

# KIPP DELTA PUBLIC SCHOOLS FINANCIAL POLICY MANUAL

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## Internal Controls

These financial policies provide a system of internal control for KIPP Delta. Adjustments to KIPP Delta's financial policies must be approved by the Finance Committee. KIPP Delta financial procedures must be approved by the Managing Director of Finance. Changes to policies or procedures must be communicated to budget owners within 30 days of approval.

KIPP Delta will ensure that employee duties and practices are organized to assure effective accounting controls over assets, liabilities, resources and expenditures. Specifically, these internal controls are intended to:

1. Ensure students receive the services they need and deserve;
2. Ensure KIPP Delta optimizes its impact on students by aligning spending with our values and priorities;
3. Safeguard assets against employee error or dishonesty;
4. Produce timely and accurate financial information; and
5. Encourage adherence to management policies and compliance with grant conditions and other regulations and requirements.

KIPP Delta has adopted a number of internal financial controls:

1. Segregation of Duties: Certain tasks are divided to guard against one individual having the ability to make an accounting error (either knowingly or unknowingly) and or to show partiality when selecting a vendor.
2. Restricted Access: Physical access to valuable and moveable assets is restricted to authorized personnel.
3. Processing Control: This is designed to locate any errors before they are posted to the general ledger. Common processing controls are the following: (1) batch controls; (2) source document matching; and (3) clerical accuracy of documents.
4. Reconciliation Controls: This involves reconciling selected general ledger control accounts to subsidiary ledgers. These are designed to locate any errors after transactions have been entered and the general ledger has been run.
5. Annual Independent Audit: KIPP Delta's financial statements are audited annually by an independent audit firm.
6. Security of Financial Data: The Schools' accounting software is accessible only to KIPP Delta's leadership team and other designees. Individual ID codes and passwords are in place for every user and limit their access and functionality depending on their role within KIPP Delta. The software, including all data, resides on an off-site server maintained by the APSCN Help Desk. An online backup is performed daily. All other hard copies of financial data, when not in use, are secured in a closet or cabinet at the regional office.

Sound internal controls protect employees against unwarranted allegations by fixing responsibility and by removing procedural weaknesses. The organization, its employees, and donors all benefit from these controls.

Date Adopted: August 28, 2018

Last Revised:

## Conflicts of Interest Policy

1. All board members, administrators, and employees, as defined herein, shall carry out all official duties for the benefit of the people of the community and the State of Arkansas and shall abide by these provisions. Unless otherwise state, the definitions contained in this policy manual apply.
2. Self-dealing by board members, administration, and employees is specifically prohibited.
3. No board member, administrator, or employee shall knowingly use or attempt to use his or her official position to secure unwarranted privileges or exemptions for himself or herself or others.
4. While serving as board member, administrator, or employee, individuals shall not accept employment, contract, or engage in any public or professional activity that a reasonable person would expect might require or induce him or her to disclose any information acquired by the member's affiliation with KIPP Delta.
5. While serving as board member, administrator, or employee, individuals in any of these positions may not knowingly disclose confidential information gained through his or her position or use this information for personal gain or benefit.
6. Nothing in these policies prohibits board members, administrators, or employees of KIPP Delta from donating services or property, provided that the KIPP Delta Gift Acceptance Policy is followed.
7. KIPP Delta employees will follow the procedures outlined in this policy manual. In the event they are unsure of whether or not a policy is applicable, they should bring it to the attention of the Managing Director of Finance or Human Resources Director. The Chief Operations Officer will be the final decision maker in regards to whether a conflict of interest exists.
8. Except as otherwise provided, it is a breach of KIPP Delta policy and Arkansas ethical standards of for a board member to contract with the public educational entity the member serves, if the board member has knowledge that he or she is directly or indirectly interested in the contract.
9. Federal law prohibits employees and school officers from participating in the selection, award, or administration of a contract supported by a federal award if there is a real and/or apparent conflict of interest. KIPP Delta employees, administrators, and board

members will follow the guidelines in this policy to determine whether a conflict of interest exists for contracts supported in whole or in part by federal funds.

10. No KIPP Delta employee, administrator, official, or agent shall participate in the selection, award, or administration of a contract supported by state or Federal funds, including the Child Nutrition Program funds, if a real and/or apparent conflict of interest exists. Conflicts of interest arise if any of the following parties has a financial or other interest in the entity selected for the contract:
  1. The employee, administrator, official, or agent;
  2. Any family member of the KIPP Delta employee, administrator, official, or agent;
  3. The employee, administrator, official, or agent's partner; or
  4. An organization that currently employs or is about to employ one of the above.
  
11. EMPLOYMENT OF FAMILY MEMBERS. A board member's family member may not be initially employed by the public educational entity the member serves during the member's tenure of service on the local board for compensation in excess of five thousand dollars (\$5,000) unless the Commissioner of Education issues a letter of exemption and approves the employment contract based on unusual and limited circumstances. A family member of a school district board member who was employed by the public educational entity during the school year immediately preceding the election of the board member may continue employment with the public educational entity under the same terms and conditions of the previously executed contract and any subsequent renewal of the contract. Any change in the terms or conditions of an employment contract, a promotion, or a change in employment status for a family member of a school district board member employed by a public educational entity that will result in an increase in compensation of more than two thousand five hundred dollars (\$2,500) must be approved in writing by the commissioner before any change in the terms or conditions of the employment contract or promotion or changes in employment status are effective, valid, or enforceable.
  
12. EXCEPTIONS TO SECTIONS 9 & 10. In unusual and limited circumstances, KIPP Delta's board may approve a contract, including an employment contract, between the public educational entity and the board member or the member's family, if the board determines that the contract is in the best interest of the public educational entity. The approval by the public educational entity's board shall be documented by written resolution after fully disclosing the reasons justifying the contract or employment contract in an open meeting. The resolution shall state the unusual and limited circumstances necessitating the contract or employment contract and shall document the restrictions and limitations of the contract or employment contract. If any proposed contract or employment contract is with a family member of a board member or a board member directly or indirectly interested in the proposed contract or employment

contract, then the board member shall leave the meeting until the voting on the issue is concluded, and the absent member shall not be counted as having voted.

13. BOARD APPROVAL. KIPP Delta's Board of Directors must approve any purchase or contract that is under \$10,000 for any 6 month period, if the contract is with a non-administrative KIPP Delta employee, KIPP Delta Board member and/or their family member.
14. Due to state and federal conflict of interest and ethical standards, no one defined as a KIPP Delta administrator or officer may enter into contractual agreement with KIPP Delta regardless of dollar value. There are no exceptions to this rule.
15. INDEPENDENT APPROVAL. If it appears the total transactions or contracts with the board member or a family member for a fiscal year total, or will total, ten thousand dollars (\$10,000) or more, the Executive Director shall forward the written resolution along with all relevant data to the commissioner for independent review and approval. If it appears that the total transactions with an employee for a fiscal year total will amount to \$10,000 or more, the Executive Director shall forward the written resolution, along with all relevant data, to the Commissioner of Education for independent review and approval, in accordance with procedures in Arkansas law.
16. A qualified family member of a board member may be employed as a substitute teacher, substitute cafeteria worker, or substitute bus driver for a period of time not to exceed a total of thirty (30) days per fiscal year for the public educational entity served by the board member without approval of the Commissioner.
17. Employees, administrators, officials, or agents shall not solicit or accept gratuities, favors, or anything of monetary value of \$10 or more from contractors, potential contractors, or parties to sub-agreements including, but not limited to:
  - Entertainment;
  - Hotel rooms;
  - Transportation;
  - Gifts;
  - Meals; or
  - Items of nominal value (e.g. items under with a retail value of \$10.00 or more).
18. If a board member, administrator, or employee has a direct or indirect conflict with any agreement that would be a violation of this policy then the employee shall file a written

statement of disqualification with the KIPP Delta Finance Department and the employee will be removed from the related procurement process.

19. Any employee who fails to disclose a benefit received from a KIPP Delta contract, who knows or should have known, will be considered in breach of ethical standards.
20. All KIPP Delta personnel involved in purchases with state or Federal funds, including child nutrition personnel, shall receive training on the Code of Conduct. Training should include guidance about how to respond when a gratuity, favor, or item with monetary value is offered.
21. The training will include the Rules Governing Ethical Guidelines and Prohibitions for Educational Administrators, Employees, Board Members and Other Parties including the contract disclosure forms checklists from Commissioner's Memo FIN 09-036.
22. Violations of the Code of Conduct shall result in discipline, up to and including termination. KIPP Delta reserves the right to pursue legal action for violations.

A.C.A. § 6-24-101 et seq.

[Arkansas Department of Education Rules Governing the Ethical Guidelines and Prohibitions for Educational Administrators, Employees, Board Members and Other Parties](#)

Commissioner's Memo FIN 09-036

Commissioner's Memo FIN-10-048

Commissioner's Memo FIN 15-074

2 C.F.R. § 200.318

7 C.F.R. § 3016.36

7 C.F.R. § 3019.42

Date Adopted: April 25, 2017

Last Revised: September 24, 2020

## Cash Management Policy

KIPP Delta will implement a variety of internal controls to ensure that cash received at any of its offices or school communities is handled properly. Strong internal controls will help deter fraud and limit KIPP Delta's exposure to waste and abuse.

### Accepting Cash and Making Deposits

1. Under state law, KIPP Delta schools are only permitted to have up to \$200.00 on hand at any point in time. This limit includes the sum of all cash, checks, and coins on the premises.
2. Only designated KIPP Delta employees are permitted to accept cash, checks, and coins. Any KIPP Delta employee that is expected to handle cash must be trained by the regional Finance Department prior to taking on any cash management responsibilities.
3. A receipt must be written for all received funds.
4. Any cash received in excess of \$200.00 must be deposited at the school's designated bank by the end of the school day.
5. A deposit report must be submitted to the Finance Department within one business day of a deposit being made.
6. Any cash or checks received by any employee at an after hour event must be recorded through email and documented via a photo at the time the money is received. The funds should be deposited on the next business day.

### Safe-guarding Cash

1. Every department, office, or school that manages cash must have a safe.
2. Cash and checks must always be stored in the safe.
3. Funds in the safe be counted and verified every morning and every evening by two separate people.
4. KIPP Delta employees should notify their manager and the Finance Department any time cash is found to be missing, stolen, or has reason to believe the funds are being misused.
5. Violation of the Cash Management policy may result in repayment of the funds, disciplinary action, up to and including termination, and/or legal actions.

### Cash Loans

1. Monies collected by the school cannot be used to provide KIPP Delta employees or Board members short or long-term loans.
2. If it is discovered that a cash advance has been made then the person in question will be required to repay the loan. If the funds are not repaid in a timely and orderly manner, then the funds shall be reported as stolen to the local authorities.
3. Any employee or employees found to be misusing funds shall not be permitted to deal with cash going forward and may be terminated for cause.

### School or Department Based Bank Accounts

It is occasionally necessary to make small, miscellaneous purchases for which the processing of a purchase order would be inefficient. To meet this need, the Finance department may establish an Operating Checking Account for each school or department. Rules for establishing and managing these accounts are as follows.

1. The Operations Director, Operations Associate, or other designated employee is responsible for the account checks and their safekeeping.
2. Annually, the Managing Director of Finance will recommend to the d Executive Director who within each school or department should have check signing authority on each associated Operating Account and at what dollar value requires approval of a purchase order.
3. Operating Accounts shall not exceed the balance set by the Finance department. When funds exceed this balance the Controller will transfer the funds into KIPP Delta's general fund so that funds may accrue interest.
4. Every transaction in the account must be supported by the appropriate documentation (invoice, itemized receipt, sign in sheet, etc.)
5. Operating Account checks may be used to pay approved after-hour contractors such as referees and event security. These contractors may never be paid in cash.
6. Operating Account checks may be used to pay for postage when overnight mail, certified mail, or packages need to be mailed directly from the post office.
7. With written approval from the Managing Director of Finance, Managing Director of Regional Operations and/or Executive Director, an Operating Account check may also be written to cover an emergency expense, a time sensitive purchase, or to issue a reimbursement to a parent.
8. Operating Account funds must be reconciled monthly and are subject to audit by the Finance department.

### Unauthorized Bank Procedures

1. No school official or advisor may open or maintain a separate bank account for school-related transactions, including field trips or Above and Beyond fundraisers.
2. No student activity checks or cash are to be deposited into a personal account even if the employee intends to issue one check to KIPP Delta or to the school's operating account.

### Above and Beyond Fundraising

1. Any fundraising activities not executed by the regional fundraising team must be preapproved by all of the following: school or department head, the regional fundraising department, and the regional Finance Department.
2. All monies collected through approved Above and Beyond fundraising activities must follow KIPP Delta's cash management policies.
3. Any funds received through an Above and Beyond fundraising activity must be used first to reimburse KIPP Delta for any related fundraising expenses.
4. Staff who do not seek preapproval or violate these policies are subject to disciplinary action, including but not limited to termination, and repayment.

### Federal Funds

1. KIPP Delta receives most federal grant funds on a reimbursement basis. The Arkansas Department of Education establishes a reimbursement schedule that disperses funds based on the Change in Fund Balance report (Board Report). As KIPP Delta receives the funds, they are receipted into eFinance system using the funding codes detailed on the payment warrant. In the event of an overpayment from the Arkansas Department of Education, KIPP Delta will return funds as necessary.

Ark. Code Ann. § 6-13-701

2 CFR § 200.302(b)(6)

2 CFR § 200.305

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## Travel

Employees shall be reimbursed for allowable travel expenses incurred when performing duties or attending workshops or other employment-related functions on behalf of KIPP Delta. All travel decisions for KIPP Delta employees, consultants, and contractors should be made to maximize time and minimize expenses. The following policies apply when an employee travels on behalf of KIPP Delta. These policies apply if the consultant or contractor agreed to these through their contract. These policies apply regardless of the type of funds being used to support the travel. All expenditures must be reasonable and practical and purchased in an ethical and fiscally responsible manner. KIPP Delta will not pay or reimburse employees for costs incurred by the employee's spouse, partner, child, family member, or travel companion.

## Payment

1. Employees that have a KIPP Delta credit card should charge all travel expenses to their card.
2. Employees without a KIPP Delta credit card are expected to purchase travel related items (i.e. airfare, hotel rooms, rental cars) through their school's credit card whenever feasible. If the card is not available or accepted then the employee should use a personal credit card or cash. Per diems will only be provided on a case-by-case basis.

## Mileage

1. KIPP Delta will use the United States Internal Revenue Service "IRS" mileage rates to reimburse employees for all travel from the employee's principal place of work to work related destinations. Rates will be updated in December of each year and become effective on January 1<sup>st</sup>.
2. Intra-community travel is not eligible for reimbursement.
3. If fleet vehicles are available in the KIPP Delta community, then mileage reimbursement will only be issued if a KIPP Delta fleet vehicle was not available at the time of the trip. An email verifying that a fleet vehicle was not available must be submitted with the employee's reimbursement request.
4. KIPP Delta employees may use their personal vehicles for long distance travel, but the employee must provide a flight quote for a 14-day advance ticket. Reimbursement will be based on the lessor of the costs of a flight or mileage.

## Meals

1. Itemized food receipts are required for all food purchases over \$5.00.
2. At least annually, the Managing Director of Finance will review and revise, if needed, meal rate limits for day and overnight trips. These limits will be part of KIPP Delta's financial procedures.

3. KIPP Delta will not reimburse staff for alcohol, tobacco, or personal entertainment.
4. Due to its high cost, room service should only be ordered as a last resort (i.e. no other restaurant is open). Mini bar purchases will never be considered reimbursable.

### Overnight Travel

1. All overnight travel requests must be pre-approved by the employee's manager in order for the travel costs to be eligible for reimbursement. Pre-approval must be provided in writing.
2. Every effort should be made to secure out-of-state travel arrangements 14 days ahead of the trip.

### Lodging

1. Employees must compare options before selecting a hotel. Personal reward benefits should not be used as criteria for selecting a hotel. The proximity of the event and the hotel location should be considered to maximize time and minimize costs.
2. KIPP Delta will not pay for room upgrades and upgrades should not be charged to a KIPP Delta credit card. Room upgrades can be purchased with an employee's personal funds.
3. At least annually, the Managing Director of Finance will review and revise, if needed, meal rate limits for day and overnight trips. These limits will be part of KIPP Delta's financial procedures.

### Airfare

1. Employees should always travel by coach and strive to fly using the least expensive airline. Fare decisions should be made to balance cost with travel time, costs and personal safety.
2. At least annually, the Managing Director of Finance will review and revise, if needed, meal rate limits for day and overnight trips. These limits will be part of KIPP Delta's financial procedures.
3. Employees may purchase flight upgrades, amenities (i.e. extra leg room, in-flight entertainment, and early check in) with their own funds; these expenses will not be reimbursed by KIPP Delta.
4. KIPP Delta will only pay for extra leg room, last-minute transfers, in-flight wi-fi or overweight luggage fees, if preapproved in writing by the staff member's manager.
5. KIPP Delta will pay for up to one checked personal bag.
6. In-flight food may be reimbursed as a meal. Itemized receipts are still required.

Costs related to trip cancellations, missed flights, or last minute schedule changes will only be reimbursed if the change is due to a KIPP Delta management decision. This decision must be documented in writing.

### Tipping

1. KIPP Delta will only reimburse up to 20% for gratuity for meals and transportation services. The tip amount must be included on the receipt.
2. Tips for housekeeping, bellhops, and other hotel staff will not be reimbursed by KIPP Delta.
3. Valet parking will only be reimbursed with adequate justification.

### Rental Vehicles

1. Car rentals should be shared with other KIPP Delta employees whenever feasible.
2. Every effort should be made to personally refuel rental cars prior to returning the car, instead of using the refueling option provided by the rental car company. Although this is not mandatory, it is the most cost-effective option for KIPP Delta.
3. Employees should select the least expensive rental car option available that will accommodate the number of employees travelling.
4. Employees should compare fares before a car is reserved. KIPP Delta will only reimburse rentals of luxury vehicles, if there is no other option available. The employee must be able to prove that no other option was available.
5. KIPP Delta will not pay for rental car upgrades. These charges should not be made with a KIPP Delta credit card. Employees can pay for upgrades with their own funds.
6. Employees using a KIPP Delta credit card or a personal credit card to reserve a rental car for a KIPP Delta purpose are advised to purchase collision/comprehensive insurance from the rental car agency.
7. Regardless of whether a KIPP Delta or personal credit card is used, liability coverage is not necessary because KIPP Delta has liability coverage through a third party insurance agency.

### Taxis, Public Transit, and Parking

1. KIPP Delta encourages employees to use public transportation whenever possible.
2. When an employee is traveling and has concerns about safety or believes they will be late for a scheduled meeting, a taxi or car service may be considered a reimbursable expense. The employee should use their best judgment to balance travel costs with time and safety concerns.
3. KIPP Delta will only reimburse staff up to economy parking rates.

### Other Disallowed Expenses

1. Newspapers, magazines, or books
2. Personal grooming
3. Medicines
4. Traffic fines
5. Laundry or dry cleaning services for trips lasting five days or less (unless KIPP Delta requires you to extend your trip beyond the original expected stay)
6. Internet charges (unless required by KIPP Delta)
7. Replacement for personal property lost or damaged during work travel

### Gifts to Consultants or Presenters

1. Federal and state funds cannot be used to purchase a gift of any dollar value. It is considered an unallowable expense.
2. Gifts provided to a KIPP Delta team member, consultant, or presenter must be approved in writing by a budget manager or supervisor. Any unapproved gifts are considered a personal expense.
3. Gifts with a cash value (gift cards) given to consultants and presenters are taxable to the recipients. Employees must inform the recipient when presenting a gift card and also provide a W-9 for the recipient to complete. Send a detailed listing of the recipients along with contact information AND completed IRS W-9 forms to [finance@kipdelta.org](mailto:finance@kipdelta.org).

### Documentation

1. Itemized receipts are required for all purchases above \$5.00. A credit card slip, a bank statement, or a credit statement is not an itemized receipt. An itemized receipt is mandatory to allow KIPP Delta to verify whether alcohol was purchased.
2. Receipts must be legible. When a receipt is not legible a signed memo can be used to verify non-food purchases.
3. Training descriptions, conference agendas, itineraries, and/or other program descriptions should be submitted with travel requests, travel reimbursement requests, and credit card reconciliations.

### Lost Receipts

1. For each lost or non-itemized receipt, the employee must either repay KIPP Delta or has the option to submit a forgiveness request to the Finance Team.
2. Any lost or non-itemized receipt not approved by the Finance Team or Executive Director must be repaid to KIPP Delta within the current fiscal year.

2 CFR § 200. Subpart E-Cost Principles

Date Adopted: April 25, 2017

Last Revised: August 28, 2018

## Expense Reimbursements Requests

1. Expense reimbursement requests must be submitted using the correct form and approved in KIPP Delta's accounts payable system.
2. Receipts are always required. Receipts exceeding \$5.00 must be itemized.
3. Employees may submit a forgiveness request to the Finance Team for non-itemized receipts. KIPP Delta will only reimburse employees for non-itemized receipts that are approved.
4. Expenses listed in the request must be follow KIPP Delta's financial policies.
5. Annually, the Managing Director of Finance shall release a calendar outlining when reimbursement requests must be submitted.
6. Late submissions may be approved by the Managing Director of Finance due to extenuating circumstances.
7. Reimbursements will be mailed to the employee's home address on file or direct deposited in a designated bank account.
8. KIPP Delta will reissue up to two lost checks per employee per school year. A deduction of \$30.00 per check will be applied for all other lost checks.

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Last Revised: September 24, 2020

## Use of Funds

### State Funds

1. The Arkansas Constitution provides that: “No money or property belonging to the public school fund, or to this State, for the benefit of schools or universities, shall ever be used for any purpose other than for the respective purposes to which it belongs.”
2. Funding received through the Arkansas Department of Education will only be used by KIPP Delta to benefit the school and its operation and related expenses. Examples of impermissible uses of public funds are:
  - a. Donation or loaning of funds to non-profit, for-profit corporations, associations, institutions or individuals (unless pursuant to specific statutory authority);
  - b. Payment for birthday, holiday or other parties, gifts or office decorations for employees, employees and family members, or Board members from state or federal funds; and
  - c. Traveling expenses of non-employees officially representing the school, authorized by the Board, and traveling with Board members or employees.
3. If KIPP Delta receives revenue from another public or private entity and the use of the funds is restricted, then KIPP Delta will only use those funds in accordance with those restrictions.

### Federal Grant Funds

Purchases made with federal funds\* must be allowable, reasonable, necessary, and allocable. Below is the list of the most common “unallowable” expenses.

1. Personal loans or donations
2. Alcohol
3. Meals unless the meal is part of an overnight professional development training
4. Entertainment, such as tickets to performances, bowling & Karaoke nights etc.
5. Gifts, including prizes, gift cards, giveaways, and incentive cards
6. Logo branded supplies and giveaways
7. First & business class travel (also unallowable per KIPP Delta’s Finance Policies)
8. Travel upgrades (also unallowable per KIPP Delta’s Finance Policies)
9. Non-essential event expenses, including decorations like flowers and centerpieces
10. Traffic fines and penalties, such as damage or breach of contract fees. Attrition fees for not meeting contract minimums.
11. Toiletries, movie rentals, and personal items (also unallowable under KIPP’s Finance Policies)
12. Monthly cell phone charges
13. Excessive expenses (books, newspapers, or books)
14. “No-Show” hotel charges
15. Change fees for airlines

16. Expenses incurred for spouses, partners, or travel companions
17. Fitness center or health club fees/memberships
18. Internet charges
19. Tips for housekeeping, bellhops, and other hotel staff
20. Valet parking without adequate justification
21. Alternative travel arrangements, including leisure travel, when such arrangements would produce a higher cost to the district, and
22. Replacement for personal property lost or damaged during KIPP Delta travel

\*KIPP Delta's most common federal grant programs are Child Nutrition, Title I, Title II, IDEA Part B, and Charter School Program funds.

2 CFR § 200.400

Date Adopted: April 25, 2017

Last Revised: September 24, 2020

## Inventory and Safeguarding of Assets

KIPP Delta will use inventory as a method for determining whether a school or department needs additional materials and supplies in order to implement the region's educational programs and activities.

KIPP Delta will use the same inventory and safeguarding system to manage all equipment and theft-sensitive assets, regardless of whether state, federal, or private funds were used to make the initial purchase.

### Acquisition of Equipment and Theft-Sensitive Assets

1. All purchases must be made in accordance with federal regulations and follow KIPP Delta's internal control procedures for the approval and receipt of equipment.
2. All purchases must be reasonable and necessary.
3. All items must be properly labeled and used for its intended purpose.

### Inventory Management System

1. KIPP Delta shall keep inventory records for all equipment and theft-sensitive assets.
2. KIPP Delta shall develop a control system to ensure adequate safeguards are in place to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
3. Inventory records will be used to determine if KIPP Delta property is being (a) held for repair, (b) held for disposition, (c) in the process of production for disposition, or (d) to be consumed/utilized in the implementation of the region's educational program and activities.
4. Inventory records must include:
  - a. Description of the property
  - b. Serial Number/Identification Number
  - c. Funding Source and Percentage of Source
  - d. Identify of the Title holder when applicable
  - e. Vendor
  - f. Acquisition Date and Unit Cost
  - g. Location
  - h. Use (Student Instruction, Professional Development, Parent Involvement, etc.)
  - i. Condition
  - j. Ultimate disposition data including the date of the disposal and sale price of the property

### Use of Equipment

1. Assets purchased by federal funds must be used by the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the federal award.
2. When the asset is no longer needed, it may be used for other activities. Projects supported by federal funds shall receive priority.
3. Assets may be used off-site, if the employee's manager has approved the off-site use and the condition of the equipment is assessed upon its return.

### Maintenance Procedures to keep Equipment in Good Condition

1. Adequate maintenance procedures must be developed to keep KIPP Delta property in good condition.

### Physical Inventory

1. At least once every two school years, all nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of **\$1,000** or more per unit shall undergo a physical inventory check and the results reconciled with the property records.
2. All theft-sensitive assets will be included in the inventory.
3. The physical inventory must be signed off by the person conducting the check.
4. The purpose of the physical inventory is to verify:
  - a. The existence of the equipment;
  - b. Whether the equipment is being utilized for its intended purpose;
  - c. The continued need of the equipment;
  - d. The condition of the equipment.

### Equipment Disposition for Items Purchased with Federal Funds

1. When the original or replacement equipment acquired with all or some portion of federal funds is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, it may be disposed. The disposal method depends on the current per unit fair market value the equipment.

2. Equipment purchased with federal funds with a current per unit fair market value of \$5,000 or less and is more than three years old, it may be retained, sold, or disposed of with no further obligation to the Federal awarding agency.
  - a. The disposition of equipment should be noted in KIPP Delta's inventory management system.
3. Any equipment purchased with federal funds, with a current per unit fair market value of \$5,000 or more, can be retained or sold. Prior to selling, KIPP Delta must contact the federal awarding agency for disposal instructions. If instructions are not provided within 120 days, then the equipment can be sold according to KIPP Delta's policies. KIPP Delta must then pay the Federal awarding agency its federal share.
  - a. The federal share is calculated by multiplying the current market value, or proceeds from sale, by the Federal awarding agency's percentage of participation in the cost of the original purchase.
  - b. KIPP Delta is permitted to deduct and retain \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.

#### Disposition of Supplies

1. Supplies purchased with federal funds are vested with KIPP Delta upon purchase. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, KIPP Delta must retain the supplies for use on other activities or sell them, but must in either case, compensate the Federal awarding agency's its share.
  - a. The amount of compensation due to the Federal awarding agency must be computed in the same manner as the federal fair share for equipment sales.
2. Supplies purchased with state or local funds shall be maintained by KIPP Delta and used in the next school year.

#### Disposition for Items Purchased with Other Funds

1. Equipment or materials with an acquisition value of \$5,000 or less and are more than three years old may be sold, or disposed with no further obligation to KIPP Delta. Prior approval is needed by the Managing Director of Finance.
2. The Executive Director must approve the disposal of assets that are more than three years old and have an original acquisition value of \$5,000 or more.
3. When an asset is sold, KIPP Delta shall seek to obtain fair market value and advertise the sale in the local paper. The Executive Director may negotiate the final price.

4. When the asset is donated, preference shall be given to non-profit organizations and students enrolled in KIPP Delta.
5. The disposition of all assets should be noted in the inventory.

#### Loss, Damage or Theft of Equipment

1. KIPP Delta employees shall report the loss, damage, or theft of equipment to their managers in writing within one business day.
2. KIPP Delta managers must investigate any reports of loss, damage, or theft and submit a formal incident report to the Finance Department and Human Resources within five business days. When applicable, a copy of the police reports should be submitted to the Finance Department upon receipt.
3. Negligence on behalf of staff may be grounds for dismissal.

2 C.F.R. Part 200.20

2 C.F.R. Part 200.33

2 C.F.R. Part 200.94

[2 C.F.R. Part 200.313](#)

Date Adopted: April 25, 2017

Last Revised: August 28, 2018

## Purchasing Methods and Thresholds (slight revisions)

### General Purchasing Requirements

1. The method by which commodities, goods, and services can be purchased changes depending on the items unit cost, purpose of the expense, and the funding source that will ultimately be used to acquire the good or service. In several circumstances, Arkansas law and federal law do not align in terms of terminology, procurement process, and competitive procurement exemptions.
  - a. Federal law uses the terminology of goods and services to refer to all supplies, goods, professional and non-professional services, materials, facilities, and property.
  - b. Arkansas law defines commodities as all supplies, goods, material, equipment, machinery, facilities, personal property, and services, other than personal and professional services purchased for or on behalf of the school district.
    - i. Purchasing is defined by Arkansas to include not only the outright purchase of a good or service but also the acquisition of goods or services under rental-purchase agreements, lease-purchase agreements, or any other type of agreements whereby the school district has an option to buy the goods or services and to apply the rental payments on the purchase price thereof.
    - ii. Purchase price is defined by Arkansas as the full sale or bid price of any commodity without any allowance for trade-in.
  - c. Both state and federal law encourage competitive bidding and set dollar limits indicating when competitive purchasing must be done. Both the state and federal law recognize sole source exemptions. Neither state nor federal law permit the parceling or splitting of items with the intent or purpose of circumventing competitive purchasing rules.
2. KIPP Delta receives both state and federal funds and at-times makes purchases using a combination of funding sources. For this reason and that of simplicity, state and federal purchasing procedures have been blended, when feasible, to establish one set of purchasing policies for KIPP Delta employees to follow.
3. All KIPP Delta employees must follow KIPP Delta's Procurement Policies and Procedures. An employee's purchasing authority may be removed, if policies are not followed.

Failure to follow these policies may result in disciplinary action, repayment of funds, and/or termination.

4. The Managing Director of Finance shall draft procurement procedures to support the implementation of KIPP Procurement Policies. These procedures shall be reviewed annually and approved by the KIPP Delta Finance Committee.
5. KIPP Delta shall maintain records sufficient to detail the history of each purchase. These records will include but are not limited to the rationale for the procurement method, selection of contract type, vendor selection or rejection, and the basis for the contract price.
6. Employees may not commit KIPP Delta's funds verbally or in writing without the appropriate pre-approvals.
7. Contracts must be signed prior to goods being purchased or a service provider starting work.
8. KIPP Delta employees shall not place unreasonable requirements on firms to artificially limit competition.
9. Orders or services cannot be split with the intent or purpose of circumventing these rules.
10. KIPP Delta employees shall not conduct business with vendors who are suspended or debarred. Per state and federal law, if a contract is \$25,000 or more, then the employee must ensure that the selected vendor is not suspended or debarred.
11. KIPP Delta employees are strongly encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

#### Affirmative Action Policy

1. KIPP Delta shall not enter into any contract with a person, agency, or organization if it has knowledge that such person, agency or organization discriminates, as defined by law, either in employment practices or in the provision of benefits or services to employees.
2. When using federal dollars to acquire goods or services, KIPP Delta employees must take affirmative actions to ensure that small, minority, and women's businesses and

labor surplus area firms are used when possible. Affirmative actions include but are not limited to:

- a. Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
- b. Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
- c. Dividing total requirements, when economically feasible and practical, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;
- d. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;
- e. Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
- f. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (a) through (e) of this section.

### Competitive Purchasing Methods and Thresholds

Described below are KIPP Delta's Competitive Procurement Policies.

1. **Micro Purchases** are defined as the sum of goods and services desired from a single vendor, which are estimated to cost between \$0 and \$9,999 over any point in time. Micro purchases do not require written quotes or bids to be obtained.
2. **Small Purchases** are defined as the sum of goods and services desired from a single vendor, which are estimated to cost between \$10,000 and \$23,099. Small purchases require at least two written quotes to be submitted with a purchase order request. If two quotes cannot be obtained, then the employee must explain in writing, using the sole source justification form, why this was not possible. To the extent practical, small purchases should be equitably distributed among qualified suppliers.
3. **Competitive Purchases** are defined as the sum of goods or services desired from a single vendor, which are expected to cost between \$23,100 and \$79,999 over any period of time. Unless a sole source justification applies, cooperative purchasing agreements or a competitive bid/proposal method must be utilized to purchase goods or services estimated to fall within this price range.
  - a. **Cooperative Purchasing** – Arkansas public schools, including public charter schools, may utilize a purchasing agreement established by another government entity or established cooperative if it has issued, reviewed, and awarded a

contract to a supplier where all of the procurement laws of Arkansas were followed. KIPP Delta employees are strongly encouraged to use cooperative purchasing agreements for the following reasons: convenience, cost savings through volume bidding and purchasing, and reduced administrative costs.

- i. Prior to making the decision to utilize a cooperative purchasing agreement in lieu of going through a competitive purchasing method the regional Finance Department must approve.
- ii. Cooperative purchasing includes, but is not limited to state contracts found on the Arkansas Office of State Purchasing's (OSP) website and those listed on the Interlocal Purchasing System, better known as TIPS Purchasing Cooperative. The TIPS program is part of the Texas-Arkansas Purchasing System (TAPS) consortium. The TIPS/TAPS program has been acknowledged by the Arkansas Department of Finance and Administration as meeting the requirements for state agency, school, municipal, county and higher education purchases (DF&A memo).
- iii. In some circumstances in order to utilize Cooperative Purchasing KIPP Delta's Board of Directors may first need to pass a resolution and apply to the consortium.
- iv. Contracts not found on the OSP or TIPS website require KIPP Delta's Finance Department to verify that all applicable procurement rules have been followed.

- b. **Competitive Bid/Proposal Process** – The competitive bid method can be used to buy goods at a fixed price, cost, cost-plus-a-fixed-fee, or incentive method. The competitive bid process can also be used to secure professional or consulting services through a Request for Proposal (RFP) process. KIPP Delta employees are required to publicly solicit the best qualified professional based on predetermined selection criteria, such as price, qualifications, knowledge, and experience. The bid proposal or RFP must contain a description of the work and identify the evaluation criteria. Proposals must be posted for a minimum of 5 days. At least two or more responses need to be received and/or attempts to contact two or more reputable vendors made. The selection committee must confirm and document the absence of a conflict of interest for all bids/proposals and confirm that the selected vendor has not been debarred by the state or federal government. Bids and proposals may be rejected if there is a sound documented reason.

4. **Formal Purchases** are defined as the sum of goods or services desired from a single vendor, which are estimated to cost \$80,000 or more over any period of time. Under Arkansas law, contracts estimated to cost \$80,000 or more must be awarded through a

sealed bid, unless the competitive bid method can be justified as the better procurement method.

- a. **Sealed Bid Process** – is a type of competitive purchasing that is more formal in nature and requires the contract to be awarded to the lowest responsible bidder. The bid must provide a full description of the work, allow for site visits, and be written as a firm fixed price agreement. Proposals have to be posted for a minimum of 14 days and at least two or more bids need to be received. Bids must be opened at a designated time and place in the presence of witnesses. The selection of the bid winner must be based on the lowest, most responsive, reasonable, and responsible offer. The selection committee must confirm and document the absence of conflict of interest for all bids and that the selected bidder has not been state debarred or federally debarred. Bids may be rejected if there is a sound documented reason.
5. **Capital Purchases** – Arkansas defines capital purchases as the making of major repairs or alterations to buildings or other structures, or for making other permanent improvements. If the capital project is estimated to cost under \$35,000, then the KIPP Delta employee must follow the Competitive Purchasing policies outlined by the Arkansas Department of Education. No KIPP Delta employee may engage in a capital purchase that exceeds \$35,000 without first engaging the Chief Operations Officer and the regional Finance Department. Capital purchases exceeding \$35,000 must follow the sealed bid process above.

#### Exemptions from Competitive Purchasing

1. State and federal statutes require and encourage competitive purchasing practices in the majority of situations. There are certain exemptions in limited situations that permit KIPP Delta employees to purchase goods or services from a single or sole source vendor.
2. Under Arkansas law the following items may be purchased without soliciting proposals or bids:
  - a. State exempt professional services;
  - b. Regulated utilities;
  - c. Single or sole source providers;
  - d. Goods or services needed to address unforeseen emergencies;
  - e. Used equipment, machinery, and school buses.
    - i. A school bus is considered “used” two years after the date of issuance of the manufacturer’s certificate of origin.
3. Federal law only recognizes single or sole source providers as an allowable exemption from competitive purchasing.

### Exempt Professional Services

1. Under Arkansas law, the following professional services do not require bids or proposals to be collected.
  - a. Legal services
  - b. Financial advisory services
  - c. Architectural
  - d. Engineering
  - e. Land Surveying
  - f. Construction Management
    - i. Construction management means a project delivery method based on an agreement in which a public school acquires a series of services that include, but are not limited to, design review, scheduling, cost control, value engineering, constructability evaluation, preparation and coordination of bid packages, and construction administration.
2. Under Arkansas law, KIPP Delta's Board of Directors may elect through a two-thirds vote to not use competitive bidding for other professional services not listed in this section. KIPP Delta's Board of Directors has approved the following professional service exemptions:
  - a. Vendors identified by the national KIPP Foundation through its procurement process for services such as: insurance, accounting, payroll, human resources, employee benefits, and academic coaching or training.

### Emergency Purchases

1. Under Arkansas law, emergency purchases are defined as purchases that involve the public health or public safety of our students or staff, or where immediate expenditures are necessary to protect against further loss or damage, or to prevent or minimize serious disruption in services. Emergency purchases must be made with the level of competition practicable under the circumstances.
2. A noncompetitive procurement cannot be justified on the basis of a lack of advanced planning, administrative delays, or pending expiration of budget authority.
3. State law prohibits the Executive Director from approving any emergency purchase unless a statement in writing is attached to the purchase order describing the

emergency necessitating the purchase of the goods or services without using a competitive purchasing method.

### Sole Source Purchases

KIPP Delta uses the term sole source to include both single and sole source purchasing. A “sole source” procurement can be defined as any contract entered into without a competitive process, based on a justification that only one known source exists or that only one single supplier can fulfill the requirements.

1. Examples of acceptable exceptions from the competitive procurement process include:
  - a. Only one known source exists for supplies or services as determined by documented research;
  - b. No other reasonable alternative source exists that meets KIPP Delta’s requirements;
  - c. Only one source meets the business needs of KIPP Delta (e.g., compatibility, unique feature to meet state’s business need, etc.);
  - d. There is a valid emergency that cannot be postponed in order to allow time to solicit competitive bids;
  - e. The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity;
  - f. After solicitation of a number of sources, competition is determined inadequate;
  - g. The contract is for regulated utilities, used equipment and machinery, used school buses, legal services, financial advisory, architectural, engineering, construction management, or land surveying services.
2. Written documentation justifying the rationale of a sole source purchasing method must be provided to and approved by the Regional Finance Department prior to signing a contract and/or purchasing the services or goods.

### Scope of Work Development

1. All purchases costing **\$23,100** or more require a scope of work to be written regardless of the procurement method that will be used, including non-competitive methods.
2. A scope of work includes a succinct, but thorough description of the goods or services to be purchased. It must include specifications, standards, and minimum qualifications desired.
  - a. Such description must not contain features which unduly restrict competition. Detailed product specifications should be avoided if at all 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 must be met by potential vendors must be clearly stated.

- b. Factors to be considered in the Scope of Work include, but are not limited to:
  - i. Essential characteristics of the required product/service
  - ii. Quality and quantity of materials/products/services
  - iii. Technical requirements for the material, product, or service to be procured
  - iv. Minimum required standards for labor or materials, as applicable
  - v. Requirements related to:
    1. Program rules and regulations
    2. Applicable codes/standards and plans/specifications (especially as related to construction)
    3. Methods and materials
    4. Warranty
  - vi. Required date of completion
3. Any contractor that develops or drafts work specifications, requirements, statements of work, or invitations of bids or proposals on behalf of KIPP Delta must be excluded from competing for the contract.
4. Potential vendors cannot review in advance any of the completed procurement documents.
5. The KIPP Delta employee responsible for developing the Scope of Work must be qualified to assess the technical requirements for the required materials/products/services.
6. All scopes of work must be approved by a member of the senior leadership team or his/her designee.

### Bidding Protest Procedures

1. Any actual or prospective bidder, offeror, or contractor who is aggrieved in connection with the solicitation or award of a contract by KIPP Delta may protest to the Executive Director in accordance with procedures established by the Board of Directors.
2. Per Arkansas law, KIPP Delta must allow seven (7) calendar days for unselected vendors to submit a written protest.
3. KIPP Delta’s protest procedures are as follows:

- i. The Executive Director has authority from the Board of Directors to settle and resolve a protest of an aggrieved person concerning the solicitation or award of a contract;
- ii. Any person aggrieved by KIPP Delta's solicitation or award of a contract shall submit such a protest in writing within seven (7) calendar days after all participating bidders are notified of KIPP Delta's selection.
  - i. The Executive Director shall give written notice to all persons involved and give those persons an opportunity to respond to the protest issues in writing;
  - ii. The Executive Director shall issue a written decision to all interested parties concerning the protest. The decision must state the reasons for the action taken;
  - iii. The Executive Director shall promptly notify, in writing, the aggrieved party and any other affected party of the impact of the protest on continuing with the solicitation or award of the KIPP Delta contract pending the resolution of the protest;
  - iv. The Executive Director's written decision shall address the award of costs with regard to successful protests; and
  - v. A decision on a protest under these procedures shall be final and conclusive.

### Required Contract Provisions

1. KIPP Delta employees may only enter into an agreement for a maximum of 36 months unless there is an unusual circumstance. Contracts written for terms exceeding 36 months must be approved by KIPP Delta's Finance Committee.
2. All contracts made by KIPP Delta must contain provisions covering the following:
  - a. Description of the goods or services being purchased
  - b. Period of time that work is to start and end or when goods are to be provided
  - c. Price and payment method
  - d. Renewal periods
  - e. Point of Contact for questions
  - f. Administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.
  - g. Termination for cause and for convenience including the manner by which it will be effected and the basis for settlement.
3. All contracts and agreements must contain the following language per Section 6.19.2 and Ark. Code Ann 6-23-503(b)2(2):
  - a. "No indebtedness of any kind incurred or credit by the open-enrollment public charter school shall constitute an indebtedness of the state of Arkansas or its political subdivisions, and no indebtedness of the open-enrollment public charter

school shall involve or be secured by the faith, credit, or taxing power of the state of Arkansas or its political subdivisions.”

4. All contracts funded with federal dollars must contain provisions covering the following, when applicable:
  - a. Except as otherwise provided under 41 CFR Part 60, all contracts that meet the definition of “federally assisted construction contract” in 41 CFR Part 60-1.3 must include the equal opportunity clause provided under 41 CFR 60-1.4(b), in accordance with Executive Order 11246, “Equal Employment Opportunity” (30 FR 12319, 12935, 3 CFR Part, 1964-1965 Comp., p. 339), as amended by Executive Order 11375, “Amending Executive Order 11246 Relating to Equal Employment Opportunity,” and implementing regulations at 41 CFR part 60, “Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor.”
  - b. All prime construction contracts paid with Federal funds in excess of \$2,000 must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, “Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction”).
  - c. Where applicable, all contracts paid with Federal funds in excess of \$100,000, that involve the employment of mechanics or laborers must include a provision for compliance with 40 U.S.C. 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR Part 5).
  - d. If the Federal award meets the definition of “funding agreement” under 37 CFR §401.2 (a) and KIPP Delta wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that “funding agreement,” KIPP Delta must comply with the requirements of 37 CFR Part 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements,” and any implementing regulations issued by the awarding agency.
  - e. Any federally funded contracts in excess of \$150,000 must contain a provision that requires the vendor to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401-7671q) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251-1387).
  - f. Potential vendors that apply or bid for an award exceeding \$100,000 must file the required Byrd anti-lobbying certification. This assures KIPP Delta that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant, or any other award covered by 31 U.S.C. 1352.

### Contract Signatures Matrix

1. Any annual contract, of any value, must be reviewed by the Finance team prior to signing.
2. Any annual contract with a total value less than \$5,000 must be signed by the department director. Any annual contract with a total value between \$5,000 and \$23,099 must be signed by any member of the senior leadership team.
3. Contractual agreements with a total value between \$23,100 and \$174,999 must be signed by two members of the senior leadership team.
4. Contractual agreements with a total value that exceeds \$174,999 must be signed by the Executive Director, two members of the senior leadership team, and approved by the Finance Committee.
5. All contracts with a real or apparent conflict of interest must be approved by the Board of Directors.

Federal procurement standards: 2 CFR 200.318 -.326

Competition: 2 CFR 200.319

Methods: 2 CFR 200.320

Affirmative Action: 2 CFR 200.321

Contract cost and price: 2 CFR 200.323

Contract provisions: 2 CFR 200.325

Micro-purchasing: 2 CFR 200.67 -.320 and OMB Memo M-18-18

Competitive purchasing: 2 CFR § 200.317-.326

A.C.A. § 6-21-304; Effective July 1, 2022, the threshold is adjusted to \$23,100, a change of 6.56%, per Commissioner's Memo FIN-22-039

Competitive Bidding: A.C.A. §§ 19-11-229 and 19-11-234

Cooperative Purchasing: A.C.A. § 19-11-249

Construction, Maintenance, and Capital Improvement Projects: A.C.A. § 22-9-202 and 22-9-203

Used School Buses Definition A.C.A. § 6-21-306

Date Adopted: April 25, 2017

Last Revised: July 19, 2022

## Purchase Orders

The submission of a purchase order (PO) request does not exempt KIPP Delta employees from following the appropriate competitive purchasing method. The PO process is a key internal control. The purpose of the PO process is to confirm that funds are available; that the purchase is mission aligned; that proper procurement steps were followed; and that all relevant documents have been obtained.

1. KIPP Delta's required method of purchasing a good or service is through a purchase order (PO) request.
2. A purchase order request provides a cost estimate for the desired goods and services. The actual cost of an item may vary up to twenty (20) percent. If the actual cost varies by more than twenty percent then a new purchase order should be submitted.
3. Annually the Managing Director of Finance will determine who may submit purchase orders and at what cost threshold.
4. A PO must be fully approved before the order for the goods can be placed or before initiating services. PO requests can be paid through invoicing or by a credit card.

### *Policies Specific to Regional Finance Department*

5. Annually, the Managing Director of Finance will review and revise procedures as needed to ensure alignment between KIPP Delta's account payable system and KIPP Delta's procurement policies. Those procedures must ensure the following policies are implemented.
6. All PO requests must be reviewed and approved by a minimum of two people.
7. Purchase order requests for purchases above \$20,000 must be approved by two members of the senior leadership team.
8. Purchase order requests for purchases above \$35,000 must be approved by the Executive Director and two members of the senior leadership team.
9. Purchase order requests that exceed \$174,999 must be approved by the Executive Director and two members of the senior leadership team, and contain written approval by the Finance Committee.
10. In the event that stated approvers are out of the office for an extended period of time, their procurement duties can be temporarily reassigned.
11. Nothing in these policies prevent KIPP Delta from lowering the actual approval thresholds for purchase orders in the purchasing system.

Date Adopted: April 25, 2017

Last Revised: January 18, 2022

## Credit Cards

1. KIPP Delta Finance Department may establish credit cards for employees in good standing. Reoccurring credit card limits shall not exceed \$5,000 for any one card. Credit card limits may be adjusted to accommodate large purchase previously approved through KIPP Delta's accounts payable system.
2. The assignment of a credit card does not exempt card holder from following KIPP Delta's procurement policies and procedures.
3. Card holders must adhere to KIPP Delta's purchasing policy before making any purchases.
4. Credit card purchases can only be made by the designated cardholder and/or their designee. Designees must be identified in writing.
5. Credit cards can be used to purchase goods and services that have been approved and is within the fiscal year budget.
6. Cards should be used primarily to cover costs related to experienced-based field lessons, travel, professional development, and/or events.
7. Credit cards should never be used for a cash advance or to purchase any controlled/banned substances.
8. Credit cards must not be used for personal expenses including but not limited to entertainment; alcohol; tobacco; and cash advances.
  - If personal charges are added to the credit card, the card holder or approved designee must notify the Finance Department immediately and submit a check or money order payable to KIPP Delta for the personal charge.
  - Repayment is due within 30 days of the charge.
  - If payment is not made by the employee, KIPP Delta reserves the right to deduct the expense from the employee's next pay check.
8. Receipts are always required. Itemized receipts are required for any purchase at or above \$5.00. Non-itemized receipts will be recorded by the Finance Department monthly.
9. Receipts and the credit card reconciliation form must be submitted by the 10<sup>th</sup> calendar day each month in order to retain credit card privileges. Late submission will be recorded by the Finance Department monthly.
10. For each lost or non-itemized receipt, the card holder or designee must either repay KIPP Delta or has the option to submit a forgiveness request to the Finance Team.
11. Any lost or non-itemized receipt not approved by the Finance Team or Executive Director must be repaid to KIPP Delta within the current fiscal year.
12. Repeated misuse of the credit card (instances below) will result in the loss of credit card privileges and could lead to termination.

- a. Unapproved charges
- b. Excessive lost and/or non-itemized receipts
- c. Late submission of credit card reconciliation form
- d. Excessive personal charges
- e. Unpaid personal charges

13. Lost or stolen cards must be reported immediately to the Finance Department.

### Credit Card Limit Matrix

Annually the Managing Director of Finance, involving the senior leadership team, will review credit card limits and adjust as deemed necessary.

- Members of the senior leadership team credit card limits should not exceed \$2,000.
- Prepaid cards can be used upon request and approval from the appropriate parties. The following are allowed uses of the prepaid cards:
  - Staff professional development travel (lodging, airfare, transportation, per diem meals)
  - Student trips (monthly and end of year field lessons)
  - KIPP Forward student and alumni trips and expenses
  - Approved maintenance supplies
  - All other charges must be approved prior to use
- A prepaid card will be held at the front desk of each school for use as needed. The operations team will handle the prepaid card like petty cash.
- All other prepaid cards will be held at the central office and handled like petty cash.
- Any other credit card requests, outside of what's listed above, must be approved by the Managing Director of Finance.

Date Adopted: April 25, 2017

Last Revised: January 18, 2022

### Insurance

To ensure the viability and continued operations of KIPP Delta, the school needs to have an active risk management program that includes a comprehensive insurance package. KIPP Delta maintains adequate insurance against all risks cited below. The senior leadership team will recommend to the Boards the type and level of insurance needed for the school and/or for any sub-grantees or subcontractors. The school must obtain at least the following coverage:

1. Flood Policies (only required for properties that are in a flood zone)
  - a. 858 Phillips - \$500,000 building limit with a \$5,000 deductible

- b. 207-221 Cherry - \$500,000 building limit and \$50,000 contents limit with a \$1,250 deductible for each
  - c. 320 Missouri - \$110,00 per modular building limit with a \$5,000 deductible
  - d. 514 Missouri - \$62,500 per modular building limit with \$5,000 deductible
2. Package Policy:
- a. Commercial Property and Contents (applicable to KIPP Delta Properties both owned and leased):
  - b. Blanket Building Property Coverage: \$19,090,325 with a deductible of \$5,000
  - c. Blanket Building Contents Coverage: \$1,821,200 with a deductible of \$5,000
  - d. Blanket Flood Limit: \$1,000,000 with a deductible of \$1,000,000 (excess of NFIP)
3. Commercial General Liability
- a. Limits:
    - i. Each Occurrence: \$1,000,000
    - ii. General Aggregate: \$3,000,000
    - iii. Prod/Comp Ops Aggregate: Included in General Aggregate
    - iv. Personal and Advertising Injury: \$1,000,000
    - v. Damage to Premises Rented to You: \$1,000,000
    - vi. Medical Expense per Person: \$15,000
    - vii. Employee Benefit per Employee: \$1,000,000
    - viii. Employee Benefit Aggregate: \$3,000,000
    - ix. Employee Benefit Retro Active Date: 05/06/2002
    - x. Sexual Misconduct or Sexual Molestation per Incident: \$1,000,000
    - xi. Sexual Misconduct or Sexual Molestation Aggregate: \$3,000,000
  - b. Deductible: \$0 Commercial General Liability
4. Commercial Professional Liability Coverage:
- a. Limits:
    - i. School and Educators Liability (Directors and Officers) per Incident: \$1,000,000
    - ii. School and Educators Liability (Directors and Officers) Aggregate: \$3,000,000
    - iii. Employment Practices Liability per each Wrongful Employment Act: \$1,000,000
    - iv. Employment Practices Liability Aggregate: \$3,000,000
    - v. Non-Monetary Relief Defense Coverage Aggregate: \$100,000
    - vi. Wage and Hour Laws Exclusion with Defense: \$100,000
  - b. Deductibles:
    - i. School and Educators Liability (Directors and Officers): \$10,000
    - ii. Employment Practices Liability: \$15,000
    - iii. Non-Monetary Relief Defense: \$10,000
    - iv. Wage and Hour Laws: \$5,000

5. Auto Policy (covers all buses and vehicles owned or leased except for fleet cars):
  - a. Limits:
    - i. Liability: \$1,000,000 (combined single limit)
    - ii. Medical Payments: \$5,000
    - iii. Uninsured Motorist: \$1,000,000
  - b. Deductible:
    - i. Comprehensive: \$500
    - ii. Collision: \$1,000
6. Umbrella Liability Policy Limits (Policy will pick up in the event of needing coverage in addition to regular policies):
  - a. Occurrence or per Claim: \$5,000,000
  - b. Prod/Comp Ops Aggregate: \$5,000,000
  - c. General Aggregate: \$5,000,000
  - d. Retained Limit: \$0
7. Worker's Compensation Policy Limits:
  - a. Bodily Injury by Accident: \$1,000,000 per Accident
  - b. Bodily Injury by Disease: \$1,000,000 Policy Limit
  - c. Bodily Injury by Disease: \$1,000,000 per Employee
8. Crime Policy:
  - a. Limits per Occurrence: \$1,000,000
  - b. Deductible per Occurrence: \$2,500
9. Cyber Liability Coverage: Optional
10. Student Accident Coverage Base K-12: Optional
11. Student Accident Coverage Catastrophe: Optional

Date Adopted: August 28, 2018

## Time and Effort Verification & Certification

1. KIPP Delta will use federal funds to support employees when possible and appropriate. The Finance Department in conjunction with the Human Resources department will determine which employees can be supported with federal funds.
2. When an employee is hired using federal funds, Time and Effort documentation must be kept on file with the Finance Department.

3. Supervisors must notify the Finance Department in the event of a federally funded employee working additional duties. Once the Finance Department is notified, it will be determined what needs to be done to maintain compliance with governing standards.
4. Time and Effort forms will include the job title, job description, and the federal fund used in the description. Offer letters with the position title must be signed by the employee and filed with Human Resources.
  - a. If employees have a single role, or are funded by a single funding source, a Time and Effort form will need to be completed on a semi-annual basis. The semi-annual form will be signed by the employee or their immediate supervisor. If multiple employees work in the same role with the same duties and funding source, a blanket semi-annual Time and Effort form may be used. Completed forms will be filed with the Finance Department at the end of the semi-annual period.
  - b. If employees have more than one role, or are funded by more than one funding source, a Time and Effort form will need to be completed monthly. The monthly form will show the percentage of time worked in various roles, and will be signed by the employee and their immediate supervisor. Completed forms will be filed with the Finance Department monthly.
5. Fund allocations will be indicated by a percentage on the Time and Effort form. The Finance Department will evaluate each monthly and semi-annual time certification and make updates to percentage allocations in the payroll system when necessary.

2 CFR § 200.430

Date Adopted: April 25, 2017

Last Revised: August 28, 2018

## Accounting Practices

### Fiscal Year

1. KIPP Delta's fiscal year shall start on July 1 and end June 30.

### Fund Accounting

2. KIPP Delta will follow fund accounting practices, as this type of accounting emphasizes accountability.
3. KIPP Delta will use the required Arkansas Public School Computer Network (APSCN) as its official financial system. This system will also be used by KIPP Delta to comply with record retention laws.
4. KIPP Delta will utilize the fund and account codes required by the Arkansas Department of Education (ADE) and update its internal procedures when ADE makes adjustments.
5. APSCN will be used to segregate all state, federal, and local revenue and expenses in accordance with laws, regulations, and restrictions placed on each fund.
6. All federal funds must be received and expended under the federal rules associated with that particular federal award.
7. The Finance Department will also retain records documenting compliance with state and federal statutes, regulations, and the terms and conditions associated with private funds for a period of at least five years. Payroll records will be retained indefinitely.

### Accounts Payable

Accounts payable are those liabilities incurred in the normal course of business for which goods or services have been provided by a third-party vendor and payment has not been made. All payments which are not made as of June 30 shall be booked as a liability on the balance sheet in the current fiscal year. Generally, when a school district received goods or services and does not immediately pay the vendor, an account payable has been incurred. If the vendor will not be paid for more than 60 days or the vendor will not be paid with expendable available resources, a long-term liability rather than an account payable has been created. In the event, a payable is overlooked funds from the current budget year will be used to pay the liability.

### Indirect Costs

Indirect costs are used to recover expenses related to a federal program that cannot be charged directly. Each year, ADE calculates the indirect cost rates that are based on expenditure data from the second-preceding fiscal year. Indirect costs should be calculated based on actual expenditures not budgeted expenditures. KIPP Delta will calculate the indirect costs using the applicable year indirect cost rate times the actual expenditures as of June 30th.

## Depreciation

For financial purposes, all tangible personal property with a useful life of more than one year and a unit acquisition cost of \$1,000 or more will be capitalized and depreciated over its useful life using the straight-line method of depreciation. All capitalized assets will be maintained in the special fixed assets account group and are not to be included as an operating expense:

- Desktop Computers 5 years
- Network Software 5 years
- Laptops 3 years
- Office/Classroom Equipment 5 years
- Office/Classroom Furniture 7 years
- Leasehold improvements Life of lease or 5 years, whichever is greater
- Musical Instruments 3 years
- Buildings/Modular Structures 40 years/10 years
- Land Improvements 20 years

## Bank Reconciliations

Bank reconciliation is a simple, effective internal control device that should not be treated as strictly a clerical process.

1. The Finance Associate without access to cash and who does not make deposits or bank with-drawls, will prepare the consolidated bank reconciliation monthly.
2. The Finance Department will download the monthly financial statements and forward the information to persons responsible for managing operational accounts in order for them to reconcile outstanding checks and deposits.
3. All persons responsible for managing operational accounts will prepare the bank reconciliation monthly for their respective accounts.

Each cash and money market account will be reconciled monthly by the Managing Director of Finance reviewed and signed off by the Executive Director, who will pay particular attention to any reconciling items that are outstanding for an extensive period of time.

Date Adopted: August 28, 2018

Last Revised: May 19, 2020

## Expenditure Control

1. Operating expenditures include a wide range of expenditures. The largest portion of operating expenditures relate to payroll and related employee benefits. Expenditures relating to salaries are accounted for using the modified accrual basis of accounting. Proper accruals should be made at fiscal year-end for the amount of salaries and related benefits earned by employees at year end and not paid.
2. The other types of operating expenditures should be accounted for using the same basis of accounting and measurement focus. A liability is usually incurred when the goods or services are received, and necessary accruals should be made at year end.
3. Capital expenditures relate to acquisition of general capital assets. Such expenditures are recorded in the fund, depending on the source of funds. Purchases of personal property, such as furniture and equipment are usually recorded as expenditures in the General Fund if they are financed from operating budgets or special revenue funds if they are financed from grants. Major projects such as the building of a school building financed by the proceeds of a loan are often accounted for in a Capital Projects Fund. Cost associated with acquisition of capital assets in governmental funds are recorded as current expenditures when the liability is incurred, usually upon receipt of the related asset. The same amount is usually recorded as an addition to the General Capital Asset Fund if it meets KIPP Delta's capitalization policy. Capital assets could be acquired through capital leases.
4. Debt service expenditures represent the payment of principal and interest needed to service debt. Such payments are usually recorded as expenditures in the Debt Service Fund when the amount becomes due and payable and not when they accrue. No accruals for interest need to be made for interest accrued at fiscal year end.

## Payroll

1. All payroll liabilities are to be paid in a timely fashion. If a payment is late or a penalty is incurred the Executive Director. All penalties are to be paid from the account required in the state accounting handbook.
2. If KIPP Delta uses a third-party vendor to process payroll then the vendor's contract must contain language that addresses the reimbursement of fees and penalties.
3. Payment for services is made only upon the completion of the new hire paperwork. Failure to complete the required documents in a timely manner will result in delays in payroll processing for a newly hired employee.
4. Payroll deductions are made only upon receipt of written authorization forms from the employee. Appropriate forms are kept on file in the Human Resource Office.
5. Employees are paid on a semi-monthly basis.
6. The payroll calendar must be approved by the Managing Director of Finance.
7. Form W-2, Wage and Tax Statement (Form W-2), is required to be filed on a calendar-year basis for all employees. Form W-2 summarizes all wages and taxes withheld from the employee's pay during the calendar year. Forms must be provided to employees by January 31 of the following calendar year.
8. Taxable fringe benefits (which may be provided in kind or by cash payments from the school district) must be included in the Form W-2.
9. An employee may not be an independent contractor. With respect to an individual providing services to a school district as an independent contractor, Form 1099-NEC, Non-Employee Compensation, must be filed. For such purposes, the amounts paid to the independent contractor are considered to be non-employee compensation.
10. Whether an individual should be considered an employee or an independent contractor for tax purposes should be delineated by the following:
  - a. Degree of control
  - b. Special skills
  - c. Investment in facilities or tools
  - d. Opportunity for personal profit or loss
  - e. Permanency of the relationship
  - f. Right of discharge
  - g. Integral part of the school district's business
11. The KIPP Delta Human Resource Director shall determine the status of individuals when on-boarded and will notify the regional Finance Department. When the decision is challenged, the Human Resource Director will make a recommendation to the Managing Director of Finance, who is permitted by the Board to make the final decision.

## Uncashed Checks

1. The State of Arkansas unclaimed funds procedures shall be followed. The current procedures are available on the State of Arkansas Department of Finance and Administration's website.
2. For any check over 90 days old, KIPP Delta's regional Finance Department should reach out to the employee to verify the mailing address and if payment is still needed prior to voiding and reissuing a new check.
3. Any checks that have been voided and reissued that reach the 90 day mark a second time should be sent to the Arkansas Department of Treasury Unclaimed Property.

## Financial Reporting

1. The KIPP Delta Board will receive reports of revenues, expenditures and fund balances in each major fund group on a quarterly basis.
2. KIPP Delta shall submit all required reports to the Arkansas Department of Education on time or as soon as the Board of Directors has approved the report or budget.
3. Annually, the Arkansas Department of Education requires every school district to submit 9 cycle reports at throughout the fiscal year. All cycle reports should be checked for accuracy. Three of these nine reports relate specifically to KIPP Delta's finances. The three financial cycle reports (8, 9, and 1) must be checked by the Managing Director of Finance and submitted to the Executive Director for approval before submission.
4. Sufficient time should be given for review of financial reports. All financial reports shall be reviewed by the regional Finance Department prior to submission. Any late reporting should be discussed with the Executive Director..
5. A copy of all submitted reports must be retained on Delta Share.

## Year End Close

1. Annually, the Managing Director of Finance shall set a deadline by which purchase orders and check requests must be made for the fiscal year in order to assure delivery and acceptance prior to June 30 for budgeted goods and services. The Executive Director may grant permission for orders to be placed after the deadline on a case-by-case basis.
2. Annually, the Managing Director of Finance shall set a deadline for reimbursement requests to be submitted to ensure that all costs are accounted for in the fiscal year in which the expenses were incurred. All reimbursement requests for any given fiscal year must be submitted prior to the close of month 13 in KIPP Delta's accounting system. In extenuating circumstances, the r Executive Director may grant permission for the reimbursement request to be reimbursed from the current fiscal year.
3. All cash must be deposited on last business day of June, regardless of the amount of cash on hand.

## Financial Audits

1. KIPP Delta's annual audit serves as an important opportunity for the Board of Directors to review the fiscal operations and health of the region. As such, it is vital Board members receive adequate time to review and discuss the findings.
2. KIPP Delta shall have an audit conducted annually within the timelines prescribed by law. The audit shall be conducted by the Division of Legislative Audit or through the audit services of a private certified public accountant(s) approved by the Board. The audit must be conducted in accordance with generally accepted auditing procedures and contain any other data as required by the State Board of Education.
3. If KIPP Delta expends \$750,000 or more during its fiscal year in federal funds, then it must receive a single audit.
4. All audit reports must be filed with the Arkansas Department of Education and Division of Legislative Audit within nine months following the end of each fiscal year.
5. If the audit report is received ten (10) days prior to a regularly scheduled board meeting, then the Board of Directors shall review the annual audit at that particular meeting. If the audit report is received less than ten (10) days prior to a regularly scheduled board meeting, then the board may review the report at the next regularly scheduled board meeting following the ten (10) day period.
6. The minutes of the Board's meeting shall document the review of the audit's findings and recommendations along with any motions made by the Board or actions directed to be taken by the Executive Director or designee.
7. The Board of Directors is responsible for presenting the audit's findings to the public by November 15<sup>th</sup> of each year.

A.C.A. § 6-1-101(d)(1)(2)(3)

A.C.A. § 6-13-620(6)(F)

2 CFR § 200.514

Date Adopted: August 28, 2018

Last Revised: January 18, 2022

## Key Definitions

Unless otherwise specifically stated in these policies, the term:

1. "Administrator" means any Executive Director or assistant Executive Director or his or her equivalent, school district treasurer, business manager, or other individual directly responsible for entity-wide purchasing;

2. "Board" means a local school district board of directors or other governing body of a public educational entity;
3. "Board member" means any board member, director, or other member of a governing body of a public educational entity;
4. "Board of Education" means the State Board of Education;
5. "Commissioner" means the Commissioner of Education or his or her designee;
6. "Commodities" means all supplies, goods, material, equipment, computers, software, machinery, facilities, personal property, and services, other than personal and professional services, purchased for or on behalf of a public educational entity;
7. "Computing devices" are defined as machines used to acquire, store, analyze, or process public data and other information electronically. This includes accessories for printing, transmitting, and receiving or storing electronic information. Special care should be taken to inventory and safeguard items that may be easily lost or stolen.
8. "Contract" means any transaction or agreement for the purchase, lease, transfer, or use of real property or personal property and personal or professional services of an independent contractor, including, but not limited to, motor vehicles, equipment, commodities, materials, services, computers or other electronics, construction, capital improvements, deposits, and investments;
9. "Directly" or "directly interested" means receiving compensation or other benefits personally or to an individual's household from the person, business, or entity contracting with the public educational entity;
10. "Emergency purchase" means purchases mandated by unforeseen and unavoidable circumstances in which human life, health, or public property is in immediate jeopardy and the expenditure is necessary to preserve life, health, or public property;
11. "Employee" means a full-time employee or part-time employee of a public educational entity;
12. "Employment contract" means an agreement or contract between an employer and an employee in which the terms and conditions of the employment are provided;

13. "Equipment" under federal law means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. See also §§200.12 Capital assets, 200.20 Computing devices, 200.48 General purpose equipment, 200.58 Information technology systems, 200.89 Special purpose equipment, and 200.94 Supplies.
14. "Family" or "family members" means:
- a. An individual's spouse;
  - b. Children of the individual or children of the individual's spouse;
  - c. The spouse of a child of the individual or the spouse of a child of the individual's spouse;
  - d. Parents of the individual or parents of the individual's spouse;
  - e. Brothers and sisters of the individual or brothers and sisters of the individual's spouse;
  - f. Anyone living or residing in the same residence or household with the individual or in the same residence or household with the individual's spouse; or
  - g. Anyone acting or serving as an agent of the individual or as an agent of the individual's spouse;
15. "Financial interest" in a business or other entity means:
- a. Ownership of more than a five percent (5%) interest;
  - b. Holding a position as an officer, director, trustee, partner, or other top level management; or
  - c. Being an employee, agent, independent contractor, or having any other arrangement in which the individual's compensation is based in whole or in part on transactions with the public educational entity.
  - d. "Financial interest" does not include:
    - i. The ownership of stock or other equity holdings in any publicly held company; or
    - ii. Clerical or other similar hourly compensated employees;
16. "Gratuity" means a payment, loan, subscription, advance, deposit of money, travel, services, or anything having a present market value of one hundred dollars (\$100) or more unless consideration of substantially equal or greater value is received;

17. "Indirectly" or "indirectly interested" means that a family member, business, or other entity in which the individual or a family member has a financial interest will receive compensation or benefits;
18. "Initially employed" means:
  - a. Employed in either an interim or permanent position for the first time or following a severance in employment with the school district; or
  - b. A change in the terms and conditions of an existing contract, excluding:
    - i. Any renewal of a teacher contract under § 6-17-1506;
    - ii. Renewal of the contract of an employee in a non-licensed personnel position that is required by law; or
    - iii. Movement of an employee on the salary schedule that does not require board action; and
19. "Public educational entity" means Arkansas public school districts, charter schools, education service cooperatives, or any publicly supported entity having supervision over public educational entities. "Public educational entity" does not include institutions of higher education.
20. "Per Diem" means a fixed amount KIPP Delta provides employees prior to departure for lodging, meals, and incidental expenses when they are on official travel for a minimum of two nights.
21. "Principal place of work" is the location where an employee spends the majority of their time performing paid duties.
22. "Theft-Sensitive Assets" are those items identified by the District as easily portable, desirable for personal use or easily marketable and are valued between \$1,000 and \$5,000. Currently computer and other portable technology are considered theft-sensitive.