

Budget Management and Control Policy

BUDGET MANAGEMENT, CASH MANAGEMENT AND PROCUREMENT CONTROL

Budget administration and management is the process of regulating expenditures during the fiscal year to ensure that they do not exceed authorized amounts and that they are used for intended, proper and legal purposes. The management of the budget is accomplished in a variety of ways: monitoring program implementation; controlling expenditures; tracking revenue receipts; making corrections in expenditure allocations to reflect changes in costs, service levels or plans; and reporting to the Board of Trustees and the public on fiscal operations.

The budget will be administered within applicable local, state and federal laws. Accordingly, the Provident Charter School (“School”) will not obligate funds in excess of the approved financial plan unless the Board amends the budget by making additional appropriations or increasing existing appropriations to meet emergencies. All expenditures will be made in accord with approved disbursement practices and legal purchasing requirements. Whenever possible, the School will integrate performance measurement and productivity indicators within the budget to insure the most effective and efficient utilization of available financial resources.

After the budget is adopted by the Board of Trustees in June and the appropriations are made to the various accounts, it then becomes the major fiscal management tool for administering and controlling expenditures. There are, however, other budget administration, management and control issues important to the budget process that are discussed below: **Organization for Budget Management:** The decision-making philosophy and organizational structure of the School for budgeting combines elements of the management team and school site management concepts. It is an approach between centralization and decentralization in philosophy and structure. The overall spending and revenue plans are coordinated by the administration to keep the School’s total expenditures within available revenues. School level coordination is also exercised in such areas as personnel policies, which are

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established and monitored centrally to maintain general uniformity and compliance with state and federal statutes. However, budgetary allocations to responsibility cost centers, particularly the building budget appropriations, are provided in an unrestricted, lump-sum amount and decisions on how to allocate these monies are made at the site or

department level. For example, principals, are required by Board policy to provide participation for the professional staff in the decision making process on the use of building resources through Committees. **Expenditure Control for Approvals/Procurement:** For management control purposes, the operating budget (General Fund) of the School is disaggregated into responsibility cost centers, which are grouped into broad types of responsibility cost centers. The CEO is accountable for the management of the financial resources approved by the Board for each of the responsibility cost centers in the operating budget. Thus, every expenditure appropriation in the School's budgets is assigned to a responsibility cost center manager who is accountable for the proper expenditure of funds.

Each of the budget managers is authorized to approve the expenditure of funds within their respective responsibility cost center appropriations, provided that funds are expended in accord with School purchasing procedures and legal requirements. Administrative regulations require that all purchase orders be forwarded to the business office to verify the availability of funds, proper account coding, and compliance with legal purchasing procedures. All bid awards and contracts must be approved by the Board of Trustees. The CEO also carefully monitors comparisons between budget and actual expenditures to maintain cost control and to insure against overspending. **Encumbrance Control:** Another important component of the School's budgetary controls is the encumbrance of funds. Encumbrances are obligations in the form of purchase orders, contracts, or salary commitments chargeable to an appropriation and for which part of the appropriation is reserved. The purpose for the encumbrance of funds is to ensure that obligations are recognized as soon as financial commitments are made. Otherwise, the accounting system would only record actual amounts entered into the expenditure accounts, not those that are planned or anticipated. In short, the encumbrance of funds is an important control measure to prevent the inadvertent over expenditure of budget appropriations due to the lack of information about future commitments. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are canceled.

Transfers Between Budget Accounts: The budget is a spending plan based on a series of assumptions and estimates. Rarely, if ever, will all of the actual expenditures be equal to the detailed budget estimates. As actual expenditures are incurred, adjustments are required in the budget between accounts to cover higher than expected costs or to provide for an unanticipated expense. However, School controls on the transfer of funds insure that expenditures do not exceed available financial resources. Responsibility cost center managers have the authority to transfer funds between accounts that increase or decrease appropriated amounts with certain constraints. Such constraints include that transfers between responsibility cost centers, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the School Board in advance. In addition, transfers between functions must also have the prior approval of the Board of Trustees. **Management Information and Reporting for Budget Control/Cash:** The School maintains an interactive, on-line budgetary accounting and control system that provides interim, monthly and annual reports to assist Board Members, the CEO and responsibility cost

center managers in administering, monitoring and controlling the implementation of the budget. The information from the automated accounting information system is important and relevant in evaluating the financial condition of the School and the cost center managers. The reports produced from the information system are designed for specific School needs and meet state and federal reporting requirements. Among the most important documents for management control purposes are expenditure reports, which are prepared by function and by responsibility cost center to track actual expenditures against the budget. Revenue reports are also prepared to track receipts against the budget.

Cash Management – Federal Programs Generally, the charter school receives payment from the Pennsylvania Department of Education (PDE) on a reimbursement basis. In some circumstances, the charter school may receive an advance of federal grant funds. This attachment addresses responsibilities of the charter school and charter school staff under those alternative payment methods. In either case, the charter school shall maintain accounting methods and internal controls and procedures that assure those responsibilities are met. Reimbursements – The charter school will initially charge federal grant expenditures to the proper federal account number. The business office will request reimbursement for actual expenditures incurred under the federal grants quarterly. Such requests shall be submitted with appropriate documentation and signed by the requestor. Requests for reimbursements will be approved by the CEO, Third Party Business Management Partner, or Federal Programs Coordinator. Reimbursement will be submitted on the appropriate form to the PDE portal. All reimbursements are based on actual disbursements, not on obligations. PDE will process reimbursement requests within the timeframes required for disbursement.

Consistent with state and federal requirements, the charter school will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for PDE to review upon request. Reimbursements of actual expenditures do not involve interest calculations. Advances – When the charter school receives advance payments of federal grant funds, it must minimize the time elapsing between the transfer of funds to the district and the expenditure of those funds on allowable costs of the applicable federal program. (2 CFR Sec. 200.305(b)) The charter school shall attempt to expend all advances of federal funds within seventy-two (72) hours of receipt. When applicable, the charter school shall use existing resources available within a program before requesting additional advances. Such resources include program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds. (2 CFR Sec. 305(b)(5)) The charter school shall hold federal advance payments in insured, interest-bearing accounts. The charter school is permitted to retain for administrative expense up to \$500 per year of interest earned on federal grant cash balances. Regardless of the federal awarding agency, interest earnings exceeding \$500 per year shall be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment. (2 CFR Sec. 200.305(b)(9)) Pursuant to federal guidelines,

interest earnings shall be calculated from the date that the federal funds are drawn down from the G5 system until the date on which those funds are disbursed by the district. Consistent with state guidelines, interest accruing on total federal grant cash balances shall be calculated on cash balances per grant and applying the actual or average interest rate earned. Remittance of interest shall be the responsibility of the Third Party Business Office.