



Ohio Digital Learning School

FISCAL POLICIES & PROCEDURES

For a K12 Managed School

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

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

CONTROL PRINCIPALS

Segregation of Duties: Duties are divided so that no one person has complete control over a key function or activity.

Authorization and Approval: Proposed transactions are authorized when they are consistent with policies, procedures, regulations and laws.

Custodial and Security Arrangements: Responsibility for custody of assets is separated from the related record keeping.

Review and Reconciliation: Records are examined and reconciled to determine that transactions were properly processed and approved.

Physical Controls: Equipment, inventories, and other assets are secured physically, counted periodically and compared with amounts shown on control records.

INTERNAL CONTROL PRACTICES

Banking – Dependent on Board of Directors Approval

Authorization and Approval:

- The Board authorizes the opening of a bank account.
- Bank Signatory Authority – The Head of School (HOS), School Treasurer, and Board President are the signatory/agents for all OHIO DIGITAL LEARNING SCHOOL bank accounts. Two signatures are required for expenditures > \$5,000.
- The cash balance may not be reduced below zero.
- Checks outstanding and unpaid for a period of more than one year shall be declared void, included as receipts and removed from the outstanding check listing.
- Any adjustments to cash, such as the write-off of old outstanding checks, must be approved by the HOS or Operations Manager.
- Check signers will be reviewed twice annually for updates/changes.
- Should the relationship change with an authorized signer, banking documents will be updated immediately.
- Debit cards are not allowed to be obtained.

Segregation of Duties:

- Bank Reconciliations
 - K¹² Managed School Accounting obtains the bank statement online from the bank and performs the monthly bank reconciliation. The bank reconciliation must include the beginning cash balance, a listing of all cleared checks/payments and deposits/credits, a listing of all outstanding checks/payments and deposits/credits and the ending cash balance.
 - K¹² Managed School Accounting follows up on any questions the HOS may have, and a copy of the bank statement accompanied with the bank reconciliation will be included in the monthly financial pack and sent to the HOS for approval.

Review and Reconciliation:

- Bank Reconciliations
 - The HOS and Board Treasurer review and approve the bank reconciliations prepared by K¹² Managed School Accounting prior to the board adopting the bank reconciliation resolution. As part of the review, the HOS and Board Treasurer should note that check sequence was maintained from the prior month.

Custodial and Security Arrangements:

- K¹² Managed School Accounting maintains the School's check stock. Access to the check stock is separated from those with the ability to write checks.
- Checks voided for any reason are maintained. The signature section is marked out or removed and the reason the check was voided is noted on the check.
- No petty cash is maintained by the School.
- Check stock maintained by K¹² Managed School Accounting is located in a secure/locked area.

Revenue

Segregation of Duties:

- Direct Deposits: The deposits related to State student funding and Federal grants will automatically be deposited into the OHIO DIGITAL LEARNING SCHOOL bank account. The School Treasurer will send a copy of all backup documentation for these direct deposits to K¹² Managed School Accounting for posting.
- Other Deposits: Any deposits in the form of cash or check will be deposited into the OHIO DIGITAL LEARNING SCHOOL bank account by the Operations Manager or HOS. The Operations Manager will send a copy of all backup documentation for these deposits to K¹² Managed School Accounting for posting.

Custodial and Security Arrangements:

- All cash and checks are kept in locked cabinet until deposited. Deposits will be made no later than the business day following the receipt of funds and in the same form in which the funds were received.
- Any compensation, premium, bonus or product earned as a result of the purchase of goods or services by the School becomes the property of the School.

Review and Reconciliation:

- The Operations Manager will issue a receipt immediately upon receipt of cash or checks.
- The School Treasurer and K¹² Managed School Accounting will reconcile the revenue accounts on a monthly basis to ensure that all deposits were recorded correctly. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and the corresponding names of the payers.
- K¹² Managed School Accounting will maintain a listing of open accounts receivable. The listing will be reviewed and reconciled monthly. Any delinquent receivables should be reviewed and investigated. Any write-offs must be approved by the Board.
- The HOS will approve the revenue as a part of the monthly financial closing process.

Expenditures

Authorization and Approval:

All expenditures as listed in this section may only be completed as approved in the budget.

- The HOS and Operations Manager are approved by the Board to approve and make expenditures on behalf of OHIO DIGITAL LEARNING SCHOOL for the following purposes: insurance coverage as required to comply with OHIO DIGITAL LEARNING SCHOOL agreements; payroll expenses and payroll taxes or other required taxes; and for any payment required to comply with any agreement approved by the Board of OHIO DIGITAL LEARNING SCHOOL, including sponsor-oversight fees and management/technology fees. Further, the Board has authorized the HOS in conjunction with the Operations Manager to approve and make expenditures for all OHIO DIGITAL LEARNING SCHOOL operational needs up to \$25,000. Any expenditure of greater than \$25,000 that does not meet the requirements defined in this paragraph will require Board approval in advance of payment.
- All purchase requisitions should be approved by the HOS or Operations Manager and School Treasurer if under \$5,000. All purchase requisitions > \$5,000 should be approved by the HOS, Operations Manager and School Treasurer.
- The School should get three quotes for purchases > \$10,000. Three competitive bids should be obtained for purchases > \$25,000.
- All service contracts should be supported by a current written contract.
- Loans to employees and Board members are prohibited.
- Compensation and any other payments for goods and services should not be paid in advance of receipt of goods or services.
- All invoices must be paid in a timely manner and within 30 days when possible.

- For payment to be processed there should be a fully itemized invoice and the invoice should be approved by the appropriate person as itemized below and matched to a purchase requisition, if required. Once approved, a scanned copy of the documents will be sent to the Sr. Accountant at K¹² Managed School Accounting assigned to the School for payment.
- If gift cards are purchased, documentation will be maintained including the purpose of the gift card and to whom the gift cards were provided.
- All technology purchases should be approved by the Regional Technology Manager and either the HOS or Operations Manager.
- All special education provider payments should be approved by the Operations Manager or HOS.
- Checks are never written to cash.

Segregation of Duties:

K¹² Managed School Accounting Sr. Accountant creates all checks and records the payment but does not have signatory authority. Checks are generated only against approved expenses. If an invoice is presented for payment without approval or general ledger coding, it is returned.

- Payroll and benefits
 - Payroll and benefits are administered in conjunction with the PEO and with the assistance of the K12 Payroll Manager.
 - A Master Salary spreadsheet is maintained by the School Treasurer. New hires, salary changes and terminations are all updated based on approved Board information.
- School expense reports (not corporate expense reports)
 - The Operations Manager receives expense reports, reviews them to make sure they are in compliance with the board approved Travel and General Expenses policy, in accordance with Federal or State requirements if applicable and for complete backup documentation. Once reviewed and approved by the Operations Manager or HOS, copies of the expense reports and any backup documents are sent to the School Treasurer for coding and then to K¹² Managed School Accounting for check writing.
 - K¹² Managed School Accounting writes the checks and sends them back to the School. The HOS reviews all supporting documentation, signs the checks, stamps the expense reports paid to prevent paying the same expense report twice and forwards them to the Operations Manager. The Operations Manager photocopies the signed checks and files them with their respective expense reports.
 - The HOS must approve the Operations Manager's expense reports and the Regional VP must approve the HOS expense reports.
 - If the Operations Manager isn't available to approve the expense reports, the HOS can approve expense reports.

- K12 invoices
 - Management and technology fee invoices are reviewed by the HOS and Operations Manager to make sure that they are in compliance with the Board approved management agreement. Currently, management fees are 15% and technology fees are 7% of Federal and State student revenue and grants. Once approved by the HOS and Operations Manager, the invoices are forwarded to K¹² Managed School Accounting for check processing.
 - Student computer invoices, On-line School (OLS) invoices, materials invoices, and other K12 invoices are reviewed against student records and approved by the Operations Manager or School Treasurer. In addition, the Board Treasurer and HOS must approve all student invoices prior to forwarding to K¹² Managed School Accounting for check processing.

- Oversight fees
 - Oversight invoices are reviewed by the HOS and Operations Manager to make sure that they are in compliance with the Charter Agreement. Currently, oversight fees are 3% of State student revenue (as per Master Service Agreement). Once approved by the HOS and Operations Manager, the invoices are forwarded to K¹² Managed School Accounting to process the related check.

- Internet Service Provider (ISP) payments
 - The Operations Manager processes ISP payments twice a year. Payments are processed in February for September through December services and in July for January through May services.
 - The Operations Manager downloads student and family information and completes a payment report based on approved enrollment dates and withdrawal dates and internet bills submitted. Payments are pro-rated if students have not been enrolled during the entire service period. Students are reimbursed at the current approved rate.
 - The HOS reviews and approves the payment document prior to sending to K¹² Managed School Accounting. The payment document is then outsourced for check cutting, signing and mailing to the families designated on the approved listing.

- Procurement – Federal Grants/Funds
 - Procurement of all supplies, materials, equipment and services paid from Federal funds or matching funds shall be made in accordance with all applicable Federal, State and local statutes and/or regulations, the terms and conditions of the Federal grant, Board of Education policies, and administrative procedures.
 - The Head of School shall maintain a procurement and contract administration system in accordance with the USDOE requirements (2 CFR 200.317-.326) for the administration and management of Federal grants and Federally-funded programs. The School shall maintain a contract administration system that requires contractors to perform in accordance with the terms, conditions and specifications of their contracts or purchase orders. Except as otherwise noted, procurement transactions shall conform to the provisions of the School's purchasing procedures described above.
 - All School employees, officers, and agents who have purchasing authority shall abide by the standards of conduct covering conflicts of interest and governing the actions of its

- employees, officers, and agents engaged in the selection, award, and administration of contracts as established in the Conflict of Interest policy.
- The School will avoid acquisition of unnecessary or duplicative items. Additionally, consideration shall be given to consolidating or breaking out procurements to obtain a more economical purchase. And, where appropriate, an analysis shall be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach. These considerations are given as part of the process to determine the allowability of each purchase made with Federal funds.
 - To foster greater economy and efficiency, the School may enter into State and local intergovernmental agreements where appropriate for procurement or use of common or shared goods and services.
 - All procurement transactions shall be conducted in a manner that encourages full and open competition and that is in accordance with good administrative practice and sound business judgment. In order to promote objective contractor performance and eliminate unfair competitive advantage, the School shall exclude any contractor that has developed or drafted specifications, requirements, statements of work, or invitations for bids or requests for proposals from competition for such procurements. Some of the situations considered to be restrictive of competition include, but are not limited to, the following:
 - unreasonable requirements on firms in order for them to qualify to do business
 - unnecessary experience and excessive bonding requirements
 - noncompetitive contracts to consultants that are on retainer contracts
 - organizational conflicts of interest
 - specification of only a "brand name" product instead of allowing for an "or equal" product to be offered and describing the performance or other relevant requirements of the procurement
 - any arbitrary action in the procurement process
 - Further, the School does not use statutorily or administratively imposed State, local, or tribal geographical preferences in the evaluation of bids or proposals, unless
 - an applicable Federal statute expressly mandates or encourages a geographic preference; or
 - the School is contracting for architectural and engineering services, in which case geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.
 - To the extent that the School uses a pre-qualified list of persons, firms or products to acquire goods and services, the pre-qualified list includes enough qualified sources as to ensure maximum open and free competition. The School allows vendors to apply for consideration to be placed on the list periodically.
 - The School shall require that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, shall set forth those minimum essential characteristics and standards to which it shall conform if it is to satisfy its intended use. Detailed product specifications should be avoided if possible.
 - When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equivalent" description may be used as a

means to define the performance or other salient requirements of procurement. The specific features of the named brand which shall be met by offers shall be clearly stated and identify all requirements which the offerors shall fulfill and all other factors to be used in evaluating bids or proposals.

- The Board will not approve any expenditure for an unauthorized purchase or contract.
- The School shall utilize the following methods of procurement:
 - Micro-purchases: Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$3,500. To the extent practicable, the School shall distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be made without soliciting competitive quotations if the Head of School considers the price to be reasonable. The School maintains evidence of this reasonableness in the records of all purchases made by this method.
 - Small Purchases: Small purchase procedures provide for relatively simple and informal procurement methods for securing services, supplies, and other property that does not exceed the competitive bid threshold of \$25,000. Small purchase procedures require that price or rate quotations shall be obtained from an adequate number of qualified sources.
 - Sealed Bids: Sealed, competitive bids shall be obtained when the purchase of, and contract for, single items of supplies, materials, or equipment amounts to \$25,000 and when the Board determines to build, repair, enlarge, improve, or demolish a school building/facility, the cost of which will exceed \$25,000.
 - In order for sealed bidding to be feasible, the following conditions shall be present:
 - a complete, adequate, and realistic specification or purchase description is available;
 - two (2) or more responsible bidders are willing and able to compete effectively for the business; and
 - the procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.
 - When sealed bids are used, the following requirements apply:
 - Bids shall be solicited in accordance with the provisions of State law and School policies. Bids shall be solicited from an adequate number of qualified suppliers, providing sufficient response time prior to the date set for the opening of bids. The invitation to bid shall be publicly advertised.
 - The invitation for bids will include product/contract specifications and pertinent attachments and shall define the items and/or services required in order for the bidder to properly respond.
 - All bids will be opened at the time and place prescribed in the invitation for bids; bids will be opened publicly.
 - A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs shall be considered in determining which

bid is lowest. Payment discounts may only be used to determine the low bid when prior experience indicates that such discounts are usually taken.

- The Board reserves the right to reject any or all bids for sound documented reason.
- Competitive Proposals: Procurement by competitive proposal, normally conducted with more than one source submitting an offer, is generally used when conditions are not appropriate for the use of sealed bids or in the case of a recognized exception to the sealed bid method.
 - If this method is used, the following requirements apply:
 - Requests for proposals shall be publicized and identify all evaluation factors and their relative importance. Any response to the publicized requests for proposals shall be considered to the maximum extent practical.
 - Proposals shall be solicited from an adequate number of sources.
 - The School shall use its written method for conducting technical evaluations of the proposals received and for selecting recipients.
 - Contracts shall be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.
 - The School may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated, and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. This method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.
- Noncompetitive Proposals: Procurement by noncompetitive proposals allows for solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:
 - the item is available only from a single source
 - the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation
 - the Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the School
 - after solicitation of a number of sources, competition is determined to be inadequate
- The School shall perform a cost or price analysis in connection with every procurement action in excess of \$150,000, including contract modifications. A cost analysis generally means evaluating the separate cost elements that make up the total price, while a price analysis means evaluating the total price, without looking at the individual cost elements. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation; however, the School shall come to an independent estimate prior to receiving bids or proposals. When performing a cost analysis, the School shall negotiate

profit as a separate element of the price. To establish a fair and reasonable profit, consideration is given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.

- The School uses a time and materials type contract only (1) after a determination that no other contract is suitable; and (2) if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract mean a contract whose cost to the School is the sum of the actual costs of materials and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit. Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, the School sets a ceiling price for each contract that the contractor exceeds at its own risk. Further, the School shall assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.
- The School will award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of the proposed procurement. All purchasing decisions shall be made in the best interests of the School and shall seek to obtain the maximum value for each dollar expended. When making a purchasing decision, the School shall consider such factors as
 - contractor integrity;
 - compliance with public policy;
 - record of past performance; and
 - financial and technical resources.
- The Head of School shall have the authority to suspend or debar a person/corporation, for cause, from consideration of award of further contracts. The School is subject to and shall abide by the nonprocurement, debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR Part 180.
 - Suspension is an action taken by the School that immediately prohibits a person from participating in covered transactions and transactions covered under the Federal Acquisition Regulation (48 CFR chapter 1) for a temporary period, pending completion of an agency investigation and any judicial or administrative proceedings that may ensue. A person so excluded is suspended. (2 CFR Part 180 Subpart G)
 - Debarment is an action taken by the Head of School to exclude a person from participating in covered transactions and transactions covered under the Federal Acquisition Regulation (48 CFR chapter 1). A person so excluded is debarred. (2 CFR Part 180 Subpart H)
 - The School shall not subcontract with or award subgrants to any person or company who is debarred or suspended. For contracts over \$25,000, the School shall confirm that the vendor is not debarred or suspended by either checking the Federal government's System for Award Management, which maintains a list of such debarred or suspended vendors at www.sam.gov; collecting a certification from the vendor; or adding a clause or condition to the covered transaction with that vendor. (2 CFR Part 180 Subpart C)

- The School maintains the following protest procedures to handle and resolve disputes relating to procurements and, in all instances, discloses information regarding the protest to the awarding agency. A bidder who wishes to file a bid protest shall file such notice and follow procedures prescribed by the Request for Proposals (RFPs) or the individual bid specifications package, for resolution. Bid protests shall be filed in writing with the Head of School within seventy-two (72) hours of the opening of the bids in protest. Within five (5) days of receipt of a protest, the Head of School shall review the protest as submitted and render a decision regarding the merits of the protest and any impact on the acceptance and rejection of bids submitted. Notice of the filing of a bid protest shall be communicated to the Board and shall be so noted in any subsequent recommendation for the acceptance of bids and awarding of contracts. Failure to file a notice of intent to protest, or failure to file a formal written protest within the time prescribed, shall constitute a waiver of proceedings.
- The School maintains records sufficient to detail the history of all procurements. These records will include but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price (including a cost or price analysis). Applicable laws and regulations: 2 C.F.R. 200.317-.326.
- Other
 - General operating expenses
 - Normal monthly operating expenses, such as utilities, rent (the lease is the support document) and phone invoices should be approved by the HOS or Operations Manager prior to submitting to K¹² Managed School Accounting for check processing.

Review and Reconciliation:

- In the event of an overpayment to a vendor, a refund should be collected.
- The Sr. Accountant reconciles the payroll register to the general ledger on a monthly basis.
- All Balance Sheet accounts will be reconciled by K¹² Managed School Accounting.
- If the School is required to repay funds received by the School from the State of Ohio due to an FTE adjustment or other obligation, then the School shall seek repayment from any vendor in which payment to the vendor was based upon a percentage of FTE payments.

Fixed Assets & Inventory

Physical Controls:

- An annual inventory must be performed by the K12 Regional Technology Manager. The physical inventory must be performed for all capitalized items, as well as all computers that do not meet the capitalization threshold. The inventory is performed to determine that all assets are present, in usable condition, located in the assigned area, and accurately recorded on the fixed asset or inventory records.
- All fixed assets are tagged with an OHIO DIGITAL LEARNING SCHOOL fixed asset tag.

Review and Reconciliation:

- A fixed assets schedule must be maintained by K¹² Managed School Accounting and reviewed by the School Treasurer according to the Fixed Asset Policy. The fixed asset schedule should be updated monthly to include new purchases, retirements or transfers of assets. The School Treasurer should also reconcile the fixed asset schedule to the accounting records as part of the month-end financial reporting process.
- If an asset relates to a grant, the fixed asset tag must indicate the specific grant funds used to purchase the asset.

Segregation of Duties:

- Once the annual physical inventory is conducted by the K12 Regional Technology Manager, the School Treasurer should review and approve the results. As part of the reconciliation, the School Treasurer should compare the physical inventory to both the accounting books and the fixed asset schedule.
- The HOS must be contacted immediately if there is concern that assets may be missing.
- All fixed assets and inventory are secured in a safe location.

Accounting, Budgetary Control & Financial Closing

Review and Reconciliation:

- OHIO DIGITAL LEARNING SCHOOL uses the accrual basis of accounting.
- Fund accounting is used to account for the financial activities of the School.
- The School uses the Ohio Auditor of State Uniform School Accounting System chart of accounts.
- Budgets are prepared annually by the K¹² Regional Finance Group and HOS based on estimates of revenues and expenses. The annual budget is reviewed and approved by the Board of Trustees no later than June 30th each year.
- A financial reporting package is compiled by K¹² Managed School Accounting on a monthly basis and forwarded to the K¹² Regional Finance Group and HOS by the 10th business day after the end of each month. The financial reporting package will include at a minimum the monthly bank reconciliation with supporting detail, unaudited financial statements, any journal entries made with supporting detail and the general ledger transaction detail (revenue and expenditures) by fund. Once all variances are reviewed and reconciled and no later than the last business day of the month, the financial reporting package is approved by the HOS. The K¹² Regional Finance Group prepares a Full Year Forecast vs. Full Year Budget Report, YTD Actuals vs. YTD Budget Report, Cash Flow Statement and Balance Sheet. The most recent reports are shared with the Board of Trustees at each board meeting. Written explanations of any overages greater than 5% must be investigated and included in the report.

Segregation of Duties:

- The monthly financial close is performed by K¹² Managed School Accounting. K¹² Managed School Accounting provides the first draft of the monthly financial packet to the HOS for review and approval. Once the reports are reviewed and approved by the HOS, K¹² Managed School Accounting makes final adjustments, if needed, and issues the final financial reports to the HOS and K¹² Regional Finance Group. K¹² Regional Finance Group compiles the Full Year Forecast vs. Full Year Budget Report, YTD Actuals vs. YTD Budget Report, Cash Flow Statement and Balance Sheet which are reviewed and approved by the HOS. Financials are provided to the Board of Trustees at each board meeting.
- Financial pack approvals are performed by the HOS and the approval is sent to the Sr. Accountant responsible for the school and saved. The approval is to have the following statement:

*Attached please find your **OHIO DIGITAL LEARNING SCHOOL** Financial Pack for **MONTH/YEAR**.*

Please note and act upon the important request below to review and acknowledge acceptance of the monthly reports.

Attached are the following:

- *GL transaction level details for the month– please take time to review and let me know of any questions / concerns / issues. Things to be looking for include posting to what you believe to be an incorrect account, posting of an expense you do not recall being approved for payment, missing expenses, correct Fund, etc.*
- *Preliminary **MONTH Actual** results in the budget model format*
- *A listing of those entries affecting the financials for the quarter (broken out on tabs by month) outside of normal vendor invoices (general journal entries) - please take a few moments to review the memo line for each and let me know of any issues / concerns / questions regarding the basis for the entries.*
- *A preliminary Balance Sheet at **MONTH/DAY/YEAR***
- *Bank reconciliation for **MONTH** and correlating Bank Statement.*

In connection with our SOX compliance efforts for the fiscal year, you are being asked to acknowledge the TRANSACTION LEVEL DETAIL BY ACCOUNT REPORT, JOURNAL ENTRY POSTING, and BANK RECONCILIATION have been reviewed and are acceptable. Please do so via email.

State Reporting and Annual Audit

Review and Reconciliation:

- An annual audit will be performed by the Auditor of State or an independent external auditing firm. The Board Treasurer will be involved in the audit entrance and exit meetings. The final audit report will be shared with the Charter Sponsor and all government agencies required by law.

Annual Review of Fiscal Policies and Procedures

Review and Reconciliation:

- The HOS and Operations Manager will monitor changes in authoritative guidance and regulations and make changes to the School's fiscal policies and procedures as necessary.
- OHIO DIGITAL LEARNING SCHOOL Fiscal Policies and Procedures will be updated by the Board as needed.

FIXED ASSET POLICY

OHIO DIGITAL LEARNING SCHOOL is required to establish a fixed asset accounting system that will contain sufficient data to permit:

- The preparation of fiscal year-end financial statements in accordance with Generally Accepted Accounting Principles (GAAP)
- Adequate insurance coverage
- Control, accountability and security

Criteria for Fixed Asset Capitalization:

- The asset has a useful life of one (1) year or more
- The cost of the asset is greater than \$5,000.00

Valuation:

Fixed assets are to be valued at historical cost.

Donated fixed assets shall be valued at the donor's estimated fair market value at the time of gifting.

Depreciation:

Assets will be depreciated using straight-line depreciation. Estimated lives for fixed assets shall follow IRS guidelines.

Classifications:

Fixed assets shall be classified as follows:

- Furniture
- Equipment
- Transportation
- Software
- Structures and improvements
- Land
- Improvements other than buildings
- Construction in progress

Information:

The following information shall be maintained for all fixed assets:

- Description
- Asset classification
- Serial number or inventory number
- Fund purchased from
- Name of the holder
- Location
- Condition of the item
- Purchase price
- Vendor
- Date purchased or leased
- Accumulated depreciation
- Method and reason of disposal, if applicable

Fixed Asset Disposal:

Any fixed asset with a fair market value greater than or equal to \$5,000 must be approved by the board prior to retirement. When equipment has been purchased with Federal or State grant funds, grant rules and regulations must be adhered to. For items with a fair market value greater than \$5,000, disposition instructions must be requested from the Ohio Department of Education prior to disposal. Proceeds from the sale of items purchased with grant funds must be deposited into the original grant fund and be used to support the grant activities of the original funding source.

For assets purchased with a fair market value of less than \$5,000, the Operations Manager and Head of School need to approve prior to retirement. The Fixed Asset Inventory will then be updated to include the reason for retirement and date of write-off.

Examples of reasons for retirement:

- Asset is damaged beyond repair.

- Asset is damaged and the cost to repair it exceeds the current fair market value.
- Asset is not able to support current technology needs.

When appropriate and when an asset is damaged beyond repair or when an asset is damaged and the cost to repair it exceeds the fair market value, the asset is then stripped of useful components and stored as ready service spares for other assets.