members have the requisite skills and experience to carry out their duties and that all members understand and fulfill their governance duties acting for the benefit of Vaughn.
4. Adopt employee pay plans and benefit package based on salary parity study, school needs, roles and responsibilities
5. Monitor the regular review of the performance of the CEO and make succession plan when needed
6. Ensure that the CEO and the Board President maintain ongoing communication so that the Board of Directors can effectively carry out its duties.
7. Ensure that Vaughn has effective organizational capacity to carry out its instructional mission, including personnel, materials and facilities
8. Review and approve Vaughn's annual budget; ensure fiscal health through financial monitoring including adoption of interim financial reports, annual audit, investment plan, facilities plan and contracts in accordance with Board-adopted procurement policy.
9. Ensure that Vaughn is fair and inclusive in its hiring and promotion policies for all Board, administrative and employee positions.
10. Serve as appeal agent related to personnel matters and due process procedures
11. Hear student expulsion cases and makes determination
12. Review and update bylaws as needed.

The Board designates signatories for different accounts based on program budget and monitoring responsibilities.

- Payroll Account: CEO, Business Manager, High School Director and Special Education Director
- Revolving Cash Account: CEO, Business Manager, High School Director and Special Education Director
- Cafeteria Account: CEO, Business Manager, Food Service Director and Special Education Director
- Independent & Professional Contracts: CEO and Director of Operations
- Facilities, Construction and Bond-related Contracts & Certification: CEO, Real Estate or Facility Contractor (Founder)
- Employee Contracts: CEO and Director of Operations
- Real Estate Acquisitions: CEO
- Program Funding Applications & Certifications: CEO and Board-designated Program Director

- Credit card purchases: CEO and Assets Manager

CONFLICT OF INTEREST POLICY

In their capacity as directors, the members of the Board of Directors (the “Board”) of Vaughn Next Century Learning Center (“Vaughn”) must act at all times in the best interests of Vaughn. This includes avoiding conflicts of interests in our dealings as an organization and maintaining the highest ethical standards in our actions.

As a rule, you should avoid situations where your actions may affect or appear to affect your private interests, financial or non-financial.

Definition of Conflict of Interest

You have a conflict if your actions affect your personal financial interests or the interests of your immediate family members. It does not matter whether the action has a negative or positive effect on the interest. Examples include:

- A business in which you or family members have an investment
- Real property in which you or family members have an interest
- Any source of income or loans to you or family members
- Any person with whom you have an agreement concerning future employment

Conflicts of Interest Policy

1. Board members have a fiduciary duty to conduct themselves without conflict to the interests of Vaughn. In their capacity as Board members they must subordinate personal, individual business, third-party, and other interests to the welfare and best interests of Vaughn.
2. A conflict of interest is a transaction or relationship which presents or may present a conflict between a Board member’s obligations to Vaughn and the Board member’s personal, professional, or business interests - financial or otherwise.
3. All conflicts of interest are not necessarily prohibited or harmful to Vaughn. However, full disclosure of all actual and potential conflicts, and a determination by the disinterested Board members with the interested Board member(s) recused from participating in discussion and voting on the matter, are required.
4. Vaughn’s employees (if elected to represent the Committees and serve as Board Directors) must recuse from making decisions that may present a conflict between a Board member’s obligations to Vaughn and the Board member’s personal, professional, or business interests - financial or otherwise.
5. All potential conflicts of interests shall be disclosed by Board members whenever one arises.
6. You may not accept any gift intended to influence you in the performance of your duties including reimbursement for travel and related expenses.
7. You may not use or disclose to any other person for pecuniary gain or personal advantage or privilege, any confidential information that you acquired in the course of your duties as a Board Director.
8. You may not use School resources for any political campaign activity.

Remedies for Conflicts

If a conflict of interest exists, you must be “disqualified” meaning that you must abstain from making, participating in making or attempting to use your position in any way to influence the Board decision that might affect that personal interest. If disqualification on a meeting agenda

item is required, you must publicly disclose the interest which is the subject of the potential conflict as well as the fact that you are disqualifying yourself from any participation in the decision. The disclosure may be made orally at the meeting and/or in writing to the Board Secretary and must be made a part of Vaughn’s official records (e.g. meeting minutes).

Standards of Ethics

The Vaughn Board is committed to observing and promoting the highest ethical conduct in our performance of our responsibilities and duties on behalf of the organization. As the governing body responsible for setting Vaughn’s mission and strategic direction, the board is responsible for overseeing its finances, operations, and policies. As such, the board will work to ensure that the organization conducts all dealings and transactions with integrity and honesty.

Board of Directors – Conflict of Interest Certification Form

In their capacity as directors, the members of the Board of Directors (the “Board”) of Vaughn Next Century Learning Center (“Vaughn”) must act at all times in the best interests of Vaughn. This includes avoiding conflicts of interests in our dealings as an organization and maintaining the highest ethical standards in our actions.

Board members have a fiduciary duty to conduct themselves without conflict to the interests of Vaughn. In their capacity as Board members, they must subordinate personal, individual business, third-party, and other interests to the welfare and best interests of Vaughn.

A conflict of interest is a transaction or relationship which presents or may present a conflict between a Board member’s obligations to Vaughn and the Board member’s personal, professional, or business interests - financial or otherwise.

All conflicts of interest are not necessarily prohibited or harmful to Vaughn. However, full disclosure of all actual and potential conflicts, and a determination by the disinterested Board members – with the interested Board member(s) recused from participating in discussion and voting on the matter – are required. All potential conflicts of interests shall be disclosed by Board members whenever one arises.

The Board of Vaughn is committed to observing and promoting the highest ethical conduct in our performance of our responsibilities and duties on behalf of the organization. As the governing body responsible for setting Vaughn’s mission and strategic direction, the board is responsible for overseeing its finances, operations, and policies. As such, the board will work to ensure that the organization conducts all dealings and transactions with integrity and honesty.

I have read and understood the Vaughn Board Conflict of Interest Policy and the Standards for Ethics set forth above, and I agree to comply fully with their terms and conditions at all times during my service as a Vaughn Board member. If at any time following the submission of this form I become aware of any conflicts of interest or any breaches of our standards of ethics, I will promptly notify the Board Chair.

Board Member Signature: _____ Date: _____

In accordance to Title 2 of the Code of Federal Regulations Section 200.318 no employee, officer, or agent of Vaughn shall participate in the selection, or in the award or administration of a contract supported by federal funds if a conflict of interest, real or apparent, would be involved.

Such a conflict arises when the employee, officer, or agent or any member of his or her immediate family (or an organization which employs, or is about to employ any of the above) has a financial or other interest in the contractor selected for the award.

FINANCIAL STANDARDS, INTERNAL CONTROL, REPORTING, AND REVIEWS

Fiscal Standards

- Establish consistent, internal control by using effective budgetary and generally accepted standard accounting principles
- Complete interim financial reports to make sure VAUGHN is financially sound (fall, winter and spring Unaudited Actual Reports).
- Monitor ongoing cash flow, expenditures vs. cost allocation.
- Maintain adequate reserve and cash flow in the Los Angeles County Treasury and other financial institutions.
- Review all contracts and bids carefully prior to entering into any agreement.
- Maintain comprehensive liability insurance coverage.
- Make sure that everyone understands his/her role in the accounting system and the necessity for accuracy and adherence to the established fiscal practices related to procurement.

Operational Procedures

Vaughn has developed a fiscal handbook that describes in detail procedures for the following:

- Board Authorities, Signatories
- Conflict of Interest Policy
- Financial Standards, Internal Control, Reporting, Frequency and Reviews
- Budget Development, Adoption, Adjustment, Cash Flow
- Revenues: Capturing, Recording, Reconciliation, Receivables
- Expenditures: Disbursement, Recording, Reconciliation, Payables, Cash Management
- Account Maintenance
- Procurement Guidelines
- Payroll, Timekeeping, Deductions, Taxes
- Salary Allocation, Pay Plans and Increases
- Benefits: Bids, Eligibility, Rates, Reporting
- Contracting Process
- Reimbursement Policies, Travel Authorization
- Investment Policies, Reporting
- Equipment: Inventory, Property Disposal
- Real Estate Acquisitions
- Audit Preparation and Inspection of Records
- Records Retention Policy

In addition, Vaughn maintains various fiscal binders that contain the following information:

- All transaction and warrant requests from LACOE
- Revenues by object codes; expenditures by object codes
- Board and Committee agendas and minutes
- Insurances and contracts
- Payroll summaries; benefit summaries
- Restricted programs (budget and cost reports)
- Investment reports

Business & Fiscal Staff

Vaughn's business and fiscal team who executes Board policies includes:

- Chief Executive Officer (CEO)
- Business Manager
- Payroll Clerk
- Assets Manager
- Accounts Payable Clerk
- Contracted Consultants – services based on approved contracts

Internal Controls

Vaughn maintains internal controls in accordance with guidance issued by the U.S. Government Accountability Office (GAO). In accordance to the Standards for Internal Control in the Federal Government (Green Book) Vaughn's internal control system addresses the following five components of internal controls:

Five (5) components of internal controls:

1. Control Environment- Vaughn's Board, Leadership, and Business Team, establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.
2. Risk Assessment-Vaughn's Board, Leadership, and Business Team, assess the risk of operations continually. Vaughn has chosen to transfer the most common types of risk through the purchase of various insurance policies.
3. Control Activities- There are some risks that are related to financial and compliance issues. In order to minimize the risk in these areas Vaughn ensures the following:
 1. Collections are complete and timely
 2. Disbursement are for valid Vaughn purposes and are properly recorded
 3. Assets are properly accounted for
 4. Vaughn is in compliance with contractual, local, state, and federal laws and regulations
4. Information and Communication- It is important for Vaughn employees to know the objectives, policies and procedures established for internal controls. This information is distributed to both Vaughn employees and external stakeholders, per request.
5. Monitoring-Vaughn's internal control system is subject to change as technology, staff, objectives, and policies change. It is Vaughn's Board, Leadership, and Business Team's responsibility to continually monitor the control system and ensure policies are being followed.

Vaughn has developed procedures that delineates clear line of responsibilities to assure internal control and protection against mishandling of funds. Internal fiscal control procedures include:

- Estimate funding based on information provided by the State and authorizer.
- Develop an annual budget by the Governing Board with recommendations from the Business Committee
- Develop cost allocation plan (functional budget) and assign expenditure codes; set up general ledger using general accounting principles (Responsible persons: CEO, Assets Manager, Business Manager)
- Prepare revenue details (Business Manager); prepare expenditure details (Assets Manager and Accounts Payable Clerk)
- Monitor daily input done by, Accounts Payable Clerk ; make monthly reconciliation (Assets Manager, Business Manager)
- Review general ledger monthly, suggest necessary corrections; reconcile accounting errors and payment errors (CPA).
- Track contractors' budget (CEO)
- Track equipment and supplies budget; complete equipment inventory (Supply clerk, Technology Task Force)
- Track fixed costs including utilities, maintenance (Assets Manager and Accounts Payable Clerk).
- Prepare interim financials and Unaudited Actual Reports (CEO, CPA)
- Check declining balances for funds allocated to certain programs, committees and/or grade levels (responsible administrators, CEO)

Financial Reports and Frequency

The following reports will be submitted to the District each year:

- Provisional Budget – Spring prior to operating fiscal year
- Revised Budget- October, February, or as needed
- First Interim Projections – November of operating fiscal year
- Second Interim Projections – February of operating fiscal year
- Unaudited Actuals (Third Interim) – August following the end of the fiscal year
- Audited Financial Statement – December 15 following the end of the fiscal year
- QSCB Bond Financial Statements – Quarterly (3 Interim Unaudited Actual Reports and one financial report in March)
- Instructional Calendar – annually five weeks prior to first day of instruction
- Classification Report – Monthly, per LAUSD schedule (enrollment accounting)
- Statistical Report – Monthly, per LAUSD schedule (attendance accounting)
- P, P2 and P3 – Per LAUSD schedule
- Bell schedules
- School calendar

Reviews

All fiscal reports are presented to the Board for review, discussion and approval at scheduled Board open meetings. After Board approval, fiscal reports that are required by the District, County and the State will be submitted to the District, County and State for reviews. QSCB

quarterly statements are submitted to various bond agencies including Trustee and under-writer. Vaughn provides the District with all financial and related reports, including enrollment and attendance to enable the District to meet its requirements by law.

BUDGET DEVELOPMENT, ADOPTION, ADJUSTMENTS, CASH FLOW

Budget Development

Budget development will begin each year immediately following the January announcement of the Governor's K-12 State Budget Proposals and will continually be refined through the May Revise to the Final State Budget Act. Budgeted resources will always be consistent with Vaughn's goals as identified by the Board of Directors.

- Beginning December – Budget Subcommittee analyzes revenue streams and prioritizes needs that are identified by stakeholders
- March – Budget Subcommittee works with Administrative staff to develop a draft budget that includes recommendations to the Board
- May – Board reviews and adopts preliminary budget and submits to LAUSD
- September – Board reviews updated needs, directs staff to make needed adjustments
- October – Board adopts adjusted budget if needed
- February – After review and discussion of 2nd interim fiscal report, Board makes further budget adjustments if needed

Balance Reserves and Debts

Additionally, Vaughn will at all times maintain a funds balance (reserve) of its expenditures as outlined in section 15450, Title 5 of the California Code of Regulations.

Cash Flow

Vaughn prepares a projected 5-year cash flow schedule at the beginning of each charter cycle. The timing of cash receipts and cash disbursements in this schedule is based on historical experience of cash flows for Vaughn and any new information received from funding sources as it relates to the specific school year. This schedule reflects month-to-month cash projections and is compared to actual results on a monthly basis.

REVENUES: CAPTURING, RECORDING, RECONCILIATION, RECEIVABLES

Revenues and Apportionments

As a direct-funded independent charter school, most of the Vaughn's state and federal revenue flows directly from the state. Funds flowing through the District will be transferred via journal voucher to be deposited in LACOE.

For expenditures, Business Office transfers revenue from LACOE account to be deposited in the Revolving or Payroll Account. From the Revolving Account, checks are prepared and issued.

Federal Funds

Vaughn will apply for all Title funds by submitting the consolidated application directly to the state. For Federal programs, including Title I, the criteria for eligibility and fiscal guidelines will be as established by the Federal Government.

Federal revenues received by Vaughn include but not are limited to the following:

- NCLB:T1, Basic School Support
- NCLB:TII, Teacher Quality
- NCLB:TIII, Limited English Prof (LEP)
- Special Education (IDEA)
- Federal Child Nutrition Program

Vaughn will apply directly to the State for USDA Child Nutrition Program funds.

Vaughn will apply directly to California Department of Education for State Preschool Funding

Reporting of Federal Funds

Federal statutes require the California Department of Education (CDE) to implement cash management practices that minimize the time elapsing between the receipt and disbursement of funds by recipients of federal grants awarded by the CDE. CDE currently requires quarterly analysis and report of the expenditures incurred by the following programs: Title I, Part A, Title II, Part A Teacher Improvement program, and Title III LEP. Vaughn's Business Department provides the CEO a summary of revenue received and expenses incurred during reporting period, this review ensures adherence to program guidelines and timely obligations of the funds.

Vaughn also complete the Consolidated Application, implemented by CDE to distribute categorical funds from various state and federal programs. Vaughn completes both the winter and spring submission and uses this tool to ensure all federal funds are expenses by close of each fiscal year, June 30th.

The series of reporting above ensures only allowable costs incurred during the period of the grant are charged and all obligations incurred under the award are liquidated not later than 90 calendar days after the end date of the performance period

State Funds

Vaughn is a directly funded, fiscally independent charter school. Vaughn will continue to receive direct funding from the State in accordance with AB 544 and direct funding model as identified in Education Code Sections 47633 and 47634.

Certain funding will be funded through its Local Education Agency (AB602)

State revenues received by Vaughn include but are not limited to the following:

- Local Control Funding Formula (LCFF)
- Mandated Costs
- State Lottery: Non Prop 20
- Education Protection Act
- State Child Nutrition Program
- Special Education AB602
- Afterschool Program (ASES)
- State Preschool Programs (CDE)
- Other State Programs (including Charter Schools Facilities)

Local Funds and Fundraising

- Fundraising and gifts: As a public school, Vaughn can legally apply for and accept grants. Vaughn will follow sound fiscal management policies adopted by Partnership Committee. All cash received is recorded
- Investments and interests: In addition to investments handled by the LA County Treasury, Vaughn will invest in other financial institutions so as to leverage maximum resources for our students and assure program longevity.
- Leases and rental: Vaughn will enter into lease and rental agreement with its clients (e.g. CDE State Preschool, theater use, parking needs).
- Local and Foundation Grants: Vaughn will maintain program accounting per grant agreements (e.g. LA's BEST)

Federal and State Competitive Grants

Vaughn will continue to submit competitive grant applications directly to governmental entities (e.g. CDE State Preschool, State Career Tech Education Grant/CTEIG, Federal Gear Up Grant)

- Fiscal procedures – adhere to approved contract terms using advance draw-down, reimbursements of actuals
- Accounting – Grant revenues and expenditures are disaggregated and tracked
- Audit – Grant revenues and expenditures are included in Vaughn's financials and subject to audit

Enrollment and Attendance Accounting

As most of the revenues are generated from average daily attendance, Vaughn uses a comprehensive, schoolwide (PK-12th), computerized student information system. The system tracks the following:

- Student demographics
- State standardized test results
- Student enrollment
- Staff information
- School programs
- Student/Master schedules
- Transfer and cumulative record information
- Daily attendance recorded electronically by classroom teachers.
- Absence notes will be required from parents/legal guardian upon absence of a child from school.
- Required reports (e.g. classification and statistical reports) completed on a monthly basis and submitted to the Authorizer and requesting agencies.

Revenue Recording and Reconciliation

- Monthly –Business Manager records revenues from revenue sources (LACOE, LAUSD, CDE, etc.) into Vaughn's QuickBooks System
- Monthly –CPA reviews and assists Business Manager with reconciliation, including warrant requests from LACOE to assure that revenues and balances match

- Monthly –Business Manager provides CEO with up-to-date balance in LACOE and balances of revolving accounts
- On an average – Business Manager maintains \$350,000 in payroll account and \$350,000 in revolving account so as to assure timely payment of invoices and benefits

Tracking of Receivables

- At Interim and Year End – Business Manager verifies and records receivables into Vaughn’s QuickBooks System
- At Interim and Year End – CPA reviews and assists Business Manager with reconciliation of receivables and records all receivables in interim fiscal reports

PROCUREMENT GUIDELINES

Contracted Online Procurement System

As Vaughn begins to implement an online web-based procurement system which provides internal control at various levels, Vaughn continues to adhere to the following procurement policies

Pre-procurement

- Based on yearly survey of needs, a list of potential capital outlay, equipment, supplies and contract needs are compiled by the Business Committee.
- Responsible Administrator(s) or Manager(s), e.g. IT, Facilities, Sports Department, submit SPO requests with quotes when appropriate; CEO or designee reviews and approve prior to order placement

Small Purchases (for purchase of goods up to \$50,000)

1. Purchases are done by designated administrators and personnel using cost allocation plan and approved budgets. All orders sent are maintained on file with declining balance.
2. Designated administrators and personnel submit SPOs; CEO or designees review and approve; orders placed
3. Assigned clerical staff to receive orders, inventory purchased items and sign packing slips.
4. Responsible staff members distribute equipment and materials after inventory.
5. Designated administrators and personnel prepare complete packet (approved SPOs, invoices, packing slips); CEO reviews and approves; Assets Manager reviews expense entry; Accounts Payable Clerk issues payment.
6. Submission of the packet must be done in a timely manner (at least 10 days prior to payment/check issuance)

7. Accounts Payable Clerk reconciles bill payment amounts and log appropriate accounting entries.

Large Purchases (for purchases of goods above \$50,000)

1. At least 2 quotes must be solicited by designated administrators from vendors that are deemed responsible sources meeting suitability of requested services and/or goods.
2. Quotes are to be shared with Committee Chairpersons. Primary purpose is to obtain the best quality and service at minimum cost.
3. Follow all steps for Small Purchases listed above.

EXPENDITURES: VENDOR SELECTION, DISBURSEMENT, EXPENDITURE RECORDING AND RECONCILIATION, PAYABLES, CASH MANAGEMENT

Expenditure Categories

- Certificated salaries
- Classified salaries
- Employee benefits
- Books & supplies
- Services, other operation expenses
- Capital outlay/Depreciation
- Other outgoing

Vendor Selection

All vendors that provide services to VNCLC are required to complete an IRS Form W-9, Request for Taxpayer Identification Number and Certification form. When selecting a vendor, the following factors may be considered:

- Pricing, the vendor's pricing should be competitive, however it is not the only criteria evaluated.
- Skill-level, a vendor should provide assurance that they have the skills, personnel, equipment, and facilities to fulfill the order or complete the requested project. When applicable, project deadlines may also play a role in vendor selection.
- When applicable, a vendor may need to provide VNCLC with professional references, background checks, evidence of insurance, and or warranties, to ensure the quality of the services rendered and the necessary liability paperwork are in place.
- Business office staff will ensure that vendors are not suspended or debarred by verifying their status on the System of Award Management (SAM).

Disbursement Procedures and Schedules

- Payment requests must be submitted to the Business Office within 2 weeks after goods or services are received or rendered or after the invoice is received.
- For goods that are on back order and the vendor chooses not to invoice for partial delivery, payment requests for the deliveries of all goods must be submitted to the Business Office within 2 weeks after the final shipment is made or the complete invoice is received.
- Accounts Payable Clerk issues payment checks three (3) weeks after payment requests (incl. supporting documentation) are submitted to the Business Office

- Payments will be delayed if payment requests are submitted with calculation errors, inadequate approvals and supporting documentation (SPO, invoice, declining budget, quotes or proposals when applicable, and either signed packing slip or executed service contract). In this case, the party responsible for the order will be contacted via e-mail and informed of the missing items. The payment issuance date will be based on when the missing items are received. Payment request for large order purchases may require additional time to be processed.
- Assets Manager reviews all checks prior to payment. After review is completed the Accounts Payable Clerk obtains two (2) signatures (CEO, High School Director, Business Manager or Special Education Director)
- Business Manager requests warrants from LACOE if bank account cash balance reflects the need as indicated by Accounts Payable Clerk so as to maintain a minimum account balance of \$350,000.

Allowable costs

Vaughn follows cost allowability guidelines and maintains effective control over all federal funds, assures all federal expenditures are allowable, appropriately allocated, and reasonable. Costs must conform to any limitations or exclusions stated in generally accepted accounting principles or in the sponsored agreement. Federally funded contracts and grant costs must follow OMB Uniform Guidance and serve the grant purpose.

Supplement, Not Supplant

Federal funds must meet the supplement not supplant requirements, consequently federal grant funds cannot be used to pay for a cost or activity that is usually supported by State or local funds. State and local funds may not be diverted for other purposes due to the availability of federal funds.

Federal funds must be used to create, expand, enhance, or improve existing services and activities in accordance to program requirements.

Maintenance of Effort (MOE)

As a recipient of federal funds Vaughn ensures that the aggregate expenditures, with respect to the provision of a free public education, for the current fiscal year must not be less than 90% of the aggregate expenditures for the prior fiscal year.

MOE is based on actual expenditures from State and local funds, not budgeted amounts.

Vaughn's Business Department ensures MOE compliance on an annual basis.

Year-end purchase procedures

All orders for the current fiscal year should be submitted to the Business Office by May. This allows for payment to be recorded in the correct fiscal year.

In order to ensure delivery and receipt of purchased materials ordering for the upcoming fiscal year may begin April of the prior year. SPO must clearly indicate that items are intended for use in the upcoming school year.

Fiscal Year-End Closing

The fiscal year close is considered a "hard close," necessary to provide for the preparation of year-end audit. Vaughn's fiscal year begins the first of June and ends the last day in July. The

annual closing of the books is performed from the middle of July to early August of each year. The annual closing of the books becomes the basis for the financial statements and external audit. Part of this process includes a detailed review of grant funds and expenditures incurred during the prior year. Journal Entries to record any outstanding receivables or payables from State and Federal agencies are issued at this time.

Credit Card Purchases

Vaughn will make every effort to make payment for purchases using a check, however there may be times when such form of payment is not accepted by a vendor. In such an event the company credit card may be used to complete such a purchase.

The use of Vaughn's credit card is subject to the following restrictions:

- Written authorization in the form of a school purchase order (SPO) must be submitted prior to the use of the credit card. The SPO must be signed by Vaughn's CEO and is to include a detailed description of the purchase.
- No personal expenditures shall be charged to the company credit card.
- No regular operating expenses (telephone expense, internet charges, etc.) shall be charged to the credit card.
- Documentation of each expense should be submitted as soon as possible and no later than 10 days from the purchase date. This will allow the Accounts Payable Clerk to submit payment in a timely manner.
- Any late fees and interest that may result due to unauthorized or undocumented charges will be the employee's responsibility.
- Vaughn's credit card may not be used for cash advances.
- Violation to Vaughn's credit card purchase policy may result in disciplinary action up to dismissal.

Expenditure Recording and Reconciliation

All payments made are recorded in the QuickBooks System, with assigned pay codes.

CPA reviews all captured expenditures every month; notifies Assets Manager and Business Manager when errors are detected and corrections needed.

Assets Manager and Business Manager reconcile payments with bank statements on a monthly basis.

On a quarterly basis, Vaughn's Business Manager will generate a list of outstanding checks three months old and older. The payee will be notified in writing that the check was issued more than three months ago and has not cleared Vaughn's account. If no response is received the stale check will be canceled.

Indirect Cost

Indirect costs are those expenses that are not readily identifiable with the activities of the grant but are incurred for a common or joint purpose benefiting multiple activities or programs.

Should Vaughn elect to charge indirect costs to a specific program one if the following rates will be used:

- The approved indirect costs rate issued by CDE for the current fiscal year. This rate is published on CDE's website.

- The allowable indirect cost rate specified in the program guidelines, such as ASES and preschool program directives.

Vaughn elects not to recover indirect costs for Title I, Title II, and Title III federal funds.

Recording of Payables

- In preparation of the year-end audited financial statements, Assets Manager and AP Clerk track all payables and ledgers these payables as liabilities.
- Annually, CPA records contract payables including but not limited to facilities construction contracts, worker's comp. increases, etc.
- CPA and CEO review payables and report to Board for appropriate Board actions

Cash Management

- Any cash derived from collections for lost books will be deposited in the bank by Business Manager on a monthly basis
- Cafeteria Manager collects and maintains cash account from food sale to adults. Cash is deposited in cafeteria bank account on a weekly basis

ACCOUNT MAINTENANCE

Accounts Established

- LACOE PeopleSoft account
- Payroll account
- Money market account
- Revolving account for purchases
- Cafeteria account
- Sinking and Payment account (Per QSCB agreement)

LACOE Account and Warrant Requests

- Vaughn maintains an account at LACOE to capture and track federal and state funding sources, local revenues funded through LAUSD, and required cash reserves
- The account utilizes the LACOE PeopleSoft Accounting System
- Business Manager tracks online revenues received on a bi-monthly basis and provides summary print-outs for CEO
- Business Manager requests funds from this account on an interim basis and deposits funds in Payroll and Revolving accounts as needed
- Business Manager also requests funds from this account to be deposited in the Cafeteria account by Cafeteria Manager
- Business Manager requests warrants payable to vendors, contractors, etc. for large payments and payments requested by CEO for the purpose of grant-funded program accounting
- Employee and employer STRS contributions (in accordance to STRS guidelines) are withdrawn directly from LACOE account on a monthly basis

Payroll Account

- Vaughn maintains a Payroll account at the East West Bank, keeping a minimum balance of deposit of \$350,000
- Vaughn contracts Paychex Company to provide payroll services
- Payroll procedures include:
 - During the month – Payroll Clerk reviews staff time reporting, track absences and substitute usage, and reconciles differences
 - 1st-3rd of the month – Business Manager completes payroll reporting to STRS based on current STRS policies
 - 1st – 3rd of the month – Payroll Clerk assists with input of payroll data
 - 5th-10th – Business Manager receives, reviews for accuracy and records payroll adjustment requests from Administrators, enters payroll information of new staff
 - Assets Manager and Director of Operations provide FMLA pay plans
 - 11th-13th – Business Manager processes payroll online
 - 14th – Business Manager receives and reviews paychecks; makes corrections if needed
 - 15th – Payroll Clerk distributes paychecks to Office Managers of each campus who ensure timely distribution to staff
- Business Manager makes payroll adjustments as needed

Revolving Account

- Vaughn maintains a Revolving Account at the East West Bank, keeping a minimum balance of \$350,000
- Revolving Account and payment procedures - See Disbursement section above

Money Market Account

- Vaughn maintains a Money Market Account at the East West Bank for the purpose of better interest earnings with a minimum balance of \$300,000
- Business Manager transfers funds online from Money Market Account to Payroll and/or Revolving Accounts as needed

Cafeteria Account

- Vaughn maintains a Cafeteria Account at Bank of America
- Purchasing and payment procedures:
 - Cafeteria Assistant Manager orders from approved vendors
 - Designated cafeteria staff at each kitchen check deliveries and verifies all receipts
 - Cafeteria Manager reviews all invoices, packing slips, and SPOs.
- Cafeteria Manager deposits cash received from sale to adults in this account
- Cafeteria Manager maintains revenues and payments records in a separate QuickBooks
- Once all invoices are received and cash deposits are made the Cafeteria Manager generates checks and a spreadsheet for the Director of Food Service to review, approve, and sign.
- Cafeteria Manager requests funds transfer for monthly expenditures from the Business Manager and approval for transfer from the Director of Food Service via email.
- Director of Food Service submits checks to CEO or Business Manager for review and second signature

- Business Manager reviews bank statements and makes reconciliation
- Business Manager Reviews Cafeteria Account monthly and merges the Cafeteria QuickBooks records into Vaughn’s QuickBooks System

ACCOUNTING SYSTEMS

Vaughn’s Business Department maintains a system-wide chart of accounts that is driven in large part by State and Federal reporting requirements but is also designed to help management make informed decisions regarding the utilization of funding.

Vaughn’s account structure is developed to accomplish the following objectives:

- Establish a uniform and comprehensive chart of accounts to provide for collection of financial data, reporting, accuracy, and accountability.
- Meet Federal and State compliance guidelines.
- Ensure compliance with generally accepted accounting principles (GAAP) applicable to state and local governmental entities
- Provide better information for use of administrators, parents, the board and legislators.

Accounting Segments

Vaughn’s accounting string consists of an object code and class segment, along with a detailed description of each transaction. Vaughn’s accounting segments ensure that the proper tracking of federal funds and permits the disclosure of revenues and expenditures. Below is a chart describing each accounting segment:

Segment:	Comment:
Object Code	The natural account number per our chart of accounts.
Class Code	The class code groups costs by restricted funding, includes Title Funding, and program objectives. This code may be used for all accounts, as a means of grouping program costs.
Description	This segment is used to provide detailed information pertaining to the revenue received or the expense incurred. The following naming convention is followed: FY-DETAILED DESCRIPTION-RESTRICTED FUNDING SOURCE, if applicable

CONTRACTS

Service Contracts

Service Contracts and fee for service include but are not limited to the following

- Payroll services (payroll company)
- PeopleSoft general ledger and accounting (LACOE)
- Routine maintenance and repairs
- Legal counsel
- Alarm monitoring
- Field trip transportation

- Accounting and independent audit
- Network and communication system
- Speech and language assessment and therapy
- Occupational Therapy
- Nursing services
- LAUSD maintenance and certification program (e.g. rubbish disposal, fire sprinklers)

Service Contracts : Request for Proposal and Bidding

At a minimum of every 5 years, the following contracts will be rebid using RFP procedures.

1. Liability Insurance
2. Workers' Comp Insurance
3. Health and Welfare
4. IT
5. Repro
6. CPA Services
7. Independent Auditor
8. Vanguard Investment Management Monitor

Service Contracts (for contracts up to \$50,000)

- Responsible staff members provide CEO with service information including reviews
- CEO or designee may approve the contract or quote for service.
- CEO or designee receives invoice, verifies service completion and prepares declining budget.
- Accounts Payable Clerk follows approved accounting procedures in checking invoice against SPO and the contract or quote for service if available.
- Accounts Payable Clerk issues payment and maintains all documents related to all services rendered.
- Accounts Payable Clerk reconciles bill payment amounts and logs appropriate accounting entries
- Assets Manager reviews payment and accounting entries

Service Contracts (for contracts above \$50,000)

1. At least 2 competitive proposals from contractors must be solicited by designated personnel.
2. Personnel/committee will conduct a price comparison or cost analysis if deemed necessary.
3. Contractor invoices are first reviewed by designated personnel who directly work with the contractor before submitting to CEO for further review.
4. CEO conducts evaluation review then submits invoices to Business Office for payment.
5. Accounts Payable Clerk issues payment and maintains all documents related to all services rendered
6. Accounts Payable Clerk reconciles bill payment amounts and logs appropriate accounting entries
7. Assets Manager reviews bill payment amounts and accounting entries.

When emergency needs for items or service does not permit a delay resulting from competitive solicitation (e.g. natural disasters, collapsed roof, etc.), the CEO may proceed with needed procurement only up until the emergency situation has been stabilized or cured.

PAYROLL, TIMEKEEPING, DEDUCTIONS, AND TAXES

Payroll Services

- Vaughn selects and contracts a bonded payroll company that handles payroll processing, direct deposits, submission of all taxes, except unemployment taxes which is submitted directly by Vaughn
- Vaughn sets up payroll records and inputs employee information

Time Reporting

- Vaughn utilizes a “biometric clock” system
- Upon arrival and at the end of work assignment, each employee is to complete hand punch process by scanning his/her finger on a biometric clock
- New hired staff is added to the Stratus Time program, assigned a schedule and processed on the biometric clock
- Data from all clocks is collected daily from all campuses via computer program
- Payroll Clerk reviews clock data on daily basis, e-mails staff and supervisors regarding missed punches, inputs all missing “time in” or “time out” in the system, makes changes to assigned schedules and clock in/out time adjustments if necessary
- Upon request, and at the end of each month, Payroll Clerk prints out employees’ time sheets, scans and e-mails them either to employees directly or to Department Managers.
- At the end of each month, all time sheets are printed out by department and submitted for payroll processing

Sick Day/Hour Tracking

- Payroll Clerk tracks sick days and sick hours by utilizing clock data.
- Missing clock in/out time is considered an “Absence” and sick time) is deducted from salaried and full time classified employees.
- Classified employees submit a “Sick Time Request Form” requesting to utilize sick time

- Number of sick hours used each month is recorded in the payroll file each month and totaled at the end of each school year
- Any unused sick hours are rolled over and added to the next year's balance.
- Part time employees receive sick hours based on current law

Payroll Calculation for Medical, Disability-Related and Other Leaves

- Director of Operations or Assets Manager (HR Designee) provides detail information relating to the approved leave.
- HR Designee ensures employees submit necessary documents required by law based on type of leave requested
- Forwards leave information to Payroll Department for final review and implementation.

Pension (STRS) Reporting

In general, certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees, part-time, seasonal, temporary, and other employees who are not members of STRS are contributing to social security. Retirement contributions to the social security systems are reported by Paychex with the filing of the quarterly payroll tax returns, Form 941 Employer's Quarterly Federal Tax Return.

Vaughn reports STRS members and non-members' retirement information through the Los Angeles County Office of Education (LACOE) with the assistance of Hess and Associates.

1. Business Manager determines STRS membership eligibility requirements by assessing the following data:
 - Whether employee performs creditable service
 - Whether employee holds an active credential or permit
 - Whether employee work full-time or part-time using current STRS guidelines (including substitutes)
2. Based on the assessments of types of services provided, credential/permit status, and level of employment (full-time or part-time), Business Manager enrolls employees in the STRS system or provides option for employee to join this retirement system
3. On a monthly basis, Business Manager reports employees' earnings to STRS according to the guidelines set forth by the retirement system
4. For purpose for STRS reporting, the Business Manager prepares STRS reporting file and sends it to Hess and Associates who converts the report to a LACOE readable file.
 - STRS report is generated using the following data:
 - Board-approved pay plans and rate differential of all certificated personnel to determine monthly salary
 - Additional bonus and expertise compensation including grade level chairs, committee chairs, peer reviewers, mentors, faculty representatives
 - Data for substitute teaching, afterschool tutoring, replacement, summer school, Extended School Year
5. Business Manager makes necessary adjustments to earnings when event arises such credential clearance and master degree degree/units attainment

6. Business Manager makes prior period adjustments if errors are discovered from previous period reporting
7. Business Manager submits reports to Hess and Associates for review and submission to LACOE

Payroll Deductions (TSA, Health, Wage Garnishment, Others)

- TSA-Tax-Sheltered Account is optional for staff member to purchase from the approved vendor list& the open enrollment is twice a year (July & January)
- Requested amount from staff will be deducted and sent to the 3rd party company to handle TSA contribution
- Any wage garnishment order will be processed as soon as the order is received

Payroll Error Reconciliation/Corrections

- Any salary payroll adjustment requires approval by the CEO, HR or Supervisor
- Any payroll adjustment will be made in the following pay cycle
- Any payroll update or change must be submitted by the 1st of the month

Tax Reporting and Distribution

1. Form 1099-MISC – Miscellaneous Income/Form 1096, Annual Summary and Transmittal of U.S. Information Returns
 - In January/February of each year, Business Manager reviews and summarizes total service payments made to independent contractors in the previous calendar year and prepares 1099-MISC forms
 - Copies of 1099-MISC forms are mailed to independent contractors on or before due date
 - Copies of 1099-MISC forms and 1096 form are mailed to Internal Revenue Service on or before due date
 - Copies of both forms are retained by Business Manager for Vaughn's records
2. Forms W-2 Wage and Tax Statement/ Form W-3 Transmittal of Wage and Tax Statements
 - In January of each year the payroll company generates employee copies of forms W-2s summarizing employee earnings and tax withholdings from the previous calendar year
 - Business Manager, Payroll Clerk, or Office Managers distribute form W-2s to employees between 2nd -3rd week of January. W-2s that are not picked up will be mailed on or before due date to employees using the address on records
 - Payroll company files W-2s and W-3 forms on behalf of Vaughn and provides copies of forms to Business Manager for Vaughn's records.
3. Forms 1094-C Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Return, 1095-C Employer-Provided Health Insurance Offer and Coverage.

Based on deadlines set by current law

- In January of each year the payroll company generates 1094-C and 1095-C forms summarizing employer/employee medical benefits coverage from previous calendar year.

- Business Manager, Payroll Clerk or Office Managers distribute 1095-C forms to employees by required due date
 - Payroll Company files 1094-C and 1095-C forms on behalf of Vaughn and provides copies of forms to Business Manager for Vaughn's records.
 - The information summarized in these forms is reviewed on a monthly basis by the Payroll Clerk and Business Manager to ensure accuracy via the Employer Shared Responsibilities report.
3. Form 990 Return of Organization Exempt from Income Tax (Federal) /Form 199, Exempt Organization Annual Information Return (State)
- Independent auditors utilize financial information from audited financial statements to prepare Vaughn's non-profit tax return, Form 990/Form 199
 - Business Manager provides additional information to independent auditors as needed in the preparation of Form 990/Form 199
 - CEO reviews both tax forms for completeness and accuracy before presentation to the Board
 - Independent auditors e-file Forms 990 with the Internal Revenue Services and mail Form 199 to Business Manager
 - Business Manager obtains signature from CEO on Form 199 and mail form to Franchise Tax Board

PAY PLANS AND SALARY ALLOCATIONS

Pay Plans

Vaughn adopts differentiated pay plans for groups of staff corresponding to their job descriptions and accountability measures. In addition to base pay and extra compensation for certification and advanced degrees, Vaughn pays contracted teachers the following:

1. Skills and Knowledge Pay - Contracted staff are paid for what they know and what they do based on differentiated levels.
2. Contingency-based pay - Teachers earn extra bonuses for achieving certain goals, such as student attendance.
3. Student Academic Growth Pay
 - a. Schoolwide - Achievement goals and graduation rate are established using growth target set by the State.
 - b. Individual Teacher/Teaching Team – Student achievement growth based on specific benchmarks set by Vaughn.
4. Expertise compensation - Teachers accepting additional duties such as leadership roles including but not limited to, grade level chairs, committee chairs, peer reviewers, mentors, faculty representatives and intersession instructors receive additional stipends.

The above compensation pay is prorated based on actual days worked. Late start and leaves result in prorated pay based on the number of instructional days worked during the contracted school year.

Pay Plan Development and Adoption

- Upon the receipt of a charter renewal, Board directs CEO to work with Business Subcommittee to draft new multi-year, differentiated pay plans
- Stakeholder groups review pay plan drafts and provide feedback for revision
- Board discusses and reviews pay plans drafts and recommendations received at the March Board meeting
- Board adopts new pay plans prior to contract offers
- At times, Board makes decision on salary increases and freezes as needed

Salary Allocation

- Upon being hired, Director of Operations for classified employees, Assets Manager for certificated employees review documents related to experience, degrees, certification, and training and rates in the new employee by assigning the appropriate salary schedule and tier.
- Director of Operations or Assets Manager completes the Hiring Checklist.
- Director of Operations or Assets Manager forwards the new employee folders and the Hiring Checklist with identified rate-in decision to Payroll Clerk for payroll input and processing
- Increases based on new degrees earned, credential clearance, additional assignments will be communicated in writing by the CEO, Director of Operations and/or Assets Manager so that salary and payroll adjustments can be made
- Salary and payroll adjustments related to degree or credential advancement are made on the 1st day of the month following submission of earned document to the Assets Manager and Director of Operations.

Federally funded salaries

An employee whose salary is funded through a single federal program will complete a semi-annual certification as a means of confirming that he/she has been solely engaged in the allowable activities in accordance with the program requirements.

An employee whose salary is funded through multiple programs, including federal funds, will maintain monthly time and effort distribution records.

Semi-annual and monthly time and effort reports are reviewed by Vaughn's CEO to ensure that the salaries and wages charged to these programs are reasonable, necessary, and allowable in accordance with federal program requirements.

HEALTH BENEFITS: BIDS, ELIGIBILITY, RATES

One of Vaughn's primary obligations is to offer its staff the highest quality benefits at the most affordable prices. Vaughn's benefit package is reviewed annually in Spring to analyze projected increases in insurance rates, personnel growth and benefit eligibility.

- Current vendor and qualified bidders deemed responsible sources to compete are solicited to provide benefit cost proposals. Member representatives of the Business Committee, the Business Office, the CEO participate in vendor presentations and in reviewing bids.

- The Business Committee monitors feasibility and expenditures of the health benefits program and proposes recommended changes when needed.
- If deemed necessary, a spending cap will be imposed.

Full time certificated and classified staff members who typically work a minimum of 30 hours per week are eligible for group health and welfare benefits. Full time qualified employees receive the following benefits sponsored fully or in great part by Vaughn:

- Medical Insurance
- Dental Insurance
- Vision Insurance
- Life Insurance

Any changes and/or additions are reviewed with staff and remain in effect during the proposed year of implementation.

SICK DAYS

Unused sick days cannot be converted to cash benefits per Vaughn's charter. Vaughn's policy is to record the use of sick days and substitute payment as an operating expense in the period taken. Therefore, sick days are not recognized as liabilities. STRS adds unused sick days to the credible service calculation of retirement benefits when an employee retires in accordance with STRS policies.

REIMBURSEMENT POLICIES AND TRAVEL AUTHORIZATION

Costs associated with attendance to school related conferences are reimbursable if the attendee is required by the school to be at the conference and/or convention. Whenever possible conference attendance should be limited to the closest location to the employee's home or work location. For example, if a conference is offered in Los Angeles and San Diego, the selected location must be Los Angeles. Administration is responsible to ensure that the continuation of the educational program and other job duties will be maintained while the participant is away from the work location. The number of employees attending a conference should be kept at a minimum in order not to impact the instructional program.

- Staff members attending conferences must obtain appropriate administrative approval signature/title prior to traveling or attending conference.
- Expenses for lodging and meals are not reimbursable if the conference is within 45 miles from home or work if leaving from work. However, an exception may be allowed with the advance approval of the appropriate administrator.
- Whenever possible, the staff member's conference fee payment will be paid directly by the school. Administration will assist with travel arrangements such as airfare, hotel and rental car. However, these expenses may need to be paid out-of-pocket by the traveling staff member to be reimbursed upon return from travel. Staff members will be fully responsible for any travel or lodging upgrades. Automobile rental will only be allowed with prior administrative approval.
- Upon return from the travel and/or conference, the attendee must complete and sign the expense claim reimbursement and attach original receipts and related documentation

(conference brochure/agenda that shows date, place, time and fees, credit card statements, and other itemized travel expenses). Original receipts must be photocopied on an 8 ½ by 11 sheet of paper. Attach original receipts on the photocopy.

- The expense claim reimbursement process requires that the claim form be signed by the staff member and the CEO before being submitted with original receipts, or credit card statements and a declining budget directly to the Business Office for reimbursement.

Transportation Modes

All travel should be coach only. Report only actual expenses incurred for transportation modes. Administration is responsible for ensuring the “best priced” mode of transportation available at time of trip with appropriate documentation prior to approving travel expense. For auto travel in privately-owned cars, original receipts and a printout of daily mileage (from MapQuest, Google Maps, Yahoo, etc.) must be attached to the Expense Claim Reimbursement in order to be fully reimbursed. Total mileage claimed per day must be limited to mileage from Home to Conference and from Conference to Home.

Private Auto-Mileage

Private auto-mileage is reimbursed at the federally approved rate at the Internal Revenue Service established standard business rate (<http://www.irs.gov>).

Receipts for Transportation

In order to obtain reimbursement, original receipts of the following costs must be attached to the Expense Claim.

1. Train
2. Shuttle/Taxi Service
 - a) Airport to Hotel/Hotel to Conference and/or back
 - b) Hotel to Airport
3. Air travel - Airport Parking

Lodging

The traveler must be prepared to provide a personal credit card at check-in for lodging. An administrator will need to negotiate with the hotel to ensure pre-payment if allowed by the hotel in order to have Vaughn pay directly. Otherwise, the traveler will need to pay out of pocket for lodging expenses. Report only actual expenses incurred for lodging. If the room is shared with another employee during the conference Vaughn will reimburse only one person for the room. Original receipts must be attached to the Expense Claim in order to be fully reimbursed.

Reimbursement will not be made for incidentals, safety deposit box, room service, and pet charges.

Per Diem

- No receipts are required on per diem reimbursement.
- Staff members are allowed a per diem per each out-of-town conference attended.

- Expenses for lodging or meals included in conferences within 45 miles of home or work are not reimbursable.
- A full day @ \$ 49.00
- A full day @ 24.50 when meals are included in the conference fees and are prepaid
- A half day @ \$ 24.50 (conference ends before 12 noon)
- Daily per diem rate will cover the following expenditures of staff members while attending approved conferences.
 - Meals and meal-related tips
 - Transportation within area of conference (from hotel to conference and conference to hotel)

Other Reimbursements

Staff members interested in directly purchasing materials or other school related items from a vendor may be reimbursed by the school. Reimbursement exceeding \$500 must first obtain appropriate administrative approval.

Approved reimbursable purchases made on a personal credit card need to include credit card statement. Statement is used as verification that payment was processed and dispersed.

INVESTMENT POLICIES AND REPORTING

Investment Portfolios

Vaughn maintains four investment portfolios in the following financial institutions

- Endowment Fund (in Vanguard Fund)
- Employee Incentive Fund (in Vanguard Fund)
- Building and Capital Fund (in Vanguard Fund)
- Qualified School Construction Bond Debt Repayment Sinking Fund (in Payden Fund)

Board receives reports from Vanguard Fund Manager monthly. Board also contracts a Monitor of Investment Management (via competitive bids) to monitor Vanguard Fund Manager’s trading activities to ensure that all activities adhere to Board goals and the Board’s investment allocation plan. Monitor maintains ongoing communication with Vanguard Fund Manager to assure active and quality management of Vaughn’s investment portfolios. Monitor reviews investment activities on a monthly basis and records gains or losses per portfolio performance. Monitor provides reports to Board and auditor.

Goals:

- Maintain adequate funding support for the school on a long term basis. Uses may include:
 - Additional personnel
 - Additional programs
 - Emergency needs
 - Post-retirement health benefits
- Assure funds invested will sustain at the same level (i.e. never deplete the principal)
- Provide needed matching funds to leverage additional funds

Investment Strategies, Reporting and Monitoring

- Board determines asset allocations of these funds in consultation with Fund Managers and Monitor of Investment Management
- Board reviews market trends, investment cycles and receive quarterly updates from Fund Managers and Monitor of Investment Management.
- Board discusses and revises investment strategies, allocation plan as needed

How do we define risk and how to measure?	Liquidity vs. Illiquidity?	Financial Manager?	Diversification and asset allocations?	Impact investing with fiscal returns?
<ul style="list-style-type: none"> • Loss of capital • Volatility • Draw downs • Not meeting goals • Time taken to recover • Factor-based measures • Sources of risks • Risk model is dynamic • In constant refresh mode • Short & long term 	<ul style="list-style-type: none"> • Need for cash • Investment goals • Lock up duration • Ceding time control • Tolerance level • Perceived liquidity among hedge funds 	<ul style="list-style-type: none"> • Is active • Above market rate • Take advantage of market cycle • Skillful gatekeeper • Blend judgment & data • Luck or skill • Performance in 2008 (prior and after) 	<ul style="list-style-type: none"> • Asset classes • Fixed income • High yield • Add alpha • Risk adjusted returns • Dynamic asset allocation • Can hedge funds diversify? 	<ul style="list-style-type: none"> • Smart investing & doing good • Sector exposure • Big Society Capital (Social impact bonds) • Impact Investment Database

EQUIPMENT: INVENTORY, PROPERTY DISPOSAL

Inventory

Vaughn’s IT department maintains the following procedures:

1. Inventory Excel spreadsheet is used to track and account for inventory. Spread sheet includes a description of the equipment, a serial or identification number, and the location of the equipment
2. Inventory Excel spreadsheet is updated regularly, upon new deliveries and purchases

Vaughn’s Business Department maintains a fixed asset report which includes a description of the fixed asset, an identification number, the asset acquisition date, the asset cost, and the ultimate disposition date.

Equipment and fixed assets purchased with restricted funding, including Federal, State, and grant revenue are identified within VNCLC’s accounting system.

Property Disposal

Vaughn IT department decommissions all equipment. Decommissioned equipment is secured in storage. Decommissioned equipment is disposed of on an as needed basis through e-waste companies or locations.

REAL ESTATE ACQUISITION AND FACILITY CONTRACTS

**Currently, the Vaughn Board has contracted Vaughn's Founder as it's consultant for all Real Estate, Facility and Construction projects.*

Real Estate Acquisitions

- Per Board decision related to new construction needs and property location, Contracted Consultant [Founder] prepares acquisition feasibility studies and submits report to Board.
- Contracted Consultant [Founder] drafts facilities plans and options considering enrollment growth, affordability, governmental grant opportunities, partnership including LAUSD, design, environmental issues, neighborhood identity, and land sales in the community.
- Upon further discussion and decision made by the Board, Contracted Consultant [Founder] and CEO proceed to make inquiries and present proposals to potential sellers.
- All purchases will be presented to the Board and approved by the Board.
- Board designates the CEO to execute documents related to the purchase.

Construction Contracts

- Board directs Contracted Consultant [Founder] to research construction options (e.g. stick-built, permanent components buildings, add-ons, etc.) as well as lists of potential architects, general contractors, inspectors, etc.
- Contracted Consultant [Founder] proceeds with tasks required under governmental and non-governmental building codes including Public Works bidding, contracting services for abatement, demolition, appraisals, environmental and geotechnical studies.
- Board reviews submitted proposals and selects Architect and General Contractors.
- Board designates Contracted Consultant [Founder] to solicit, negotiate and award contracts to professional groups needed for various other construction aspects, including but not limited to licensed inspection lab, DSA inspector, surveyor, etc.
- Contracted Consultant [Founder] is to manage the construction and per Board authorization will approve pay requests per contract terms and change orders that are allowable under change order contingencies as delineated in Board-approved construction budget.

CHIEF EXECUTIVE OFFICER (CEO) TRANSITION

New CEO will receive mentoring assistance from Ex-CEO on fiscal matters that require institutional memory.

AUDIT PREPARATION AND INSPECTION OF RECORDS

Audit Oversight

Vaughn agrees to observe and abide by the following terms and conditions as a requirement for receiving and maintaining their charter authorization:

- Vaughn is subject to District oversight.
- The District's statutory oversight responsibility continues throughout the life of the Charter and requires that it, among other things, monitors the fiscal condition of Vaughn.
- The District is authorized to revoke this Charter for, among other reasons, the failure of Vaughn to meet generally accepted accounting principles or if it engages in fiscal mismanagement.

Accordingly, the District hereby reserves the right, pursuant to its oversight responsibility, to audit Vaughn's books, records, data, processes and procedures through the District Office of the Inspector General or other means.

Independent Auditors

Beginning in November, unless there is a multi-year contract on file, the Board of Directors will engage an independent public accountant, certified by the State of California, to audit the school's financial statements in accordance with generally accepted auditing standards and the audit guide issued by the Controller of the State of California. The State Controller's Office also conducts audits of school districts and charter schools as needed and in accordance to law.

Audit services will be reviewed by the Board once contract reaches the end of its active life. Under the Board's direction business staff will competitively rebid every three years for audit services.

Audit Scope of Work

The audit may include, but is not limited to, the following areas:

- Compliance with terms and conditions prescribed in the Charter agreement,
- Internal controls, both financial and operational in nature,
- The accuracy, recording and/or reporting of Vaughn's financial information,
- Vaughn's debt structure,
- Governance policies, procedures and history,
- The recording and reporting of attendance data,
- Vaughn's enrollment process,
- Compliance with safety plans and procedures, and
- Compliance with applicable grant requirements.

Audit Preparation

- At the beginning of the financial audit, the independent auditors issue a document request form detailing the information required to conduct the audit
- Business Manager and Assets Manager identify and communicate with the personnel who are responsible for providing the necessary documentation/records for the audit.
- Independent auditor set date and time to conduct fieldwork during which time all requested documents are provided to auditors

- CEO, Business Manager, Assets Manager and CPA remain available to respond to inquiries made by auditor during the course of the field work and the preparation of the audited financial statements
- CEO, Business Manager, Assets Manager and CPA review the audited financial statements for completeness and accuracy prior to their issuance

The Single (A-133) Audit

VNCLC is required to identify all Federal awards received and expended during the year and specify the Federal programs under which the awards were received. The Business Department in collaboration with the VNCLC’s CEO has responsibility for accounting and monitoring these Federal programs, including compliance with provisions of grant agreements. This requirement culminates with a Single Audit (also known as an OMB A-133 Audit) by a CPA firm immediately after the annual financial audit. The Single Audit provides the Federal Government with assurance that VNCLC has complied with applicable federal and state law and regulations. It encompasses an examination of the school system’s records, financial statements, federal award transactions and expenditures, internal control systems and federal assistance received during the audit period.

Audit Reporting

On or before December 15 of each year, a certified, detailed audit report is provided to the Authorizer, LACOE, the California State Department of Education, the State Controller’s Office and the California State Department of Finance.

Audit Remedies and Corrections

Audit irregularities are corrected within one month and recommendations are implemented for the following fiscal year.

RECORDS MANAGEMENT GUIDELINES

Please refer to table below regarding Vaughn’s record retention policies:

Type of record	Years	Comments
Financial		
Expense Reports	7	
Budgets	7	
Accounting Reports	7	
Audits	7	
Invoices & Receipts	7	
Cost Recovery- State/Federal Programs	7	
Checks & Ledgers	7	
CalSTRS Report	Active + 1	Active until a new budget is approved
Grants	Active + 2	Active until end of grant year
Equipment		
Inventory	Active	Active until updated

Purchase Orders	Active + 7	Active until receipt of items.
Service Orders/Authorizations	Active	Active until services complete
Vendor information	Active	Active until updated
Building Maintenance/Leases	Active	Active until agreement ends
Inspection Reports	Active	Active until updated
Equipment Maintenance	Active + 2	Active until maintenance complete
Hardware/Software Documentation	Active	Active until updated
Personnel		
(All personnel documents will follow the PRA 6254, IPA 1798, and be confidentially destroyed)		
Employee Records	Active + 3	Active until employee leaves/terminates
Attendance	Active + 3	Active until employee leaves/terminates
Training	Active + 3	Active until employee leaves/terminates
Applications	Active + 3	Active until employee leaves/terminates
Evaluation/Bonus Summaries	Active + 3	Active until employee leaves/terminates
Grievances/Conference Memos/Improvement Plans	Active + 3	Active until employee leaves/terminates
Policy/Procedures/Organization		
Policies (All)	Active	Active until updated
Procedures (All)	Active	Active until updated
Handbooks (All)	Active	Active until updated
Required State & Federal Plans. including but not limited to: <ul style="list-style-type: none"> • Charter Petition • LCAP • LEA Plan • WASC Plan 	Active	Active until updated
Meetings/Minutes/Agendas	Active + 5	Active until updated
Contracts	Active + 7	Active until contract
Emergency Preparedness	Active	Active until updated