FINAL EXIT STRATEGY PACKAGE

October 13, 2014
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To: Bryon Brooks, Board Chair, Family Foundation Academy  
From: Tamyra Dupree-Jones, Senior Internal Auditor, Auphsite Consulting  
CC: Darnell Sulaiman, Principal, Auphsite Consulting  
Date: October 10, 2014  
Re: Final Recommendations Memo

Auphsite had been engaged to provide an internal review of the operations at FFA in August 2014 and our services were suspended on October 3, 2014.

As part of the exit package, Auphsite is providing a high level summary of recommendation noted during over internal review of operations.

The following items are noted points mentioned to the Board of Directors and to the Management Team of FFA:

1. Recognition of the Loans to Directors  
2. Updating the Financial Statement Presentation and Disclosure  
3. Implementing a Fundraising Policy and Procedure at FFA  
4. Reorganizing Financial Records (AP and AR)  
5. Implementing a Childcare Time and Attendance Application (i.e., Kinder lime Application)

We appreciate the opportunity to serve.
To: Sean Moore, Chief Administrative Officer
From: Darnell Sulaiman, Partner, Auphsite Consulting
CC: Byron Brook, COB & Greg Smith, FFA – CFAC
Date: September, 2014
Re: Recognition of Loans to Directors

Purpose: Have external auditors, SB & Company record loans to co-directors of Family Foundations Academy in accordance with Generally Accepted Accounting Principles.

Discussion: Entry Date: June 30, 2014

<table>
<thead>
<tr>
<th>Date</th>
<th>Account</th>
<th>Debit</th>
<th>Credit</th>
<th>Description</th>
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<tr>
<td>6/30/14</td>
<td>Loan Expense</td>
<td>67,008.33</td>
<td></td>
<td>Loan to Sean Moore</td>
</tr>
<tr>
<td>6/30/14</td>
<td>A/R</td>
<td></td>
<td>67,008.33</td>
<td>Loan to Sean Moore</td>
</tr>
<tr>
<td>6/30/14</td>
<td>Loan Expense</td>
<td>18,921.12</td>
<td></td>
<td>Loan to Tennell Brewington</td>
</tr>
<tr>
<td>6/30/14</td>
<td>A/R</td>
<td></td>
<td>18,921.12</td>
<td>Loan to Tennell Brewington</td>
</tr>
</tbody>
</table>

85,929.45 85,929.45
otherwise communicate, provide or reveal in any manner whatsoever any of the Confidential Information to anyone other than FFA without the prior written consent of FFA. “Confidential Information” includes, without limitation, financial information, related trade secrets (including, without limitation, FFA’s business plan, methods and/or practices) and other proprietary business information of FFA which may include, without limitation, market studies, student lists, and other items relative to the business of FFA. “Confidential Information” shall not include information which is or becomes in the public domain through no action by Employee or information which is generally disclosed by FFA to third parties without restrictions on such third parties. Employee acknowledges that violation of this Section will cause immediate and irreparable harm to FFA, entitling it to injunctive relief.

12. **Reimbursement of Funds by Employee.** Employee hereby agrees, acknowledges and certifies hereby that she is indebted to FFA in the amount of $18,921.12 (hereinafter, the “Debt”). In each of the initial two contract years in the Term, prior to the end of each contract year (i.e., by May 19, 2015 and May 19, 2016 (collectively, the “Debt Payment Period”), Employee shall issue a check to FFA in the amount of $9,460.56 to repay the Debt. Should FFA terminate Employee’s employment pursuant to Section 10 of this Agreement prior to the expiration of the Debt Payment Period, any remaining Debt payments shall be deducted from the Severance Pay. Should Employee terminate her employment pursuant to Section 10 of this Agreement, or should FFA terminate Employee’s employment pursuant to Section 9, Employee shall repay any outstanding portion of the Debt in full to FFA within five (5) days of the termination of her employment.

13. **Severability and Savings.** If any provision of this Agreement, in whole or in part, is held to be invalid or unenforceable, the parties agree that any such provision shall be deemed modified to make such provision enforceable to the maximum extent permitted by applicable law. As to any provision held to be invalid or unenforceable, the remaining provisions of the Agreement shall remain in effect.

14. **Binding Effect.** This Agreement shall be binding upon and shall inure to the benefit of FFA and its successors and assigns. This Agreement shall be binding upon and inure to the benefit of Employee, her heirs, and personal representatives. This Agreement is not assignable by Employee.

15. **Indemnification.** To the fullest extent permitted by applicable law, FFA shall indemnify and hold harmless Employee from and against any and all claims, demands, actions, causes of action, liabilities, losses, judgments, fines, costs and expenses arising from or relating to her service or status as Co-Director/Chief Academic Officer of FFA.

16. **Governing Law.** This Agreement shall be governed by the laws of the State of Delaware without regard to choice of law rules. Any action to enforce this Agreement shall be filed in the state or federal courts located in Delaware.

17. **Entire Agreement.** No provision of this Agreement may be modified, waived or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by the President of the Board or his/her designee and Employee. The waiver or non-enforcement by
Information” includes, without limitation, financial information, related trade secrets (including, without limitation, FFA’s business plan, methods and/or practices) and other proprietary business information of FFA which may include, without limitation, market studies, student lists, and other items relative to the business of FFA. “Confidential Information” shall not include information which is or becomes in the public domain through no action by Employee or information which is generally disclosed by FFA to third parties without restrictions on such third parties. Employee acknowledges that violation of this Section will cause immediate and irreparable harm to FFA, entitling it to injunctive relief.

12. **Reimbursement of Funds by Employee.** Employee hereby agrees, acknowledges and certifies hereby that he is indebted to FFA in the amount of $67,008.33 (hereinafter, the “Debt”). In each contract year in the Term, prior to the end of each contract year (i.e., by May 19, 2015, May 19, 2016, May 19, 2017 and May 19, 2018), Employee shall issue a check to FFA in the amount of $13,400 to repay the Debt. A final payment of $13,408.33 shall be due May 19, 2019 (the “Debt Repayment Period”). Should FFA terminate Employee’s employment pursuant to Section 10 of this Agreement prior to the expiration of the Debt Payment Period, any remaining Debt payments shall be deducted from the Severance Pay. Should Employee terminate his employment pursuant to Section 10 of this Agreement, or should FFA terminate Employee’s employment pursuant to Section 9, Employee shall repay any outstanding portion of the Debt in full to FFA within five (5) days of the termination of his employment.

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15. **Indemnification.** To the fullest extent permitted by applicable law, FFA shall indemnify and hold harmless Employee from and against any and all claims, demands, actions, causes of action, liabilities, losses, judgments, fines, costs and expenses arising from or relating to his service or status as Co-Director/Chief Administrative Officer of FFA.

16. **Governing Law.** This Agreement shall be governed by the laws of the State of Delaware without regard to choice of law rules. Any action to enforce this Agreement shall be filed in the state or federal courts located in Delaware.

17. **Entire Agreement.** No provision of this Agreement may be modified, waived or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by the President of the Board or his/her designee and Employee. The waiver or non-enforcement by FFA of a breach by Employee of any provision of this Agreement shall not be construed as a
<table>
<thead>
<tr>
<th>Start Date</th>
<th>Completion Date</th>
<th>Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 2014</td>
<td>TBD</td>
<td>Project - FSFS Monthly Reconciliations (work in progress - four months behind)</td>
<td>FSFS Monthly Reconciliation Report - Reconciliations between allotted amounts and appropriations balances. A reconciliation should be also done to update FSFS monthly operating budget</td>
</tr>
<tr>
<td>October 1, 2014</td>
<td>TBD</td>
<td>Substantiate balance sheet balances</td>
<td>Substantiate and reconcile FSFS’s internal financial reports back to FSFS monthly statements</td>
</tr>
<tr>
<td>October 1, 2014</td>
<td>October 15, 2014</td>
<td>Project - Monarch Before and After Care (day care invoicing)</td>
<td>Quickbooks Online system used to capture and invoice participating students in Monarch Before and After Care. This goes also for other cash transactions</td>
</tr>
<tr>
<td>October 1, 2014</td>
<td>April 30, 2015</td>
<td>Normal operating activities as outlined in &quot;Audshte Responsibilities&quot;</td>
<td>Reference to Item #2 Consulting Agreement</td>
</tr>
<tr>
<td>October 15, 2014</td>
<td>TBD</td>
<td>Project - Payroll file review</td>
<td>Review all payroll files verify for current status, W9, reconcile against current employee roster etc.</td>
</tr>
<tr>
<td>October 15, 2014</td>
<td>TBD</td>
<td>Project - Attendance systems for FFA employees and Monarch Before and After Care Program</td>
<td>Federal &amp; State OMB require efficient electronic payroll reporting system. The same system can also track Monarch Before and After Care services</td>
</tr>
<tr>
<td>October 15, 2014</td>
<td>TBD</td>
<td>Project - Formalize P-Card Process (via procurement)</td>
<td>FFAs in need of a centralized procurement systems where all purchasing is originates from Finance Department and items purchased recorded bi-weekly into FFAs operating budget.</td>
</tr>
<tr>
<td>October 15, 2014</td>
<td>November 15, 2014</td>
<td>Soft audit per Recommendations April 2014</td>
<td>Review bank reconciliations, reviewing documentation filing procedures, review internal control policy, and review contracted services engagements w/ Board oversight</td>
</tr>
<tr>
<td>June 1, 2015</td>
<td>August 20, 2015</td>
<td>Facilitate financial operations of Monarch Summer Camp</td>
<td></td>
</tr>
<tr>
<td>July 1, 2015</td>
<td>August 15, 2015</td>
<td>Preparation for external audits</td>
<td>Review Single Audit Requirements, review payroll data, prepare financial statements to be sent to external auditors</td>
</tr>
<tr>
<td>August 1, 2015</td>
<td>October 1, 2015</td>
<td>Transitional team search</td>
<td>Begin the process of searching for qualified financial professional to be direct employees for FFAs, operating the finance department. Oversight by FFAs Citizens Financial Advisory Committee</td>
</tr>
<tr>
<td>November 1, 2015</td>
<td>December 15, 2015</td>
<td>FFAs finance department, direct employees, begins the process of managing finance department</td>
<td>Audshte phased out.</td>
</tr>
</tbody>
</table>
To: Darnell Sulaiman, Principal, Auphsite Consulting
Tamyra Dupree-Jones, Senior Internal Accountant, Auphsite

From: Consulting

Date: October 6, 2014
Meeting Minutes regarding Exit Strategy at FFA that occurred on
Re: October 3, 2014

Purpose: To document the minute’s discussion held on October 3, 2014.

Meeting Attendees: Mr. Shawn Moore, Chief Administrative Officer (CAO) at Family Foundation Academy (FFA)
Mrs. Balinda Morris-Taylor, Business Manager at FFA
Mr. Darnell Sulaiman,Principal at Auphsite
Mrs. Tamyra Dupree-Jones, Senior Internal Accountant

Discussion: See below

• Point of Service (POS) to back office was the first discussion point of the meeting.
  o Mr. Sulaiman informed the client he will prepare a manual for FFA regarding the Shopkeep transactions.
  o That the Eighth Grade students from prior year needs to be delete from current year population.
  o Mr. Moore state that Mrs. Morris-Taylor can import the data file kid first to have the population up to date. In addition, Ms. Mayfield and Ms. Morris can assist Ms. Morris-Taylor with this process.

• Mr. Moore will purchase of safe from Staples.

• Mr. Moore mention a centralized memo would be sent informing key employees of changes.
• Mr. Sulaiman also inquired about envelope the suggestion by Auphsite and Mr. Moore respond it been implemented.

• Fundraisers activity was discussed at the meeting. Mr. Moore implement a suggestions that Auphsite recommended regarding having teacher/program sponsors more accountable for fundraising activity. The procedures that will be implement at FFA are as follows:
  o Financial Income Statements detailing the following information:
    ▪ What is the cost (expense)?
    ▪ What is the funds brought in (revenue)?
    ▪ Teacher/Sponsor Certification
    ▪ Submission of Financial Information to Business Manager for Verification

• Mr. Moore mention that an audit finding was noted regarding the lack of management review over the deposit ticket. Mr. Moore mentioned going forward he would sign off on every deposit ticket.

• Mr. Moore also stated, going forward that FFA would use my payment plus to accept credit and debit card payment. This would be done over the fundraising activity. Currently the meal program is not using this program.

• Mr. Sulaiman informed FFA that he needs to follow up with Shopkeep regarding the Intel Retail component. Intel Retail is a component in Shopkeep that allows a system interface between two systems. Mr. Sulaiman to forward email to Mr. Moore.

• Auphsite will send a policy and procedural manual over key areas.

• Auphsite will forward the app for childcare time and attendance application streamline the paper trail. Kinderlime is the name of the app and the website address is https://www.kinderlime.com/pricing.

We appreciate the opportunity to serve.
To: Darnell Sulaiman, Partner, Auphsite Consulting  
From: Tamyra Dupree-Jones, Senior Internal Auditor, Auphsite Consulting  
CC:  
Date: September 18, 2014  
Re: Financial Impact of the absence of unrecorded transactions on financial statements  

Purpose: To document the financial impact of the absence of unrecorded transaction on the financial statements.

Discussion:

*Consideration of Fraud in Financial Statements (AU Section 316)*

According to the AICPA, that responsibility is described in section 110.03, which states, "Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements." Management, along with those charged with governance, should set the proper tone; create and maintain a culture of honesty and high ethical standards; and establish appropriate controls to prevent, deter, and detect fraud. When management and those charged with governance fulfill those responsibilities, the opportunities to commit fraud can be reduced significantly.

*Two type of misstatements (AU Section 316)*

*Misstatements arising from fraudulent financial reporting* are intentional misstatements or omissions of amounts or disclosures in financial statements designed to deceive financial statement users where the effect causes the financial statements not to be presented, in all material respects, in conformity with generally accepted accounting principles (GAAP).5 Fraudulent financial reporting may be accomplished by the following:
• Manipulation, falsification, or alteration of accounting records or supporting documents from which financial statements are prepared
• Misrepresentation in or intentional omission from the financial statements of events, transactions, or other significant information
• Intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure

**Misstatements arising from misappropriation of assets** (sometimes referred to as theft or defalcation) involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented, in all material respects, in conformity with GAAP. Misappropriation of assets can be accomplished in various ways, including embezzling receipts, stealing assets, or causing an entity to pay for goods or services that have not been received. Misappropriation of assets may be accompanied by false or misleading records or documents, possibly created by circumventing controls. The scope of this section includes only those misappropriations of assets for which the effect of the misappropriation causes the financial statements not to be fairly presented, in all material respects, in conformity with GAAP.

**Disclosing Matters**

If matters exist that should be disclosed to the auditor, they should be indicated by modifying the related representation.

**Example of Management Representation Letter**

We confirm, to the best of our knowledge and belief, [as of (date of auditor's report),] the following representations made to you during your audit(s).

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all—
   a. Financial records and related data.
   b. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe that the effects of the uncorrected financial statement
misstatements summarized in the accompanying schedule are immaterial, both
individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of
programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity
involving—
   a. Management,
b. Employees who have significant roles in internal control, or
c. Others where the fraud could have a material effect on the financial statements.
We have no knowledge of any allegations of fraud or suspected fraud affecting
the entity received in communications from employees, former employees,
analysts, regulators, short sellers, or others.
9. The company has no plans or intentions that may materially affect the carrying
value or classification of assets and liabilities.
10. The following have been properly recorded or disclosed in the financial
statements:
a. Related-party transactions, including sales, purchases, loans, transfers, leasing
arrangements, and guarantees, and amounts receivable from or payable to related
parties. Guarantees, whether written or oral, under which the company is contingently
liable.
c. Significant estimates and material concentrations known to management that
are required to be disclosed in accordance with Financial
Accounting Standards Board (FASB) Accounting Standards
Codification (ASC) 275, Risks and Uncertainties. [Significant estimates are
estimates at the balance sheet date that could change materially within the next
year. Concentrations refer to volumes of business, revenues, available sources of
supply, or markets or geographic areas for which events could occur that would
significantly disrupt normal finances within the next year.]
There are no—
a. Violations or possible violations of laws or regulations whose effects should be
considered for disclosure in the financial statements or as
a basis for recording a loss contingency.
b. Unasserted claims or assessments that our lawyer has advised us are probable
of assertion and must be disclosed in accordance with
FASB ASC 450, Contingencies. 2
c. Other liabilities or gain or loss contingencies that are required to be accrued or
disclosed by FASB ASC 450.
12. The company has satisfactory title to all owned assets, and there are no liens
or encumbrances on such assets nor has any asset been pledged as collateral.
13. The company has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Specific Information Concerning Possible Illegal Acts (AU 317)

In applying audit procedures and evaluating the results of those procedures, the auditor may encounter specific information that may raise a question concerning possible illegal acts, such as the following:

- Unauthorized transactions, improperly recorded transactions, or transactions not recorded in a complete or timely manner in order to maintain accountability for assets
- Investigation by a governmental agency, an enforcement proceeding, or payment of unusual fines or penalties
- Violations of laws or regulations cited in reports of examinations by regulatory agencies that have been made available to the auditor
- Large payments for unspecified services to consultants, affiliates, or employees
- Sales commissions or agents' fees that appear excessive in relation to those normally paid by the client or to the services actually received
- Unusually large payments in cash, purchases of bank cashiers' checks in large amounts payable to bearer, transfers to numbered bank accounts, or similar transactions
- Unexplained payments made to government officials or employees
- Failure to file tax returns or pay government duties or similar fees that are common to the entity's industry or the nature of its business

Audit Procedures in Response to Possible Illegal Acts

When the auditor becomes aware of information concerning a possible illegal act, the auditor should obtain an understanding of the nature of the act, the
circumstances in which it occurred, and sufficient other information to evaluate the effect on the financial statements. In doing so, the auditor should inquire of management at a level above those involved, if possible. If management does not provide satisfactory information that there has been no illegal act, the auditor should—

a. Consult with the client's legal counsel or other specialists about the application of relevant laws and regulations to the circumstances and the possible effects on the financial statements. Arrangements for such consultation with client's legal counsel should be made by the client.

b. Apply additional procedures, if necessary, to obtain further understanding of the nature of the acts.

.11

The additional audit procedures considered necessary, if any, might include procedures such as the following:

a. Examine supporting documents, such as invoices, canceled checks, and agreements and compare with accounting records.

b. Confirm significant information concerning the matter with the other party to the transaction or with intermediaries, such as banks or lawyers.

c. Determine whether the transaction has been properly authorized.

Consider whether other similar transactions or events may have occurred, and apply procedures to identify them.

The Auditor's Response to Detected Illegal Acts

.12

When the auditor concludes, based on information obtained and, if necessary, consultation with legal counsel, that an illegal act has or is likely to have occurred, the auditor should consider the effect on the financial statements as well as the implications for other aspects of the audit.

The Auditor's Consideration of Financial Statement Effect
[The following paragraph is effective for audits of fiscal years beginning on or after December 15, 2010. See PCAOB Release No. 2010-004. For audits of fiscal years beginning before December 15, 2010, click here.]

In evaluating the materiality of an illegal act that comes to his attention, the auditor should consider both the quantitative and qualitative materiality of the act. For example, an illegal payment of an otherwise immaterial amount could be material if there is a reasonable possibility that it could lead to a material contingent liability or a material loss of revenue.

The auditor should consider the effect of an illegal act on the amounts presented in financial statements including contingent monetary effects, such as fines, penalties and damages. Loss contingencies resulting from illegal acts that may be required to be disclosed should be evaluated in the same manner as other loss contingencies. Examples of loss contingencies that may arise from an illegal act are: threat of expropriation of assets, enforced discontinuance of operations in another country, and litigation.

The auditor should evaluate the adequacy of disclosure in the financial statements of the potential effects of an illegal act on the entity's operations. If material revenue or earnings are derived from transactions involving illegal acts, or if illegal acts create significant unusual risks associated with material revenue or earnings, such as loss of a significant business relationship, that information should be considered for disclosure.

Implications for Audit

The auditor should consider the implications of an illegal act in relation to other aspects of the audit, particularly the reliability of representations of management. The implications of particular illegal acts will depend on the relationship of the perpetration and concealment, if any, of the illegal act to specific control procedures and the level of management or employees involved.
Communication With the Audit Committee

.17


The auditor should assure himself that the audit committee is adequately informed as soon as practicable and prior to the issuance of the auditor's report with respect to illegal acts that come to the auditor’s attention.[fn1] The auditor need not communicate matters that are clearly inconsequential and may reach agreement in advance with the audit committee on the nature of such matters to be communicated. The communication should describe the act, the circumstances of its occurrence, and the effect on the financial statements. Senior management may wish to have its remedial actions communicated to the audit committee simultaneously. Possible remedial actions include disciplinary action against involved personnel, seeking restitution, adoption of preventive or corrective company policies, and modifications of specific control activities. If senior management is involved in an illegal act, the auditor should communicate directly with the audit committee. The communication may be oral or written. If the communication is oral, the auditor should document it.

Effect on the Auditor's Report

.18

If the auditor concludes that an illegal act has a material effect on the financial statements, and the act has not been properly accounted for or disclosed, the auditor should express a qualified opinion or an adverse opinion on the financial statements taken as a whole, depending on the materiality of the effect on the financial statements.

.19

[The following paragraph is effective for audits of fiscal years beginning on or after December 15, 2010. See PCAOB Release No. 2010-004. For audits of fiscal years beginning before December 15, 2010, click here.]
If the auditor is precluded by the client from obtaining sufficient appropriate evidential matter to evaluate whether an illegal act that could be material to the financial statements has, or is likely to have, occurred, the auditor generally should disclaim an opinion on the financial statements.

.20

If the client refuses to accept the auditor's report as modified for the circumstances described in paragraphs .18 and .19, the auditor should withdraw from the engagement and indicate the reasons for withdrawal in writing to the audit committee or board of directors.

.21

The auditor may be unable to determine whether an act is illegal because of limitations imposed by the circumstances rather than by the client or because of uncertainty associated with interpretation of applicable laws or regulations or surrounding facts. In these circumstances, the auditor should consider the effect on his report. fn 2

Other Considerations in an Audit in Accordance With Generally Accepted Auditing Standards

.22

In addition to the need to withdraw from the engagement, as described in paragraph .20, the auditor may conclude that withdrawal is necessary when the client does not take the remedial action that the auditor considers necessary in the circumstances even when the illegal act is not material to the financial statements. Factors that should affect the auditor's conclusion include the implications of the failure to take remedial action, which may affect the auditor's ability to rely on management representations, and the effects of continuing association with the client. In reaching a conclusion on such matters, the auditor may wish to consult with his own legal counsel.

.23

Disclosure of an illegal act to parties other than the client's senior management and its audit committee or board of directors is not ordinarily part of the auditor's responsibility, and such disclosure would be precluded by the auditor's ethical or legal obligation of confidentiality, unless the matter affects his
opinion on the financial statements. The auditor should recognize, however, that in the following circumstances a duty to notify parties outside the client may exist:

a. When the entity reports an auditor change under the appropriate securities law on Form 8-Kfn 4

b. To a successor auditor when the successor makes inquiries in accordance with section 315, Communications Between Predecessor and Successor Auditorsfn 5

c. In response to a subpoena

d. To a funding agency or other specified agency in accordance with requirements for the audits of entities that receive financial assistance from a government agency

Because potential conflicts with the auditor's ethical and legal obligations for confidentiality may be complex, the auditor may wish to consult with legal counsel before discussing illegal acts with parties outside the client.

Responsibilities in Other Circumstances

An auditor may accept an engagement that entails a greater responsibility for detecting illegal acts than that specified in this section. For example, a governmental unit may engage an independent auditor to perform an audit in accordance with the Single Audit Act of 1984. In such an engagement, the independent auditor is responsible for testing and reporting on the governmental unit's compliance with certain laws and regulations applicable to Federal financial assistance programs. Also, an independent auditor may undertake a variety of other special engagements. For example, a corporation's board of directors or its audit committee may engage an auditor to apply agreed-upon procedures and report on compliance with the corporation's code of conduct under the attestation standards.

Effective Date

.25
This section is effective for audits of financial statements for periods beginning on or after January 1, 1989. Early application of the provisions of this section is permissible.

We appreciate the opportunity to serve.
To: Mr. Byron Brooks, Chairman of Board, Family Foundation Academy
From: Tamyra Dupree, Senior Internal Auditor, Auphsite Consulting
CC: Darnell Sulaiman, Partner, Auphsite Consulting
Date: September 15, 2014
Re: Summary of Observations Noted

Purpose: To document the site visit for the External Auditor (SB & Company, LLC).

Discussion:

On September 12, 2014, Family Foundation Academy (FFA) had their second day of the site visit from SB and Company LLC (External Financial Auditors).

There were several open items at the close of business September 11, 2014 and September 12, 2014, that the external auditor has requested by FFA. Below is a summary of the open items:

1. A replacement sample selection for the test of controls over disbursements. Status this information was provided to the external auditors on September 12, 2014 without exception. *No longer an open item.*

2. The student enrollment sample was open as of Close of Business (COB) September 11, 2014. Status as of September 12, 2014, there were some follow up items regarding student data. Ms. Morris is working on completing this item. The external audit company plans to visit FFA sometime this week to complete their field work testing.

3. The payroll testing is still open as of COB September 12, 2014.

4. The audit firm also requested a copy of the travel and reimbursement policy. Status as of COB September 12, 2014, FFA management is in the process of completing this request.

5. General Files outstanding items for the external auditors are as follows:
a. Signatures on the legal letter and all confirmation letters.
b. Capital lease agreement for the purchased copiers.
c. Any additional Board Minutes from FY 2014 not yet posted on FFA external website.
d. Cash Account Balance (From WSFS Bank).
e. Federal Reimbursement from Ms. Morris.
f. Insurance policies

Status: Tamyra Dupree-Jones from Auphsite Consulting and Mr. Sean Moore, FFA Management met on Friday, September 12, 2014, to discuss the outstanding items listing provided by the Financial Statement Auditor. Mr. Moore informed Auphsite that the open items would be provided as soon as possible. Auphsite will continue to consult with Mr. Moore regarding the status of these open items.

6. The cash deposit sample had five pending items as of the close of business September 12, 2014.

| 11 | 4/1/2014 | 1897 | $279.09 | Pending |
| 13 | 4/30/2014 | 2023 | $66,562.82 | Pending |
| 14 | 5/9/2014 | 2038 | $30,320.25 | Pending |
| 17 | 8/26/2013 | 12074 | $567.21 | Pending |
| 19 | 5/6/2014 | 14601 | $1,450.12 | Pending |

Status: Auphsite provided Mr. Moore with a detail snapshot of the open items as of September 12, 2014.

7. The Cash Disbursement sample had several items pending as of close of business September 12, 2014.

<p>| 2 | 11/1/2013 | 01735871 | $6,075.00 |
| 10 | 5/2/2014 | 02002326 | $1,402.00 |
| 11 | 5/2/2014 | 02002326 | $2,832.00 |
| 12 | 5/2/2014 | 02002334 | $394.00 |
| 13 | 5/8/2014 | 02012007 | $2,722.00 |
| 15 | 6/13/2014 | 02078683 | $4,003.59 |
| 16 | 6/3/2001 | 02078629 | $1,514.60 |
| 17 | 6/13/2014 | 02078629 | $1,672.15 |</p>
<table>
<thead>
<tr>
<th></th>
<th>Date</th>
<th>Reference</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>6/13/2014</td>
<td>000742397</td>
<td>$2,480.90</td>
</tr>
<tr>
<td>21</td>
<td>12/16/2013</td>
<td>01800783</td>
<td>$1,314.06</td>
</tr>
<tr>
<td>22</td>
<td>5/8/2014</td>
<td>02012007</td>
<td>$5,831.28</td>
</tr>
<tr>
<td>23</td>
<td>5/2/2014</td>
<td>02002399</td>
<td>$1,541.33</td>
</tr>
</tbody>
</table>

Status two of the items listed below (number 2 and number 21) are missing invoices. Per a discussion with Mr. Moore on September 12, 2014, he will follow up on the open items. The other remaining items pertain to P-Card transactions that are currently still open.

We appreciate the opportunity to serve and have provided a summary of the site visit from the External Financial Statement Auditors.
To: Mr. Byron Brooks, Chairman of Board, Family Foundation Academy  
From: Tamyra Dupree, Senior Internal Auditor, Auphsite Consulting  
CC: Darnell Sulaiman, Partner, Auphsite Consulting  
Date: September 12, 2014  
Re: Summary of Observations Noted

Purpose: To document the site visit for the External Auditor (SB & Company, LLC).

Discussion:

On September 11, 2014, Family Foundation Academy (FFA) had their site visit from SB and Company LLC (External Financial Auditors).

Prior to September 11, 2014, Auphsite receive a call from Mr. Sean Moore in the am regarding, Ms. Dupree-Jones assisting with the financial audit, as well as serving as a point of contact. As such, Auphsite sent an email to confirm this instance and Mr. Moore stated in the confirmation email, that he is the point of contact and that he would like Auphsite Consulting to assist with the audit.

In addition, he inform Auphsite that the Financial Statement Auditors will be at FFA the next day (September 11, 2014) and that the documentation request needs to be pulled with less than a 24 hours’ notice.

In addition, the staff at FFA, receive the same notice that the financial statement auditors were coming the next day and documentation needs prepared for them by 9:00 am. This required more overtime for the FFA staff member, to get ready for the audit, as well as Auphsite to get more familiar with the audit documentation request at FFA.

Auphsite decide to arrive at FFA at 7:00 am on September 11, 2014, to assist with pulling the documentation for the audit. Auphsite did arrive at 7:00 am at the FFA Middle School location on the date noted above and provide assistance to the FFA staff member with regards to pulling the audit documentation request. Based on
pulling the documentation for the audit site visit, Auphsite notice the following items:

1. Lack of management review on several invoices for the AP Sample.
3. Missing invoice support for two AP transactions.
4. Better record keeping filing system should be put in place to ensure information is readily available and centralization.
5. The point of contact (POC) arrive around 10:15 am on the date of the scheduled visit. The POC was aware that the financial statement auditor was schedule to appear at FFA at 9:00 a.m. As a result, Auphsite consulting had to address questions that pertain to the POC with the Audit Manager at SB & Company, the External Financial Auditors. The POC did discuss matter of the audit with the Audit Manager in the late morning. Going forward, the POC should be in attendance and properly communicate with the external auditor.
6. Prior to the start of the audit field work, SB & Company (Audit Firm) sent FFA a Provided by Client (PBC) Listing on September 2, 2014. On September 11, 2014, several items requested by the auditors, were still pending; such as subsequent Disbursement listing, board minutes, confirmation letter request, and payroll register needs for sampling selection. This cause some delay with the auditor field work.
7. Staff member at FFA and Auphsite Consulting Team should have been given more notice to pull documentation request and to handle assembling audit documentation request. Therefore information could have been research timely and any issues noted could have been resolve prior to field work commencing.

We appreciate the opportunity to serve and have provided a summary of the site visit from the External Financial Statement Auditors.
To: Mr. Byron Brooks, Chairman of Board
From: Darnell Sulaiman, Auphsite Consulting
Date: September 10, 2014
Re: Summary of Observations Noted

In August 2014, Mr. Sulaiman and Ms. Dupree-Jones had been engaged to perform an internal review of operation at Family Foundation Academy (FFA).

The following observation findings were discussed further and noted below:

1. First State Financial (FSF) Monthly Certification

   • It was noted that the Monthly Certification due to State Accountant for the FSF transactions had not been completed since May 2014. This is a major control exception because the submission should be done monthly. This report is due by the 15 day of the following month.

   • It was also noted that prior (May 2014 and before) reconciliation certification did not have supporting documentation attached to copies of the reconciliation provide to State of Delaware.

   • Another point noted was that management review over the Reconciliation was not properly authorized (signed manually).

   • In addition to the Monthly Certification being to the State Accountant, an Annual Reconciliation is required to be performed at the organization. To date, the Annual Reconciliation were not performed at FFA. This is critical because not performing this certification would impact the audit report because it is represent in the Letter of Representation (Management Letter) as part of the GAAP year-end package. This could possibly posed a management letter comment and could affect the opinion of the Financial Statement Audit Firm.
• In regards to the Daily Validity Report Reconciliation that is performed at FFA, it was noted that the reconciliation lack management review on a constant basis. Per the State of Delaware guidelines, the review is required to be signed and dated on a daily basis.

• The lack of compliance regarding performance and management review over the Monthly/Annual Reconciliation, could impact FFA going concern, and warrant more regulations regarding the State Auditors performing more extensive internal and external audits or compliance review. Since FFA is a part of the Comprehensive Annual Financial Report (CAFR) of the State of Delaware and receives Office of Management and Budget (OMB) funding, it critical that FFA implement stronger internal controls and ensure that are put in place (design) and that these controls operate effectively.

• Auphsite has performed the Monthly Reconciliation over the FSF transaction since May 2014. Issues noted were:
  
  ▪ Large variance not being resolve in timely manner,
  
  ▪ Nonperformance of the reconciliation,
  
  ▪ Lack of management review and oversight.

• Additional training by management at FFA should be done to ensure each accounting professional has the right access to the system and each employee can perform procedures noted in the reconciliation steps.

Solution:

• Auphsite reconciled the Monthly Certification for the periods of May and June for Fiscal Period of 2014 and July 2015. Beginning September 2015, The Monthly and Annual Reconciliation will be a part of Auphsite’s scope of work.

• Going forward, Auphsite will perform and review the Monthly and Annual Reconciliation required by the State of Delaware. Our team will also ensure timely submission of the reconciliation to State of Delaware.

• Our team will ensure the Daily Validity Report is properly perform and review with proper signoffs.
• Auphsite will handle transaction of FFA operations.

2. Monarch Purchase of Care (POC) Program

• On August 27, 2014, Ms. Merrell (Child Care Monitor-State of Delaware) and Ms. Richards (Child Care Monitor Trainee-State of Delaware) informed Auphsite of a review meeting regarding the POC program at FFA. Ms. Merrell inform our team that a call was given prior (i.e., yesterday) to meeting for FFA to be prepared. Our team was unaware of this meeting. Ms. Merrell also inform our team that required documentation is needed for the follow up meeting that will occur on September 2\textsuperscript{nd}, 2014. See below for the list of documents needed for this upcoming meeting.
  • Child Care Daily Attendance Report along with the Daily attending sheets for the last 12 months. \textbf{Note: We need to have this information from 2011 until the present},
  • Food Program Sponsor: FFA can provide this information,
  • Hours of Operations: This information was provided orally to the State Monitor,
  • Total Enrollment Data: FFA can provide this information,
  • Exempt Letter regarding License: FFA can provide this information,
  • Designate individual who will attend the POC orientation: FFA can provide this information,
  • Parent Handbook: FFA can provide this information.

• The first issue of concern is the fact that childcare required documentation sheet has not been constantly done at FFA since 2011. As such, Auphsite is preparing data to assess the financial impact of this occurrence. This will be done within the next 30 days.

• Another issue of concern is the fact that daily sign in sheet prior to May 2014 cannot be locate for the last fiscal year. The state monitor has schedule another visit at FFA for her review over this important documentation.

• Noncompliance with state regulation, could put FFA in possible jeopardy of repayment of State Funds and or possibly losing POC Subsidized Funding from the State. This will affect the students and
parents relying on this program. Another possible concern is loss student for parents deciding to remove their children for this institution of learning because of the parent relying on the POC funding.

**Solution:**

- As of August 25, 2014, Auphsite will be verifying, reconciling, and processing the Purchase of Care Payment. Policy and procedures will be drafted and implemented. Note: a FFA employee will continue to handle the administrative process, “daycare” functions of the Before and Aftercare Program.
  
  o A noncompliance issuance for the State of Delaware Department of Health & Social Service will impact two streams of revenue for FFA:
    1. Purchase of Care Revenue
    2. Student Enrollment Revenue (See Attached)

3. **Invoices are not being recorded into the FSF Timely**

- It was noted that invoices not being entered into FSF in a timely manner. As of August 2014, there were still transactions that needed to be recorded (entered) for June 2014, July 2014 and August 2014. Since June 30, 2014 is the last day of the fiscal year period, this could greatly impact financial statement numbers over several lines items such as expenses and accounts payable.

**Solution:**

- Auphsite will enact the “Recommendation” and handle all processing of invoices, bank deposits and receipts, etc.

4. **Payroll**

- A lack of segregation of duties were noted regarding the input and review of payroll. Currently Mr. Moore inputs the payroll data into PHRST and no review is done over his work.

- On several occasions, staff members at FFA, were not paid timely.

- An employee authorize a pay rate adjustment without proper authorization. Mr. Moore is the point of contact for pay rate adjustment. This transaction occur without his knowledge or
approval. The employee who rate was adjusted is Ms. Amy Novosel. Her contract rate was $60 dollar an hour, per her contract dated in 2013. In October 2013, her rate was change to $64 per hour. Recently, Mr. Moore notice the incorrect pay rate and has adjusted the correct rate to reflect in the contract. The approx. effect on the financials were about $4,000. As such tighter controls needs to be put in place to ensure employee are getting paid the proper rate and only authorized employee make pay rate adjustment.

**Solution**

- Auphsite recommends transferring the financial components of payroll processing to Auphsite. Hire a Human Resources person to handle the employee screening, qualification review, while Auphsite processes payroll payments after verification via Human Resources Department

**Hiring Capable Procurement Personnel**

- FFA will hire and train an employee who is capable of managing the purchasing function at the organization. Having a separate procurement function will provide greater controls and increase productivity at the organization. This staff member should be familiar with the FFA policies and procedures over the purchasing function. The person assign to this position, should work no more than 10 to 15 hours per week in this function within thirty days.

- FFA should creating a Purchasing Policy and Procedure for the Organization. Regardless of which controls monitoring method or technology you use, the specific anti-fraud controls in the procure-to-pay process should include:
  - Official written purchasing policies and procedures due within thirty days.
  - Specific levels of authority identifying who is permitted to approve purchases, for what items, and for what amount.
  - Establishing an approved-vendor list with a vendor validation process.
  - Ensuring that people authorized to approve purchases cannot also make changes to the approved vendor list.
  - Requiring competitive bids for all purchases over a certain amount or type.
- Prohibiting purchasing employees from accepting gifts from vendors.
- Immediately documenting all purchasing databases and bills of lading.
- Reconciling clearing and cash accounts with variance detail.
- Implementing disbursement controls such as positive pay, positive payee and ACH debit blocks and filters (Goldmann, 2012).

• **Establishment of Purchasing Guidelines at FFA**
  
  - All Purchase Orders are forwarded to Business Manager for CEO review and approval.
  
  - Purchase Orders include the following:
    - A description of the items ordered
    - A cost estimate
    - The required delivery information
    - A statement of the nature and purpose of the procurement
  
  - Purchase Orders are prepared by Senior Accountant and approved by the CFO, after review of the remaining budget.

• **Preparation of Pre-Numbered Purchase Order (PO)**
  
  - FFA should utilized a system where purchase order are pre-numbered and reconciled against the general ledger. The Pre-Numbered PO should be reviewed by the Senior Accountant for accuracy and approval by CFO, after reviewing of the remaining budget. FFA should consider using QuickBooks for preparing their Purchase order. The Pre-Numbered PO should be matched against the invoice for completeness and accuracy.

5. **Finance Department Structure**

- It is best practice to promote or realign human capital from within, whenever restructuring or forming a new department in a business. Aable sought to employee this strategy with the facilitation of Mr. Moore. This is not a viable strategy. For the past four years FFA has had one qualified person, Mr. Moore, administrating the Financial
Department. With consideration of an operating budget in excess of ten million and FFA’s financial reporting obligation with federal, state, and local authorities, the Finance Department will be staffed with three accounting professional moving forward (see below)

**Job Title and Description**

- **Chief Financial Officer:** Perform monthly and Annual Review over P-Card, Voucher, Deposits, and Food Service High Level Monitoring. In addition, will review the payroll and be the approval of the payroll transactions. Review the Budget and submit the budget to the Board of Director.

- **Senior Accountant:** Entered the transactions into the financial system. Performing the Monthly Reconciliation over FSF transactions line items. Preparing the budget package and other month reports.

- **Staff Accountant:** Handles the procurement, processing Purchase of Care (POC), and asset identification at FFA.

- **Café Manager:** Manages the café workers, entering financial data for café workers, ordering products and services and process payroll for café workers.

6. **Recommendations**

- Dr. Brewington no longer has access to P-Card. She is still out of compliance with P-Card rules of use.

- Increase P-Card monthly spending balance to ten thousand per month for Facility Manager Jose Beltran.

- After the charter renewal application is completed and the Fiscal Year 2014 Audit has been completed, we highly recommend FFA seeking a new Financial Statement Auditor.

We appreciate the opportunity to serve and have provided a summary of our observation points.
To: Mr. Darnell Sulaiman, Partner  
From: Tamyra Dupree-Jones, Senior Accountant  
Date: August 29, 2014  
Re: Summary of Observations Noted

In August 2014, Mr. Sulaiman and Ms. Dupree-Jones have been engaged to perform internal review of operation at Family Foundation Academy (FFA).

The following observation finding were discussed further and noted below:

1. First State Financial (FSF) Monthly Certification
   - It was noted that the Monthly Certification due to State Accountant for the FSF transactions has not been completed since May 2014. This is a major control exception. This report is required to be submitted every month prior to the 15 day of the following month.
   - It was also noted that prior (May 2014 and before) Reconciliation Certification did not have supporting documentation to form submitted to State.
   - It was also noted that manager review over the Reconciliation was not authorized (signed manually).
   - In addition to the Monthly Certification an Annual Reconciliation is required and this certification impact the audit because it represent in the Letter of Representation (Management Letter) as part of the GAAP year-end package.
   - The Daily Validity report is performed, however it not reviewed by management daily. The review is required to be signed and dated on a daily basis.
o The lack of compliance could have the state agencies perform additional internal audits and external audits. Since FFA is a part of the CAFR and receives OMB funding it critical that strong internal controls are put in place and that these controls continue to operate effectively.

o Auphsite has performed the reconciliation over the FSF transaction since May 2014. Issues noted were large variance not being resolve in timely manner. In addition, nonperformance of the reconciliation, and lack of management review and oversight. Additional training by management needs to be provided and ensuring each accounting professional has the right access to the system to perform procedures noted in the reconciliation steps.

2. Monarch Purchase of Care (POC) Program

o On August 27, 2014, Ms. Merrell and Ms. Richards inform Auphsite of a review meeting regarding the POC program at Family Foundation Academy (FFA). Ms. Merrell inform our team that a call was given yesterday for preparation of today meeting. Our team was unaware of the meeting. Ms. Merrell also inform us that required document are needed for the follow up meeting on September 2nd, 2014. See below for the document needed for the meeting on September 2nd, 2014.

  • Child Care Daily Attendance Report along with the Daily attending sheets for the last 12 months. **Note: We need to have this information from 2011 until present:**
  • Food Program Sponsor: (FFA can provided)
  • Hours of Operations: This information was provided orally.
  • Total Enrollment Data: (FFA can provided)
  • Exempt Letter regarding License: (FFA can provided)
  • Designate individual who will attend the POC orientation: (FFA can provided)
  • Parent Handbook: (Not sure if FFA can provide)

o The issue is the child care required documentation sheet have not been done at FFA since 2008. Another issue is that the sign in sheet prior to May 2014 cannot be located. The state monitor has schedule another visit for the organization to produce this required documentation.
Noncompliance with state regulation could put FFA in possible jeopardy of repayment of State Funds and possibly losing Purchase of Care dollars. This will affect our student and parents and this could possibly loss student for parents deciding to remove their children for this institution of learning.

3. Invoices are not being properly entered into the FSF in a timely manner. As of August 2014, there were still transaction that needed to be enter for June, July and August. Since June 30, 2014 is the last day of the fiscal year this could impact financial statement numbers over expenses and accounts payable.

4. Payroll Observations
   - A lack of segregation of duties regarding the input and review of payroll. Currently Mr. Moore is input the payroll transactions and no review is done over his transactions.
   - On several occasions staff members at FFA were not paid timely.
   - Not designated a Payroll point of conduct person. Establishment of an HR department and having a Payroll Point Person would help to keep the organization functioning properly.

5. Hiring Capable Procurement Personnel
   - FFA should hire and train a personnel who is capable of managing the purchasing function at the organization. Having a separate procurement function will provide greater controls and increase productivity at the organization. This personnel should be familiar with FFA control over the purchasing function. The personnel staff should work no more than 10 to 15 hours per week.
   - Creating a Purchasing Policy and Procedure for the Organization
     - Regardless of which controls monitoring method or technology you use, the specific anti-fraud controls in the procure-to-pay process should include:
     - Official written purchasing policies and procedures.
     - Specific levels of authority identifying who is permitted to approve purchases, for what items, and for what amount.
     - Establishing an approved-vendor list with a vendor validation process.
     - Ensuring that people authorized to approve purchases cannot also make changes to the approved vendor list.
- Requiring competitive bids for all purchases over a certain amount or type.
- Prohibiting purchasing employees from accepting gifts from vendors.
- Immediately documenting all purchasing databases and bills of lading.
- Reconciling clearing and cash accounts with variance detail.
- Implementing disbursement controls such as positive pay, positive payee and ACH debit blocks and filters (Goldmann, 2012).

○ Establishment of Purchasing Guidelines at FFA

- All Purchase Orders are forwarded to Business Manager for CEO review and approval.

- Purchase Orders include the following:
  - A description of the items ordered
  - A cost estimate
  - The required delivery information
  - A statement of the nature and purpose of the procurement

- Purchase Orders are approved by the CEO, after review of the remaining budget.

- In addition to forwarding the Purchase Order to the vendor, a copy is forwarded to the external management company.

○ Preparation of Pre-Numbered Purchase Order (PO)

○ FFA should utilized a system where purchase order that are pre-numbered and reconciled against the general ledger. The Pre-Numbered PO should be reviewed by Business Manager for accuracy and approval by CEO, after the review of the remaining budget. The organization may also considered using QuickBooks for preparing their Purchase order. The Pre-Numbered PO should be matched against the invoice for completeness purposes.
We appreciate the opportunity to serve and have provided a summary of our observation points.
Memo

To: Mr. Darnell Sulaiman, Partner
From: Tamyra Dupree-Jones
Date: August 18, 2014
Re: Summary of Introduction Meeting

On August 18, 2014, Mr. Sulaiman and Ms. Dupree-Jones had an introduction meeting to discuss the fiscal operation of Family Foundation Academy (FFA). Mr. Sulaiman gave Ms. Dupree a general overview of operation of FFA.

The following discussion points were discussed further and noted below:

- In April 2014, the Standard Operating Procedures (SOP) was created for the cash disbursements and cash receipts process. The SOP will continue to strengthen the financial accountability of the organization.

- It was noted that segregation of duties was a concern at the organization and policies and procedures were and are continuing to be implemented and enforced to ensure the operation is functioning properly in accordance with industry standards.

- It was also noted that the controls over the First State Financial process are design and operating effectively.

- An issue of concern is the process of handling the cash receipts that are taken at the two physical locations. We want to ensure that cash receipts are being accurately accounted for and recorded properly. (See below for recommendation to ensure tighter controls).

- Another matter noted was regarding a member of the organization that committing fraud and is currently paying restitution for this action. The
organization has and will continue to implement tighter safeguard and controls.

- During the discussion several recommendation were noted and determine how the organization can continue to strengthen its financial accountability.
  - **Recommendation 1**: Since the organization relies on the First State Financial (FSF) System, the organization should inquiry to see if there is a Statement of Auditing Standards (SAS 70) report done over this financial system to ensure controls are in place (design) and properly operating (test of controls). This would provide more assurance that controls on the system level is functioning as designed.
  - **Recommendation 2**: Each cash disbursement should have a purchase order attached to the invoice for documentation purposes. A threshold should be determine for approval over this process. This would be for transaction handle outside the FSF system.
  - **Recommendation 3**: In addition to the daily reconciliation over cash receipts/disbursement another reconciliation should occur on a monthly basis. The process could be comparing the bank statement to the cash receipt log and investigating any discrepancies. The reconciliation should be perform by the business manager/staff accountant and the CFO should review this reconciliation on a monthly basis and provided there authorization. This also would ensure more segregation of duties.
  - **Recommendation 4**: Develop a better revenue confirmation sheet that would aid in the daily/monthly reconciliation over cash receipts. Streamline the documentation used for the process of recording the cash receipts to ensure efficiency.

We appreciate the opportunity to serve and have provided a summary of the meeting held on August 18, 2014.
Memo

To: Mr. Darnell Sulaiman, Partner
From: Tamyra Dupree-Jones, Senior Accountant
Date: August 21, 2014
Re: Recommendation for Establishment of Procurement Department

Purpose: To document the recommendation for establishment of Procurement (purchasing) Personnel at FFA.

Hiring Capable Procurement Personnel

FFA should hire and train a personnel who is capable of managing the purchasing function at the organization. Having a separate procurement function will provide greater controls and increase productivity at the organization. This personnel should be familiar with FFA control over the purchasing function. The personnel staff should work no more than 10 to 15 hours per week.

Establishment of Purchasing Guidelines

1. All Purchase Orders are forwarded to Business Manager for CEO review and approval.

2. Purchase Orders include the following:
   
   • A description of the items ordered
   • A cost estimate
   • The required delivery information
   • A statement of the nature and purpose of the procurement

3. Purchase Orders are approved by the CEO, after review of the remaining budget.

4. In addition to forwarding the Purchase Order to the vendor, a copy is forwarded to the external management company.
Preparation of Pre-Numbered Purchase Order (PO)

FFA should utilized a system where purchase order that are pre-numbered and reconciled against the general ledger. The Pre-Numbered PO should be reviewed by Business Manager for accuracy and approval by CEO, after the review of the remaining budget. The organization may also considered using QuickBooks for preparing their Purchase order. The Pre-Numbered PO should be matched against the invoice for completeness purposes.
Memo

To: Mr. Darnell Sulaiman, Partner
From: Tamyra Dupree-Jones, Senior Accountant
Date: August 20, 2014
Re: Discussion Points

Purpose: To document discussion points noted regarding FFA.

Discussion Point 1: Establishment of Code of Conduct for All Employees and Board Members.

According to the Deloitte, Suggested Guidelines for Writing a Code of Conduct, the main ingredient for a successful document start with the corporate cultural of the organization and it contains all the benefits.

The guideline suggest some basis points for creating or modifying a code.

- The code language should be simple, concise, and readily understood by all employees.
- The code should not be legalistic—written as “thou shall not”— but rather state expected behaviors.
- The code should apply to all employees and be global in scope. If the code addresses financial risk and applies to all personnel, there may be no need for a separate financial code of ethics.
- The code should be written, reviewed, and edited by a multidisciplinary team in order to be reasonably confident that it is consistent with other corporate communications and policies, addresses relevant risk areas, has buy-in across the organization, and represents the organization’s culture. Consider inclusion of representatives from the following areas: Risk Management, Human Resources, Communications, Office of General Counsel, Internal Audit, Security, and relevant business units.
- The code should be revised and updated as appropriate to reflect business and regulatory changes (Deloitte, 2005).

The recommended elements that the code of conduct should contain are as follows:
• A letter from top level management that sets the tone from the top and let the employees know the importance of professional and ethical behavior at the organization.
• The company key business philosophy such as the mission statement, core values, and foundational principles should be reflected in the document. The company also needs to reinforce the continual commitment to ethics, integrity, and quality.
• A framework needs to be determine. Once this is determine the platform needs to be outline in the code. In addition, the what if questions and answers should be address in the document. By providing this, it help employees to think before acting and seek additional guidance when they are unsure of the course of action.
• Establishing an Ethical Compliance Officer who is neutral to business conduct and affairs. In addition you can set up a whistleblowing hotline or confidential P.O. Box that only the Ethical Compliance Officer has access to this information.
• Providing a statement that “unethical behavior will be subject to disciplinary action up to and including termination (Deloitte, 2005).

The organization needs to define the area of risk and address these risk in the code of conduct. The company also needs to address specific topic that relevant to the organization (this could be done in accordance the employee handbook).

Last but not least, the company needs to implement the code of conduct.

The code development or enhancement will require the successful completion of the following steps:
• Appoint a multidisciplinary advisory team
• Draft an outline of the proposed code and circulate amongst the multidisciplinary team for review and comment
• Draft code based on approved code outline
• Consider whether the code is aligned with the company’s policies, procedures, values, and industry standards
• Circulate draft code amongst the multidisciplinary team for review and comment
• Update code to reflect input of advisory team
• Use focus groups and other methods to get feedback from all levels of personnel on the code update based on their feedback
• Present “final” version of code to management and board for approval
• Circulate final versions to offices of Communications and General Counsel
• Communicate the code to all employees (Deloitte, 2005)
Discussion Point 2: Performing Monthly Reconciliation over Cash Receipts and Disbursements

The cash process is very important to any organization. The main objective of the cash account is for the account to be properly safeguarded and to prevent, defer or detect fraud. For organization to be successful in this area adequate controls must be in place. The organization must “ensure the receipts and disbursements are appropriately directed and recorded” (Chu, 2012). The key controls of this process are independent verification and segregation of duties. Performing a monthly reconciliation over the bank accounts and the accounting transactions will migrate the fraud risk over the account. Also employing segregation of duties regarding the performance over these accounts will provide more oversight for these transactions.

Discussion Point 3: Establishing a Purchasing Policy and Procedure for the Organization

- Regardless of which controls monitoring method or technology you use, the specific anti-fraud controls in the procure-to-pay process should include:
- Official written purchasing policies and procedures.
- Specific levels of authority identifying who is permitted to approve purchases, for what items, and for what amount.
- Establishing an approved-vendor list with a vendor validation process.
- Ensuring that people authorized to approve purchases cannot also make changes to the approved vendor list.
- Requiring competitive bids for all purchases over a certain amount or type.
- Prohibiting purchasing employees from accepting gifts from vendors.
- Immediately documenting all purchasing databases and bills of lading.
- Reconciling clearing and cash accounts with variance detail.
- Implementing disbursement controls such as positive pay, positive payee and ACH debit blocks and filters (Goldmann, 2012).
References


To: Ahtiya Johnson, Enrollment Specialist
From: Tamyra Dupree-Jones, Auphsite Consulting
Date: September 30, 2014
Re: Additional Questions regarding Purchase of Care (POC) Enrollee

Students that we do not have an Enrollment Application however are reflected on the Childcare Daily Attendance Report:

1. Student Name Redacted (Need to find out if eligible for POC for August and September)
2. Student Name Redacted (Need to find out if eligible for POC for August and September)
3. Student Name Redacted (Need to find out if eligible for POC for August and September)
4. Student Name Redacted (Need to find out if eligible for POC for August and September)

We appreciate the opportunity to serve and have provided a summary of our observation points.
To: Ahtiya Johnson, Enrollment Specialist
From: Tamyra Dupree-Jones, Auphsite Consulting
Date: September 11, 2014
Re: Additional Questions regarding Purchase of Care (POC) Enrollee

Students who’s Enrollment Application indicates eligible for POC however we do not have an Authorization Letter from the State of Delaware are:

1. [Student Name Redacted]
2. [Student Name Redacted]
3. [Student Name Redacted]

Please contact these parents tomorrow to see if we can get an authorization letter.

Student that POC authorization letter has expired at FFA.

1. [Student Name Redacted]

Students who POC status was not indicate on form

1. [Student Name Redacted]

Students who are no longer eligible for Purchase of Care (POC) at FFA.

1. [Student Name Redacted]
2. [Student Name Redacted]
3. [Student Name Redacted]
4. [Student Name Redacted]

Please prepare another memo to the parents/guardian for these students listed above and inform them that the POC has expired. The parents/guardian needs to provide FFA with the most up to date POC letter from State of Delaware, Social
Service Department. Please let the parents or guardian know that this information is important and FFA needs it as soon as possible. If we do not receive this information by September 12, 2014, you will be required to start paying the weekly Monarch Fee to keep your student enrolled in the program.

Other

1.  [Student Name Redacted] type of service needs to be indicate on enrollment form.

2.  [Student Name Redacted] parent/guardian needs to sign form.

3.  [Student Name Redacted] parent/guardian needs to sign form and his enrollment date is blank on the form.

4.  [Student Name Redacted] parent/guardian needs to sign form and her enrollment date is blank on the form.

5.  [Student Name Redacted] enrollment date is blank on the form.

6.  [Student Name Redacted] indicate in her email that she is bring her son to before care services and not being charged, do we have any approval documentation to validate this instance?

7.  Need grade level for [Student Name Redacted]

8.  [Student Name Redacted] form needs to be signoff by his parent/guardian.

We appreciate the opportunity to serve and have provided a summary of our observation points.
To: Darnell Sulaiman, Finance Department
From: Tamyra Dupree-Jones, Finance Department
Date: September 4, 2014
Re: Purchase of Care (POC) Site Monitor Follow up Visit

Purpose: To document the discussion points of meeting held with State of Delaware POC Representatives.

Meeting
Attendees: Ms. Darlne Merrell (State of Delaware-Child Care Monitor)
Ms. Yolanda Richards (State of Delaware-Child Care Trainee)
Ms. Tamyra Dupree-Jones (Senior Internal Auditor)

Discussion of Meeting:

On September 3rd, 2014, at approx. 1:45 p.m., the State of Delaware POC monitors came by to conduct a follow up meeting regarding Family Foundation Academy POC Program.

- Ms. Merrell mentioned during the meeting, that the program could have been revoke (sanction) due to the noncompliance regarding the lack of supporting documentation.
  - However, Ms. Merrell decided not to revoke our application for Purchase of Care because of the current effect of the finance department has made in the last month time frame. Had Ms. Merrell revoke our application for POC, FFA would be required to pay funding provided by the State, for the POC program, for the period of noncompliance (August 2013 until July 2014).
  - She will perform another surprise follow up site visit that will occur in the next three to six month. At that time, she expect 100% compliance with POC policy and procedures at FFA.
• One of her recommendation during the meeting, was to create a separate parent handbook that only applicable to the POC clients.
  
  o Note: per the State of Delaware, POC program, their policy is that we cannot charge a late fee unless the client is five days late with their weekly site payment. At that time, we can assess a late fee applicable with state guidelines and regulation.

• Another recommendation was to ensure that we have the current POC authorization letter from the State, prior to enrolling students, in the Monarch Before and Aftercare program. Going forward the finance department will ensure 100% compliance with this requirement.

• In addition, FFA had a couple outstanding items that are due to Ms. Merrell (see below)
  
  o Copy of the revised Parent Handbook due on September 15, 2014.

  o The license capacity of the Before and Aftercare program (i.e., what is the maximum number of students who can attend each program). This information is due as soon as possible. Note: On September 4, 2014, Tammyra Dupree-Jones email Ms. Merrell the license capacity number of 300.

  o Individuals who will attend the required orientation for FFA. The due date is as soon as possible. Note: Tammyra Dupree-Jones provided this information to Ms. Merrell by email and place a phone call to confirm the attendance of Darnell Sulaiman and myself on October 1, 2014.

We appreciate the opportunity to serve.
Memo

To: Mr. Darnell Sulaiman, Partner
From: Tamyra Dupree-Jones, Senior Accountant
Date: August 26, 2014
Re: Meeting Recap with State of Delaware Purchase of Care (POC)

Purpose: To document the meeting held with State of Delaware POC Representatives.

Meeting Attendees: Ms. Darlane Merrell (State of Delaware-Child Care Monitor)
Ms. Yolanda Richards (State of Delaware-Child Care Trainee)
Mr. Darnell Sulaiman (Partner)
Ms. Tamyra Dupree-Jones (Senior Accountant)

Discussion Points: Ms. Merrell and Ms. Richards inform Auphsite of a review meeting regarding the POC program at Family Foundation Academy (FFA). Ms. Merrell inform our team that a call was given yesterday for preparation of today meeting. Our team was unaware of the meeting. Ms. Merrell also inform us that required document are needed for the follow up meeting on September 2nd, 2014. See below for the document needed for the meeting on September 2nd, 2014.

- Child Care Daily Attendance Report along with the Daily attending sheets for the last 12 months. Note: We need to have this information from 2011 until present:
  - Food Program Sponsor:
  - Hours of Operations: This information was provided orally.
  - Total Enrollment Data:
  - Exempt Letter regarding License:
  - Designate individual who will attend the POC orientation:
  - Parent Handbook:
Based on the conversation noted another visit was determine.

Closing: Tighter controls needs to be put in place regarding the POC process and more communication with the State of Delaware.
## Procedures

<table>
<thead>
<tr>
<th>Vouchers</th>
<th>Results</th>
<th>Resolution</th>
<th>Exception</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Perform a comparison over the DGL 123, Expenditures against the DGL 018 Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Investigate any difference and noted the resolution.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Receipts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Perform a comparison over the DGL 123, Collected Revenue against the DGL 018 Available Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| DGL 123 (Expenditures) | DGL 018 (Expenses) | Variances | DGL 123 (Collected Revenue) | DGL 018 (Available Funds) | Variances |
3. Investigate any difference and noted the resolution.

### Accounts Payable


2. Perform a comparison over the DP 002, Outstanding Amount against the DGL 018 Encumbrances

<table>
<thead>
<tr>
<th>DP 002 (Outstanding Amount)</th>
<th>DGL 018 (Encumbrances)</th>
<th>Variances</th>
</tr>
</thead>
</table>

3. Investigate any difference and noted the resolution.

### Payroll

1. Review DGL 101, Unfunded Payroll Appropriation Report to determine if any of the Payroll is unfunded during the month.

2. Reviewed DGL073, Negative Payroll Report, to determine if any negative balance occurred during the month that has not been reconciled.

3. Perform a comparison over the DPR 007, Payroll Items against the Total Amount of Payroll (PFA) per the DGL071A, PFA Adjustments Audit Report.

<table>
<thead>
<tr>
<th>DPR 007 (Payroll Line Items from PHRST)</th>
<th>DGL 071A (PFA Adjustement Audit Report)</th>
<th>Variances</th>
</tr>
</thead>
</table>

- General Funds
- Special Funds
- Pension
- Health Insurance
| Workers Comp | | | | |
| DADSI | | | | |
| Unemp. Insurance | | | | |
| Medicare | | | | |
| Total | | | | |

4. Investigate any difference and noted the resolution.

**Outstanding IV’s**

1. TBD

**Requisitions and Purchase Orders**

1. TBD

**Queries**

**Query 1: DEU_AP VCHR_DTL_ST_INCOMPLETE**

1. Perform a query in First State Financial (FSF), for the code of DEU_AP VCHR_DTL_ST_INCOMPLETE for transactions that occur between August 1, 2014 through August 31, 2014.

2. Obtained the Screenshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.

**Query 2: DEU_AP_VCHR_DTL_STATUS_NOTPAID**
1. Perform a query in First State Financial (FSF), for the code of DEU_AP_VCHR_DTL_STAT US_NOTPAID for transaction that occur between August 1, 2014 through August 31, 2014.

2. Obtained the Screenshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.

Query 3: DEU_AR_INCOMPLETE_ALL_DEPOSITS

1. Perform a query in First State Financial (FSF), for the code of DEU_AR_INCOMPLETE_ALL_DEPOSITS for transaction that occur between August 1, 2014 through August 31, 2014.

2. Obtained the Screenshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.

Query 4: DEU_GL_APPROP
1. Perform a query in First State Financial (FSF), for the code of DEU_GL_APPROP for transaction that occur between August 1, 2014 through August 31, 2014.

2. Obtained the Screenshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.

**Query 5: DEU_AR_MISC_DEP_NO_BDGTL_CHECK**

1. Perform a query in First State Financial (FSF), for the code of DEU_AR_MISC_DEP_NO_BDGTL_CHECK for transaction that occur between August 1, 2014 through August 31, 2014.

2. Obtained the Screenshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.

**Query 6: DEU_AR_ITEMS_BY_BU** (Report is available by Unit Data)
1. Perform a query in First State Financial (FSF), for the code of DEU_AR-ITEMS_BY_BU for transaction that occur between August 1, 2014 through August 31, 2014.

2. Obtained the Screenshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.

**Query 7: DEU_PC_DOT_PROJ_SAL_EXP**

1. Perform a query in First State Financial (FSF), for the code of DEU_PC_DOT_PROJ_SAL_EXP for transaction that occur between August 1, 2014 through August 31, 2014.

2. Obtained the Screenshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.

**Query 8: DEU_PO_PCIEARD_TRANS_PRSSD**
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Perform a query in First State Financial (FSF), for the code of DEU_PO_PCARD_TRANS_PRCSSD for transaction that occur between August 1, 2014 through August 31, 2014.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Obtained the Screenshot from FSF System to determine the total number of process transaction for the Pcard as of August 31, 2014. (This information will be used for Query 9 performance below.</td>
</tr>
<tr>
<td><strong>Query 9: DEU_PO_PCARD_TRANS_BY_EMPLID</strong></td>
<td></td>
</tr>
<tr>
<td>1. Perform a query in First State Financial (FSF), for the code of DEU_PO_PCARD_TRANS_BY_EMPLID for transaction that occur between August 1, 2014 through August 31, 2014. (Note: There are 3 individuals at FFA that are authorized PCARD holders, obtained the transaction history for the month to perform noted procedure above.</td>
<td></td>
</tr>
</tbody>
</table>
2. Obtained the snapshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.

3. Performed the Reconciliation of the by comparing the query of DEU_PO_PCARD_TRANS_BY_EMPLID against the query of DEU_PO_PCARD_TRANS_PRCSSD. Investage any variances noted.

<table>
<thead>
<tr>
<th>BelTran Total Monthly PCARD Transactions Per Query</th>
<th>Brewington Total Monthly PCARD Transaction Per Query</th>
<th>Moore Total Monthly PCARD Transaction Per Query</th>
<th>Total Per Query of Total Process (Reference above)</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Legend
January
February
March
April
May
June
July
August
September
October
November
December
**Family Foundation Academy (FFA)**

**FSF Monthly Reconciliation Template**

**FY 2015**

**Month of Reconciliation**: **August**

<table>
<thead>
<tr>
<th>Procedures</th>
<th>Results</th>
<th>Resolution</th>
<th>Exception</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vouchers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Perform a comparison over the DGL 123, Expenditures against the DGL 018 Expenses</td>
<td>DGL 123 (Expenditures) DGL 018 (Expenses)</td>
<td>Variances</td>
<td></td>
</tr>
<tr>
<td></td>
<td>12,822,112.32 12,834,719.53 (12,607.21)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Investigate any difference and noted the resolution.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash Receipts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Perform a comparison over the DGL 123, Collected Revenue against the DGL 018 Available Funds</td>
<td>DGL 123 (Collected Revenue) DGL 018 (Available Funds)</td>
<td>Variances</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,503,268.36 20,252,260.76 (18,748,992.40)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Investigate any difference and noted the resolution.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Accounts Payable</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We noted a difference of 106,221 between the outstanding amount per the DP 002 and the DGL 018.

<table>
<thead>
<tr>
<th>Payroll</th>
<th>1. Review DGL 101, Unfunded Payroll Appropriation Report to determine if any of the Payroll is unfunded during the month.</th>
<th>2. Reviewed DGL073, Negative Payroll Report, to determine if any negative balance occurred during the month that has not been reconciled.</th>
<th>Obtained DGL 073 from Balinda Morris, FFA. Noted a 10,282.68 variances regarding the negative appropriation.</th>
<th>3. Perform a comparison over the DPR 007, Payroll Items against the Total Amount of Payroll (PFA) per the DGL071A, PFA Adjustments Audit Report.</th>
<th>4. Investigate any difference and noted the resolution.</th>
<th>5. Review the DAP059, Outstanding IVs by DeptId to determine, 1. Verify Seller has completed process, 2. Verify Buyer has coded the transaction and marks it complete.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>General Funds</strong></td>
<td><strong>Special Funds</strong></td>
<td><strong>Pension</strong></td>
<td><strong>Health Insurance</strong></td>
<td><strong>Workers Comp</strong></td>
<td><strong>DADSI</strong></td>
</tr>
<tr>
<td></td>
<td>8559.03</td>
<td>1768.29</td>
<td>136.95</td>
<td>829.97</td>
<td>512.45</td>
<td>1368.95</td>
</tr>
<tr>
<td></td>
<td><strong>Medicare</strong></td>
<td><strong>Unemp. Insurance</strong></td>
<td><strong>Unemp. Insurance</strong></td>
<td><strong>Medicare</strong></td>
<td><strong>Total</strong></td>
<td><strong>Unemp. Insurance</strong></td>
</tr>
<tr>
<td></td>
<td>119.85</td>
<td>14.56</td>
<td>119.85</td>
<td>119.85</td>
<td>11,941.10</td>
<td>119.85</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td></td>
<td>11,941.10</td>
<td>11,941.10</td>
<td>11,941.10</td>
<td>11,941.10</td>
<td>11,941.10</td>
<td>11,941.10</td>
</tr>
</tbody>
</table>
1. Obtained report DP0017 Requisition Budgetary Activity and compare against DP0002 Schedule of Encumbrances.

2. Perform a comparison over the DP0017 Requisition Budgetary Activity, Expenditures against the DP0002

<table>
<thead>
<tr>
<th>Requisitions and Purchase Orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Obtained report DP0017 Requisition Budgetary Activity and compare against DP0002 Schedule of Encumbrances.</td>
</tr>
<tr>
<td>2. Perform a comparison over the DP0017 Requisition Budgetary Activity, Expenditures against the DP0002</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Queries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Query 1: DEU_AP_VCHR_DTL_ST_INCOMPLETE</td>
</tr>
<tr>
<td>1. Perform a query in First State Financial (FSF), for the code of DEU_AP_VCHR_DTL_ST_INCOMPLETE for transaction that occur between August 1, 2014 through August 31, 2014.</td>
</tr>
<tr>
<td>This query was run by Ms. Morris-Taylor on 9/25/2014 without exception.</td>
</tr>
<tr>
<td>N/A</td>
</tr>
<tr>
<td>None</td>
</tr>
<tr>
<td>2. Obtained the Screenshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.</td>
</tr>
<tr>
<td>Obtained the screenshot from FSF for the mentioned query. No exception were noted in the performance of this query.</td>
</tr>
<tr>
<td>N/A</td>
</tr>
<tr>
<td>None</td>
</tr>
</tbody>
</table>

<p>| Query 2: DEU_AP_VCHR_DTL_STATUS_NOTPAID |
| 1. Perform a query in First State Financial (FSF), for the code of DEU_AP_VCHR_DTL_STATUS_NOTPAID for transaction that occur between August 1, 2014 through August 31, 2014. |
| This query was run by Ms. Morris-Taylor on 9/25/2014 without exception. |
| N/A |
| None |</p>
<table>
<thead>
<tr>
<th>Query 3: DEU_AR_INCOMPLETE_ALL_DEPOSITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Perform a query in First State Financial (FSF), for the</td>
</tr>
<tr>
<td>code of DEU_AR_INCOMPLETE_ALL_DEPOSITS for transactions that</td>
</tr>
<tr>
<td>occur between August 1, 2014 through August 31, 2014.</td>
</tr>
<tr>
<td>This query was run by Ms. Morris-Taylor on 9/25/2014 without</td>
</tr>
<tr>
<td>exception.</td>
</tr>
<tr>
<td>N/A</td>
</tr>
<tr>
<td>None</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Query 4: DEU_GL_APPROP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Perform a query in First State Financial (FSF), for the</td>
</tr>
<tr>
<td>code of DEU_GL_APPROP for transactions that occur between</td>
</tr>
<tr>
<td>August 1, 2014 through August 31, 2014.</td>
</tr>
<tr>
<td>This query was run by Ms. Morris-Taylor on 9/25/2014 without</td>
</tr>
<tr>
<td>exception.</td>
</tr>
<tr>
<td>N/A</td>
</tr>
<tr>
<td>None</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Query 5: DEU_AR_MISC_DEP_NO_BDGT_CHECK</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Obtained the Screenshot from FSF System to determine if exception occurred in query</td>
</tr>
<tr>
<td>code. Note: Screenshot should reflect 0, if results are different need to investigate account process.</td>
</tr>
<tr>
<td>Obtained the screenshot from FSF for the mentioned query. No exception were noted in the performance of this query.</td>
</tr>
<tr>
<td>N/A</td>
</tr>
<tr>
<td>None</td>
</tr>
</tbody>
</table>
1. Perform a query in First State Financial (FSF), for the code of DEU_AR_MISC_DEP_NO_BDG T_CHECK for transaction that occur between August 1, 2014 through August 31, 2014.

   This query was run by Ms. Morris-Taylor on 9/25/2014 without exception.

2. Obtained the Screenshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.

   Obtained the screenshot from FSF for the mentioned query. No exception were noted in the performance of this query.

---

### Query 6: DEU_AR_ITEMS_BY_BU (Report is available by Unit Data)

1. Perform a query in First State Financial (FSF), for the code of DEU_AR_ITEMS_BY_BU for transaction that occur between August 1, 2014 through August 31, 2014.

   This query was run by Ms. Morris-Taylor on 9/25/2014 without exception.

2. Obtained the Screenshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.

   Obtained the screenshot from FSF for the mentioned query. No exception were noted in the performance of this query.

---

### Query 7: DEU_PC_DOT_PROJ_SAL_EXP

1. Perform a query in First State Financial (FSF), for the code of DEU_PC_DOT_PROJ_SAL_EXP for transaction that occur between August 1, 2014 through August 31, 2014.

   This query was run by Ms. Morris-Taylor on 9/25/2014 without exception.
2. Obtained the Screenshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.

<table>
<thead>
<tr>
<th>Query 8: DEU_PO_PCARD_TRANS_PRCSSD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Perform a query in First State Financial (FSF), for the code of DEU_PO_PCARD_TRANS_PRCSSD for transaction that occur between August 1, 2014 through August 31, 2014.</td>
</tr>
<tr>
<td>Obtained the Screenshot from FSF System to determine the total number of process transaction for the Pcard as of August 31, 2014. (This information will be used for Query 9 performance below.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Query 9: DEU_PO_PCARD_TRANS_BY_EMPLID</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Perform a query in First State Financial (FSF), for the code of DEU_PO_PCARD_TRANS_BY_EMPLID for transaction that occur between August 1, 2014 through August 31, 2014. (Note: There are 3 individuals at FFA that are authorized PCARD holders, obtained the transaction history for the month to perform noted procedure above.)</td>
</tr>
</tbody>
</table>

Obtained the Screenshot from FSF for the mentioned query. No exception were noted in the performance of this query.
2. Obtained the snapshot from FSF System to determine if exception occurred in query code. Note: Screenshot should reflect 0, if results are different need to investigate account process.

3. Performed the Reconciliation of the by comparing the query of DEU_PO_PCARD_TRANS_BYEMPLID against the query of DEU_PO_PCARD_TRANS_PRCSD. Investigate any variances noted.

<table>
<thead>
<tr>
<th>BelTran Total Monthly PCARD Transactions Per Query</th>
<th>Brewington Total Monthly PCARD Transaction Per Query</th>
<th>Moore Total Monthly PCARD Transaction Per Query</th>
<th>Total Per Query of Total Process (Reference above)</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Legend**

January
February
March
April
May
June
July
August
September
October
November
December
STATE OF DELAWARE
FSF Monthly Reconciliation Certification

Organization Name: Family Foundations Academy
Organization DDS#(s): 958000

Date: 9/24/2014

We acknowledge our responsibility to identify and correct transactions that are outstanding in FSF. As such, I certify to the best of my knowledge and belief, that for the time period of

7/1/2014 through 7/31/2014

we have reconciled our budgetary reports to the actual reports to determine if transactions have been properly processed, reviewed, and authorized. To that effect, we certify that:

- There were no deficiencies that arose which could adversely affect this organization’s ability to record, process, summarize and report financial data;
- We have identified no material weakness in internal controls;
- The transactions have been properly reviewed and authorized prior to processing to ensure the proper delivery and receipt of good/services;
- Appropriations reflect accurate charges and all discrepancies identified have been corrected.

This certification includes review and reconciliation within each of the FSF Modules:

- Accounts Payable
- Purchase Orders and Requisitions
- Accounts Receivable/Billing
- Grants
- PCard
- PFA

☐ I certify FSF Monthly Reconciliation is complete with no exceptions.

OR

☒ I certify FSF Monthly Reconciliation is complete with exceptions as noted in the attached Monthly Reconciliation Exception Report.

(Certifier's Signature) (Certifier's Printed Name and Title) (Date)

Signatures must be actual signatures, not stamped. This Certification is to be submitted by the 15th of every month or the next business day if the 15th falls on a non-business day.

FAX completed form to DOA 302-736-7937
## Monthly Reconciliation Exception Report

### Directions:
Select Module with reconciliation exception (one checked module per line), complete Service Desk Ticket #, date ticket was opened, and briefly describe the exception.

### All Monthly Reconciliation Exceptions must be disclosed below.
Organizations must identify and summarize each exception, as well as define resolution efforts.

<table>
<thead>
<tr>
<th>AP</th>
<th>PO/Req</th>
<th>AR/Bl</th>
<th>Grants</th>
<th>PCard</th>
<th>PFA</th>
<th>Service Desk Ticket #</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>✗</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9/24/14</td>
<td>Noted a $1,474 variance over the vouchers comparison.</td>
</tr>
<tr>
<td></td>
<td>✗</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9/24/14</td>
<td>Noted a $18,443,610 variance over the cash deposits comparison.</td>
</tr>
<tr>
<td>✗</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9/24/14</td>
<td>Noted a $10,000 variance over the accounts payable comparison.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✗</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9/24/14</td>
<td>Noted a payroll variance of $10,265.18 over the review of DGL 101.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✗</td>
<td></td>
<td></td>
<td></td>
<td>9/24/14</td>
<td>Noted a payroll variance of $10,265.18 over the review of DGL073.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✗</td>
<td></td>
<td></td>
<td>9/24/14</td>
<td>Report DGL072A for payroll was unavailable.</td>
</tr>
</tbody>
</table>

(Certifier's Signature) ................................ (Certifier's Printed Name) ................................ (Date) ................................
## Monthly Reconciliation Exception Report

**Organization Name:** Family Foundation Academy  
**Organization DDS#(s):** 958000  
**Date:** 9/24/2014  

**Directions:** Select Module with reconciliation exception (one checked module per line), complete Service Desk Ticket #, date ticket was opened, and briefly describe the exception.

### All Monthly Reconciliation Exceptions must be disclosed below.
Organizations must identify and summarize each exception, as well as define resolution efforts.

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</thead>
<tbody>
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<td>☐</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Service Desk Ticket #</td>
<td>Describe: Report for outstanding IV's was unavailable.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date: 9/24/14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| ☑ | ☐ | ☐ | ☐ | ☑ | ☑ |
| Service Desk Ticket # | Describe: Query of DEU_AP-VCHR_STATUS_PYMT was unavailable. |
| Date: 9/24/14 | |

| ☑ | ☐ | ☐ | ☐ | ☑ | ☑ |
| Service Desk Ticket # | Describe: Query of DEU_GM_OLT_CHECK was unavailable. |
| Date: 9/24/14 | |

| ☑ | ☐ | ☐ | ☐ | ☑ | ☑ |
| Service Desk Ticket # | Describe: Query of DEU_AR_INCOMPLETE_CUST_P was unavailable. |
| Date: 9/24/14 | |

| ☑ | ☐ | ☐ | ☐ | ☑ | ☑ |
| Service Desk Ticket # | Describe: |
| Date: | |

| ☑ | ☐ | ☐ | ☐ | ☑ | ☑ |
| Service Desk Ticket # | Describe: |
| Date: | |

(Certifier's Signature)  
(Certifier's Printed Name)  
(Date)
# Family Foundation Academy

**FSF Monthly Reconciliation Exception Listing**

**As of July 31, 2014**

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Process Area</th>
<th>Procedures</th>
<th>Exception</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Vouchers</td>
<td>Compared the DGL 123 (Expenditures to the DGL 018 (Expenses). Investigate any variance noted.</td>
<td>Noted a $1,474 variance over variance over the comparison of the expenditures and expense line items as of July 31, 2014.</td>
</tr>
<tr>
<td>2</td>
<td>Cash Deposits</td>
<td>Compared the DGL 123 (Collected Revenue) to the DGL 018 (Available Funds). Investigate any variance noted.</td>
<td>Noted a $18,443,610 variance over the comparison of the collected revenue and the available funds at July 31, 2014. Note unable to perform the alternative procedures over the timing issues related to outstanding/pending IV’s for as of July 31, 2014.</td>
</tr>
<tr>
<td>3</td>
<td>Accounts Payables</td>
<td>Compared the DP0002 (Outstanding Amount) against the DGL 018 (Encumbrances). Investigate any variance noted.</td>
<td>Noted a $10,000 variance over the comparison of the Outstanding Amount against the Encumbrances line item. Follow up with Mr. Sean Moore and noted the difference was due to the encumbrances. Traced and agreed the difference to the DGL018.</td>
</tr>
<tr>
<td>5</td>
<td>Payroll</td>
<td>Reviewed DGL073, Negative Payroll report for any negative balance report.</td>
<td>Exception noted of $10,265.18.</td>
</tr>
<tr>
<td>6</td>
<td>Payroll</td>
<td>Reviewed the DGL072A, Funding Report to report any negative balance.</td>
<td>Unable to perform the review of the payroll transaction for the DGL072A.</td>
</tr>
<tr>
<td>7</td>
<td>Outstanding IV's</td>
<td>Reviewed Outstanding IV’s to report any negative balances.</td>
<td>Unable to perform procedures due to historical data being unavailable at 8/29/2014.</td>
</tr>
<tr>
<td>8</td>
<td>Query</td>
<td>Run the Query DEU_AP_VCHR_STATUS_PYMTD T to determine if exception are noted.</td>
<td>Unable to perform the procedures due to historical data being unavailable at 8/29/2014.</td>
</tr>
<tr>
<td>9</td>
<td>Query</td>
<td>Run the Query DEU_GM_OLT_CHECK to determine if exception has occurred.</td>
<td>Unable to perform the procedures due to historical data being unavailable at 8/29/2014.</td>
</tr>
<tr>
<td>10</td>
<td>Query</td>
<td>Run the Query DEU_AR_InComplete_CUST_PYMT to determine if exception has occurred</td>
<td>Unable to perform the procedures due to historical data being unavailable at 8/29/2014.</td>
</tr>
</tbody>
</table>
STATE OF DELAWARE
FSF Monthly Reconciliation Certification

Organization Name: Family Foundations Academy
Organization DDS#(s): 958000

Date: 9/24/2014

We acknowledge our responsibility to identify and correct transactions that are outstanding in FSF. As such, I certify to the best of my knowledge and belief, that for the time period of 6/1/2014 through 6/30/2014 we have reconciled our budgetary reports to the actual reports to determine if transactions have been properly processed, reviewed, and authorized. To that effect, we certify that:

- There were no deficiencies that arose which could adversely affect this organization’s ability to record, process, summarize and report financial data;
- We have identified no material weakness in internal controls;
- The transactions have been properly reviewed and authorized prior to processing to ensure the proper delivery and receipt of good/services;
- Appropriations reflect accurate charges and all discrepancies identified have been corrected.

This certification includes review and reconciliation within each of the FSF Modules:

- Accounts Payable
- Purchase Orders and Requisitions
- Accounts Receivable/Billing
- Grants
- PCard
- PFA

☐ I certify FSF Monthly Reconciliation is complete with no exceptions.

OR

☐ I certify FSF Monthly Reconciliation is complete with exceptions as noted in the attached Monthly Reconciliation Exception Report.

(Certifier’s Signature) (Certifier’s Printed Name and Title) (Date)

Signatures must be actual signatures, not stamped. This Certification is to be submitted by the 15th of every month or the next business day if the 15th falls on a non-business day.

FAX completed form to DOA 302-736-7937
## Monthly Reconciliation Exception Report

**Organization Name:** Family Foundation Academy  
**Organization DDS#(s):** 958000  
**Date:** 9/24/2014

**Directions:** Select Module with reconciliation exception (one checked module per line), complete Service Desk Ticket #, date ticket was opened, and briefly describe the exception.

All Monthly Reconciliation Exceptions must be disclosed below. Organizations must identify and summarize each exception, as well as define resolution efforts.

<table>
<thead>
<tr>
<th>AP</th>
<th>PO/Req</th>
<th>AR/Bl</th>
<th>Grants</th>
<th>PCard</th>
<th>PFA</th>
</tr>
</thead>
<tbody>
<tr>
<td>![ ]</td>
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<td>![x]</td>
<td>![ ]</td>
<td>![ ]</td>
</tr>
</tbody>
</table>

- **Service Desk Ticket #**  
- **Date:** 9/24/14  
- **Describe:** Noted a $17,419,782 variance over the cash deposits comparison.

- **Service Desk Ticket #**  
- **Date:** 9/24/14  
- **Describe:** Noted a $10,000 variance over the accounts payable comparison.

- **Service Desk Ticket #**  
- **Date:** 9/24/14  
- **Describe:** Noted a payroll variance of $2,073.99 over the review of DGL 101.

- **Service Desk Ticket #**  
- **Date:** 9/24/14  
- **Describe:** Report DGL073 was unavailable for review

- **Service Desk Ticket #**  
- **Date:** 9/24/14  
- **Describe:** Report DGL072A for payroll was unavailable for review.

- **Service Desk Ticket #**  
- **Date:** 9/24/14  
- **Describe:** Report for outstanding IV’s was unavailable for review.

---

(Certifier's Signature)  
(Certifier's Printed Name)  
(Date)
**STATE OF DELAWARE**

**Monthly Reconciliation Exception Report**

**Organization Name:** Family Foundation Academy  
**Organization DDS#(s):** 958000

**Date:** 9/24/2014

**Directions:** Select Module with reconciliation exception (one checked module per line), complete Service Desk Ticket #, date ticket was opened, and briefly describe the exception.

<table>
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<tr>
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<th>PO/Req</th>
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<th>Grants</th>
<th>PCard</th>
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<th>Service Desk Ticket #</th>
<th>Date</th>
<th>Describe:</th>
</tr>
</thead>
<tbody>
<tr>
<td>☒</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>Query DEU_AP-VCHR_STATUS_PYMT was unavailable.</td>
<td>9/24/14</td>
<td></td>
</tr>
<tr>
<td>☒</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<td></td>
</tr>
<tr>
<td>☐</td>
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<td>☒</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>Query DEU_AR_INCOMPLETE_CUST_P was unavailable.</td>
<td>9/24/14</td>
<td></td>
</tr>
</tbody>
</table>

(Certifier's Signature)  
(Certifier's Printed Name)  
(Date)
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<tr>
<th>Item Number</th>
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<th>Procedures</th>
<th>Exception</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cash Deposits</td>
<td>Compared the DGL 123 (Collected Revenue) to the DGL 018 (Available Funds). Investigate any variance noted.</td>
<td>Noted a $17,419,782 variance over the comparison of the collected revenue and the available funds as of June 30, 2014. Note unable to perform the alternative procedures over the timing issues related to outstanding/pending IV's for as of June 30, 2014.</td>
</tr>
<tr>
<td>2</td>
<td>Accounts Payable</td>
<td>Compared the DP0002 (Outstanding Amount) against the DGL 018 (Encumbrances). Investigate any variance noted.</td>
<td>Noted a $10,000 variance over the comparison of the Outstanding Amount against the Encumbrances line item as of June, 2014. As a result, follow up with Mr. Sean Moore and he noted the difference was due to the encumbrances line item. Furthermore traced and agreed the noted variance to the DGL018 (Encumbrances) Report.</td>
</tr>
<tr>
<td>4</td>
<td>Payroll</td>
<td>Reviewed DGL073, Negative Payroll report for any negative balance report.</td>
<td>Unable to reviewed the payroll report as of June 30, 2014, due to historical data being unavailable at 8/29/2014.</td>
</tr>
<tr>
<td>5</td>
<td>Payroll</td>
<td>Reviewed the DGL072A, Funding Report to report any negative balance.</td>
<td>Unable to perform the review of the payroll transaction for the DGL072A since report was unavailable.</td>
</tr>
<tr>
<td>6</td>
<td>Outstanding IV's</td>
<td>Reviewed Outstanding IV's to report any negative balances.</td>
<td>Unable to perform procedures due to historical data being unavailable at 8/29/2014.</td>
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<td>9</td>
<td>Query</td>
<td>Run the Query DEU_AR_InComplete_CUST_PY MT to determine if exception has occurred.</td>
<td>Unable to perform the procedures due to historical data being unavailable at 8/29/2014.</td>
</tr>
</tbody>
</table>
STATE OF DELAWARE  
FSF Monthly Reconciliation Certification

Organization Name: Family Foundations Academy  
Organization DDS#(s): 958000

Date: 9/24/2014

We acknowledge our responsibility to identify and correct transactions that are outstanding in FSF. As such, I certify to the best of my knowledge and belief, that for the time period of 5/1/2014 through 5/31/2014 we have reconciled our budgetary reports to the actual reports to determine if transactions have been properly processed, reviewed, and authorized. To that effect, we certify that:

- There were no deficiencies that arose which could adversely affect this organization’s ability to record, process, summarize and report financial data;
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- Accounts Receivable/Billing  
- Grants  
- PCard  
- PFA

☐ I certify FSF Monthly Reconciliation is complete with no exceptions.  
OR

☒ I certify FSF Monthly Reconciliation is complete with exceptions as noted in the attached Monthly Reconciliation Exception Report.

(Certifier’s Signature)  
(Certifier’s Printed Name and Title)  
(Date)

Signatures must be actual signatures, not stamped. This Certification is to be submitted by the 15th of every month or the next business day if the 15th falls on a non-business day.

FAX completed form to DOA 302-736-7937
Directions: Select Module with reconciliation exception (one checked module per line), complete Service Desk Ticket #, date ticket was opened, and briefly describe the exception.

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</tr>
</tbody>
</table>

Service Desk Ticket #
Date: 9/24/14

Describe: Noted a $10,059 variance over the vouchers comparison.

<table>
<thead>
<tr>
<th>AP</th>
<th>PO/Req</th>
<th>AR/Bl</th>
<th>Grants</th>
<th>PCard</th>
<th>PFA</th>
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<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

Service Desk Ticket #
Date: 9/24/14

Describe: Noted a $17,390,990 variance over the cash deposits comparison.

<table>
<thead>
<tr>
<th>AP</th>
<th>PO/Req</th>
<th>AR/Bl</th>
<th>Grants</th>
<th>PCard</th>
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</tr>
</tbody>
</table>

Service Desk Ticket #
Date: 9/24/14

Describe: Noted a $10,059 variance over the accounts payable comparison.

<table>
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<tr>
<th>AP</th>
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<th>AR/Bl</th>
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</tr>
</tbody>
</table>

Service Desk Ticket #
Date: 9/24/14

Describe: Noted a payroll variance of $2,073.99 over the review of DGL 101.

<table>
<thead>
<tr>
<th>AP</th>
<th>PO/Req</th>
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</tr>
</tbody>
</table>

Service Desk Ticket #
Date: 9/24/14

Describe: Noted a payroll variance of $1,212.04 over the review of DGL073.

<table>
<thead>
<tr>
<th>AP</th>
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<th>AR/Bl</th>
<th>Grants</th>
<th>PCard</th>
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</tr>
</tbody>
</table>

Service Desk Ticket #
Date: 9/24/14

Describe: Report DGL072A for payroll was unavailable and perform alternative procedures over payroll the by comparing the PHRST Report against DGL071A and noted a variance of $770.72.

(Certifier's Signature)  (Certifier's Printed Name)  (Date)
**STATE OF DELAWARE**  
**Monthly Reconciliation Exception Report**

**Organization Name:** Family Foundation Academy  
**Date:** 9/24/2014

**Organization DDS#(s):** 958000

**Directions:** Select Module with reconciliation exception (one checked module per line), complete Service Desk Ticket #, date ticket was opened, and briefly describe the exception.

<table>
<thead>
<tr>
<th>AP</th>
<th>PO/Req</th>
<th>AR/Bl</th>
<th>Grants</th>
<th>PCard</th>
<th>PFA</th>
</tr>
</thead>
</table>

All Monthly Reconciliation Exceptions must be disclosed below. Organizations must identify and summarize each exception, as well as define resolution efforts.

- **Service Desk Ticket #**  
  **Date:** 9/24/14  
  **Describe:** Report for outstanding IV's was unavailable.

- **Service Desk Ticket #**  
  **Date:** 9/24/14  
  **Describe:** Query of DEU_AP-VCHR_STATUS_PYMT was unavailable.

- **Service Desk Ticket #**  
  **Date:** 9/24/14  
  **Describe:** Query of DEU_GM_OLT_CHECK was unavailable.

- **Service Desk Ticket #**  
  **Date:** 9/24/14  
  **Describe:** Query of DEU_AR_INCOMPLETE_CUST_P was unavailable.

- **Service Desk Ticket #**  
  **Date:**  
  **Describe:**

- **Service Desk Ticket #**  
  **Date:**  
  **Describe:**

(Certifier's Signature)   (Certifier's Printed Name)   (Date)
<table>
<thead>
<tr>
<th>Item Number</th>
<th>Process Area</th>
<th>Procedures</th>
<th>Exception</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Vouchers</td>
<td>Compared the DGL 123 (Expenditures to the DGL 018 (Expenses)). Investigate any noted variance.</td>
<td>Noted a $10,059 variance over the comparison of the expenditures and expense line items as of May 31, 2014. As a result, follow up with Mr. Sean Moore and he noted the difference was due to the encumbrances line item. Furthermore traced and agreed the noted variance to DGL018 (Encumbrances) Report.</td>
</tr>
<tr>
<td>2</td>
<td>Cash Deposits</td>
<td>Compared the DGL 123 (Collected Revenue) to the DGL 018 (Available Funds). Investigate any noted variance.</td>
<td>Noted a $17,390,990 variance over the comparison of the collected revenue and the available funds as of May 31, 2014. Note unable to perform the alternative procedures over the timing issues related to outstanding/pending IV’s for as of May 31, 2014.</td>
</tr>
<tr>
<td>3</td>
<td>Accounts Payable</td>
<td>Compared the DP0002 (Outstanding Amount) against the DGL 018 (Encumbrances). Investigate any variance noted.</td>
<td>Noted a $10,059 variance over the comparison of the Outstanding Amount against the Encumbrances line item as of May 31, 2014. As a result, follow up with Mr. Sean Moore and he noted the difference was due to the encumbrances line item. Furthermore traced and agreed the noted variance to the DGL018 (Encumbrances) Report.</td>
</tr>
<tr>
<td>5</td>
<td>Payroll</td>
<td>Reviewed DGL073, Negative Payroll report for any negative balance report.</td>
<td>Noted a variance of $1,212.04.</td>
</tr>
<tr>
<td>6</td>
<td>Payroll</td>
<td>Reviewed the DGL072A, Funding Report to report any negative balance.</td>
<td>Unable to perform procedures DGL072A, instead performed an alternative procedures to determine if negative balances occurred. Compared the PHRST Report DP007 against the DGL071A and noted the variance of $770.72.</td>
</tr>
<tr>
<td>7</td>
<td>Outstanding IV’s</td>
<td>Reviewed Outstanding IV’s to report any negative balances.</td>
<td>Unable to perform procedures due to historical data being unavailable at 8/29/2014.</td>
</tr>
<tr>
<td>8</td>
<td>Query</td>
<td>Run the Query DEU_AP_VCHR_STATUS_PYMTD T to determine if exception are noted.</td>
<td>Unable to perform the procedures due to historical data being unavailable at 8/29/2014.</td>
</tr>
<tr>
<td>9</td>
<td>Query</td>
<td>Run the Query DEU_GM_OLT_CHECK to determine if exception has occurred.</td>
<td>Unable to perform the procedures due to historical data being unavailable at 8/29/2014.</td>
</tr>
<tr>
<td>10</td>
<td>Query</td>
<td>Run the Query DEU_AR_InComplete_CUST_PY MT to determine if exception has occurred.</td>
<td>Unable to perform the procedures due to historical data being unavailable at 8/29/2014.</td>
</tr>
</tbody>
</table>
FFA - INTERNAL CONTROLS POLICY

Family Foundations Academy Incorporated, (FFA) under the direction of the Board of Trustees, is required to establish and maintain adequate accounting records and internal control procedures. Internal control consists of five components: control environment, risk assessment, control activities, information and communication, and monitoring. The objectives of internal control relate to financial reporting, operations, and compliance.

FFA and all levels of management are responsible for preventing and detecting instances of fraud and related misconduct and for establishing and maintaining proper internal controls that provide security and accountability of the resources of the charter. Management is also responsible for recognizing risks and exposures inherent to these areas of responsibility and for being aware of indications of fraud or related misconduct.

Any employee with reasonable basis for believing fraudulent or related misconduct has occurred should report such incidents to the appropriate authority within the charter and the external management company’s Controller.

Internal control policies provide FFA with the foundation to properly safeguard its assets, implement management’s internal policies, provide compliance with state and federal laws and regulations and produce timely and accurate financial information. A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the FFA’s accounting staff prohibits complete adherence to this concept, implementing the following practices will improve existing internal control without impairing efficiency. Internal controls are hereby adopted in the following areas:

100. General Accounting Procedures
200. Cash Management Procedures
300. Management Reporting Procedures
400. Purchasing Procedures
500. Payroll Procedures
600. Institute Property Procedures
Compliance with Laws

FFA will follow all the relevant laws and regulations that govern Nonprofits within the Commonwealth of Delaware. Additionally, U.S. Government laws and regulations that relate to grant funding will be adopted as the grant funding is received.

Record Keeping

To provide an accurate and auditable record of all financial transactions, the charter’s books, records, and accounts are maintained in conformity with generally accepted accounting principles as required by the Commonwealth’s statutes, applicable to Nonprofits.

Further, the charter specifically requires that:

- No funds or accounts may be established or maintained for purposes that are not fully and accurately described within the books and records of the charter.
- Receipts and disbursements must be fully and accurately described in the books and records.
- No false entries may be made on the books or records nor any false or misleading reports issued.
- Payments may be made only to the contracting party and only for the actual services rendered or products delivered. No false or fictitious invoices may be paid.
100. GENERAL ACCOUNTING PROCEDURES

101. General Accounting System Design

Control Objective
To establish a coding structure that supports financial reporting and management’s decision-making. Note First State Financial System is a expense driven accounting allocation system. A appropriation expense budget is approved and expenditures are recorded and subtracted from the fiscal year, appropriation line budget, and finally the expenditure.

(GIVE AN EXAMPLE)

Major Controls

A. Business Manager Trained in Chart of Accounts/Coding Structure

The charter will use Generally Accepted Accounting Principles format to outline Chart of Accounts as cataloged by the appropriations budget. To support decision-making, the Business Manager, will be trained in this coding structure, including designations for grants or other funding to be accounted for separately.

B. Prohibiting Adjustments

No transaction shall be posted to a prior year or prior month by FFA 's accounting staff; nor shall any transaction be changed or deleted by FFA 's accounting staff. If deemed necessary, FFA 's accounting firm with prior board approval shall make such adjustments.

B. Establishment of Control Accounts

Control accounts for fixed assets, accounts receivable and accounts payable will be established with subsidiary detail listings and will be reconciled monthly to these control accounts., if applicable.

C. Use of Contra Accounts

If necessary, the accounting structure provides for offsetting contra accounts (e.g. an allowance for doubtful accounts, accumulated depreciation) to adjust historical cost to current levels for financial reporting purposes, if applicable.
102. General Ledger Activity

Control Objective
To ensure that all General Ledger entries are current, accurate, and complete.

Major Controls

A. Timeliness of Entries
   All entries are made soon after the underlying accounting event to ensure the financial records and reporting is current.

B. Support Documentation
   All entries are supported by adequate documentation that clearly indicates the justification and authorization for the transaction. (i.e. purchase orders, invoices)

C. Audit Trail
   A complete audit trail is maintained by the use of reference codes, from source documentation through the books of original entry and general ledger, to periodic reporting statements.

Procedures

1. Financial data on source documentation is verified against original documents (e.g., invoice, purchase order, etc.) by the Business Manager before forwarding to external management company for entry into the accounting system.

2. Each source document in the accounting system is reviewed by the Business Manager and approved by the Chief Executive Officer (CEO)/Chief Administrative Officer (CAO).

3. Provision is made for using recurring General Journal entries for certain transactions, such as recording the monthly portion of prepaid insurance.

4. Non-recurring entries, such as for correcting entries, recording accruals, and recording non-cash transactions, are prepared as circumstances warrant and on an as needed basis.

5. All entries in the books of original entry (e.g., cash receipts journal and disbursements) are made soon after the accounting event from authorized forms, and are prepared and reviewed by qualified accounting personnel at the school’s external management company.

6. All General Journal entries are supported by General Journal Vouchers that have supporting documentation attached, and are approved by the Controller of the charter’s external management company.
103. General Ledger Close-Out

**Control Objective**
To ensure the accuracy of financial records and reports.

**Major Controls**

A. **Trial Balance**
   Monthly, a trial balance is prepared by the school’s external management company to ensure the accuracy of the general ledger account balances.

B. **Reconciliation of General Ledger Control Accounts with Subsidiary Ledgers**
   Reconciliations are prepared on a monthly basis.

**Procedures**

1. At the end of each month, a trial balance of all general ledger accounts is prepared by the institute’s external management company
2. Reconciliation between the general ledger control accounts and the subsidiary ledgers are completed by the charter’s external management company.
3. At fiscal year end and after the annual audit, all income and expense accounts are closed out, and the general ledger balances are agreed to the audited financial statements.

200. CASH MANAGEMENT PROCEDURES

201. Cash Receipts

**Control Objective**
To record cash receipts completely and accurately and to prevent the diversion of cash assets.

**Major Controls**

A. **Cash Receipts Policies**
   FFA has internal control systems in place to monitor cash receipts, and ensure that deposits are made in a timely manner. Occasionally, the charter also uses electronic fund transfers to accelerate deposits.

B. **Internal Accounting Controls**
   - Opening of mail is assigned to an employee with responsibilities independent of
access to files or documents pertaining to accounts receivable or cash accounts, such as with Before and After Care payments.

- Listed receipts and credits are compared to accounts receivable and bank deposits.
- General Ledger control accounts are reconciled with Accounts Receivable Subsidiary Ledger.

**Procedures**

1. All incoming mail is opened by the charter’s Business Manager.
2. All checks are restrictively endorsed immediately by the Business Manager (using the institute stamp).
3. The Business Manager prepares deposit slips.
4. A copy of each check to be deposited is made and attached to a copy of the deposit slip and submitted to the charter’s external management company to be filed to provide support for all deposits.
5. The external management company inputs journal entries.
6. The Business Manager makes deposits on a daily or no later than on a weekly basis. If deposits are made other than daily, the deposit should be maintained in a secure area with limited access.
7. Reconciliation of cash receipts to deposit slips and bank statements are performed by the external management company on a monthly basis.

**202. Cash Disbursements**

**Control Objective**
To disburse cash for authorized purposes and record cash disbursements completely and accurately.

**Major Controls**
- Pre-numbered checks and special check protective paper.
- Match disbursement records against accounts payable/open invoice files.
- Bank statements reconciled to cash accounts and any outstanding checks verified by external management company, if applicable.
- Supporting documentation canceled to prevent resubmission for payment.
- Detailed comparison of actual vs. budget disbursements on a periodic basis.
- Separation of duties to the extent possible for an organization the size of the institute.
**Procedures**

1. Upon receipt of invoice, the Business Manager or department head indicates on the invoice that the prices, quantity, shipping, and cash discounts are correct and that goods and/or services have been received by initialing such.
2. Business Manager enters the invoices into First State Financial Systems (FSFS), review for correct appropriations and expense chart of account allocations. The Business Manager lists the invoice on an Accounts Payable Transmittal Sheet and signs this form authorizing that the invoices have been reviewed and are deemed correct.
3. The CEO/CAO shall review the Accounts Payable Transmittal Sheet and the accompanying invoices. His/her signature on the form, along with the Business Manager’s, authorizes the payment of the invoices listed therein. Note this process is performed in FSFS.
4. The Accounting Specialist at the external management company shall cancel invoices by using a rubber stamp titled "PAID" which provides spaces to indicate the date paid, check number, etc. on the invoice.
5. Checks require one signature, typically the school’s CEO. Checks are mailed directly to the institute for review and signature then mailed to the vendor.
6. On a periodic basis, cash disbursement records are matched against accounts payable/open invoice files for any discrepancies.
7. Bank statements are reconciled soon after receipt by the external management company.

**300. MANAGEMENT REPORTING PROCEDURES**

**301. Budgets**

A. FFA prepares an annual operating budget of revenues and expenses and a capital budget. The budget is a two-step process. The first preliminary budget is on or before June’s Board Meeting. June’s Preliminary Budget is based calculated from May 1st “new and returning” students register count. The Final Budget is presented at October’s Board Meeting. October’s variance or amended budget takes into consideration September 30th, Final Enrollment Student count. Note, every January anticipate an increase in state funding, which will increase associated appropriations. The variance in state funding is recognized and captured in the subsequent Board financial statements.

B. Financial statements displaying budget vs. actual results are prepared by the external management company and reviewed by Audit/Finance Committee and presented to the Board of Trustees at each monthly board meeting. The financial statements should also include a summary of vendors paid and their respective amounts and current outstanding accounts payable. There will be a 7 day waiting periods to ratify financial
statements to respond to inquiries stated in the financial statements.

**Control Objective**
To effectively support the preparation of the annual budget and its periodic review.

**Major Controls**

A. **Budget Process**
   The external management company and the Audit/Finance Committee work with the charter administrative leadership (including the CEO and Business Manager) to prepare the annual operating and capital budgets, with input from the all department heads. The budgets are submitted to the Board of Trustees for review and approval.

B. **Internal Accounting Controls**
   Accuracy and completeness of the budgets and projection.

**Procedures**

1. Each spring, FFA leadership assesses each department’s needs for the upcoming institute year, including staffing and capital expenditures and provides this data to the external management company.
2. In preparation of the annual operating and capital budgets and cash flow projection, the external management company prepares preliminary budgets for review by the organizations administrative leadership in consultation with the Audit/Finance Committee.
3. To support the budgets and projection estimates, the external management company prepares current year-to-date financial data with projections of year-end totals.
4. The charter administrative leadership in consultation and the Audit/Finance Committee reviews the budgets submitted for completeness and reasonableness.
5. The Audit/Finance Committee presents the proposed budget to the Board of Trustees for review, discussion, and (as necessary) amendment.
6. The Board of Trustees approves and adopts the final budgets by June 30 each year.
7. The adopted budget totals are entered in the general ledger by the external management company for the new fiscal year, in order to prepare budget to actual reports.
302. Financial Reporting

Control Objective
To ensure the accuracy, completeness, and timeliness of financial reporting to support decision-making.

Major Controls
A. Schedule
   Monthly financial reports are prepared based on a pre-determined schedule and reviewed by the CEO and Board of Trustees.
B. Review and Approval
   Financial reports are reviewed for accuracy and completeness.
C. Audit
   The annual financial statements of the charter are audited by a certified public accounting firm.

Procedures
1. The external management committee prepares monthly budget vs. actual financial reports and the Audit/Finance Committee presents the reports at the Board of Trustees meeting. (summary and appendix outlining details)
2. The charter submits to an audit of its financial statements by a qualified certified public accounting firm.

400. PURCHASING PROCEDURES

FFA procures only those items and services that are required to perform the mission and/or fill a bona fide need. Procurements are made using best value contracting which includes assessing the best value considering quality, performance and price. The charter will use a competitive procurement process, which requires sound business practices for purchases less than $50,000. A formal bid process will be used for items greater than $50,000, in which three bids will be received and evaluated using a formal evaluation process. Professional service contracts (excluding those for construction, reconstruction, repairs, maintenance, or work of any nature upon any institute building or institute property), professional skill contracts, and personal service contracts are exempt from competitive bidding and quotation requirements.
The Charter adheres to the following objectives:

- Procurements will be completely impartial based strictly on the merits of supplier and contractor proposals and applicable related considerations such as delivery, quantity, experience with nonprofits, etc.
- Make all purchases in the best interests of the charter and its funding sources.
- Obtain quality supplies/services needed for delivery at the time and place required.
- Buy from responsible and dependable sources of supply.
- Obtain maximum value for all expenditures.
- Deal fairly and impartially with all vendors.
- Be above suspicion of unethical behavior at all times; avoid any conflict of interest, related parties or even the appearance of a conflict of interest in FFA supplier relationships.
  
  A. FFA will execute a Purchase Order for necessary purchases and it shall be approved by CEO/CAO. Approval is contingent upon the charter’s budget and availability of funds.

Control Objective

To ensure that goods and services are acquired at fair and reasonable prices and the highest personal standards of conduct are maintained in all relationships with vendors, suppliers, and subcontractors.

Major Controls

A. Purchase Requirements

The Charter has developed cost-effective and efficient purchase requirements in order to achieve full and open competition, meet delivery schedules, control inventory and material, and expedite purchases.

B. Encouraging Competition

The Institute utilizes the following procurement guidelines:

- Purchases under $50,00 – The institute uses sound business practices when procuring goods and services for amounts less than $50,000. Expenditures in excess of $500 but less than $50,000 are permitted when sufficient funds remain in the budget. Such expenditures must be authorized by the CEO/CAO and Board of Trustees. A summary of such expenditures, the name of the vendor, the amount of purchase and the purpose of the purchase must be submitted to the Board of Trustees at each monthly meeting for ratification
Purchases from $15,000 to $50,000 for supplies/equipment or construction, repairs, maintenance, or work of any nature – at Written or telephonic price quotations from at least 3 qualified and responsible vendors are required for purchase of supplies costing at least $15,000 but less than $50,000. If fewer than three qualified vendors exist in the market area within which it is practicable to obtain quotations, a memo shall be kept on file containing such fact. Written records of telephonic price quotations must be maintained on file for 3 and must contain: the date of quotation, name of vendor, vendor representative name, list and description of supplies quoted, and price of same. It is illegal to evade the provisions of this section 24 P.S. § 8-807.1 by purchasing materials piece-meal for the purposes of avoiding bidding or quotation requirements for transactions which should in the exercise of reasonable discretion and prudence be conducted as one transaction.

Purchases greater than $50,000 for supplies/equipment or construction, repairs, maintenance, or work of any nature – Bids may be awarded by the Board only after due advertisement once a week for three weeks in not less than two newspapers of general circulation. Proof of advertisement must be kept to show that a reasonable number of qualified vendors were invited to bid. It is illegal to evade the provisions of this section 24 P.S. § 8-807.1 by purchasing materials piece-meal for the purposes of avoiding bidding or quotation requirements for transactions which should in the exercise of reasonable discretion and prudence be conducted as one transaction.

The Board recognizes that emergencies may occur when imminent danger exists to persons or property or the continuance of existing institute classes is threatened, and time for bidding cannot be provided because of the need for immediate action.

Professional service contracts (excluding those for construction, reconstruction, repairs, maintenance, or work of any nature upon any institute building or any institute property), professional skill contracts, and personal service contracts are exempt from competitive bidding and quotation requirements.

C. Selecting the Vendor

The Charter selects the most responsive and responsible vendor to provide required materials and services, and promotes competition in order to obtain fair and reasonable prices. Vendors are evaluated on a variety of criteria including cost, integrity, record of past performance, financial and technical resources, responsiveness/suitability to institute’s need, etc.
D. **Internal Accounting Controls**

- All expenditures are approved by the CEO/CAO in accordance to the budget authorized by the Board of Trustees.
- Adoption of policy requires the reporting of unethical conduct to management and subsequent restitution of any gain resulting from such conduct.

*Procedures*

**Purchase Requirements**

1. After approval of the annual budget, institute’s leadership (Instructional Coordinator, Principals, and CEO) reviews the school’s needs to uncover patterns of orders, and opportunities for clustering orders, to achieve volume discounts.
2. In preparing purchase requisitions, the CEO or designee identifies minimum needs.

**Processing Purchase Orders**

1. Purchase Orders are forwarded to Business Manager for CEO review and approval.
2. Purchase Orders include the following:
   - A description of items ordered
   - A cost estimate
   - The required delivery information
   - A statement of the nature and purpose of the procurement
3. Purchase Orders are approved by the CEO, after review of the remaining budget.
4. In addition to forwarding the Purchase Order to the vendor, a copy is forwarded to the external management company.

**Obtaining Bids and Quotations**

1. The department head requests bids or quotations verbally or in writing on transactions expected to be between $15,000 and $75,000. Items greater than $75,000 will require formal bid requests and evaluation before *Purchase Order* is issued.
2. In evaluating bids received, the external management organization performs and documents a cost or price analysis as one of the bid criteria.
Negotiation and Award

1. Consistent with the charter’s goal of expanding opportunities for minority business enterprises, companies which are minority or women owned, to the extent they are available locally and qualified, are given an opportunity to bid on a procurement in the school’s selection process.

2. Award may be made to other than the low bidder in circumstances where the higher bid demonstrates best value contracting procedures to the institute. In such situations, the Business Manager shall prepare a justification statement for such awards, furnishing a brief explanation of the factors leading to such a decision.

500. PAYROLL PROCEDURES

A. All salaried employees (including 10-month teachers and staff) are paid on a 12-month, bi-weekly schedule from July 1 to the following June 30.

B. Employee’s time is recorded electronically via swipe time card. The records are downloaded and manually entered into a bi-weekly payroll report and forwarded to the external management company. (facial scan sign in)

C. All employee payroll amounts are calculated based upon approved rates included in the individual’s personnel file.

D. Any changes to the pay rates or benefits are properly authorized.

E. All payroll taxes and benefits are properly calculated and any deposits made in a timely manner.

F. Payroll liabilities and expenses are recorded in the general ledger by the external management company.

G. All payroll tax reports are prepared in a timely manner and reviewed by a designated individual for accuracy prior to filing.

Payroll procedures are organized under six categories: personnel requirements, personnel data, timekeeping, preparation of payroll, payroll payment, and payroll withholdings.

501. Personnel Requirements

Control Objective
To ensure that the charter hires only those employees—full or part-time—that it absolutely needs and exerts tight control over hiring new employees.
**Major Controls**

**Payroll Policies**

The Institute has adopted payroll policies for installing new employees on the payroll system and removing terminated employees from the system, as well as monitoring vacation and sick pay.

**Procedures**

**New Employees**

1. Requests for new employees are initiated by the charter’s administrative leadership and compared with the approved annual personnel budget.

2. A Payroll Information Form is initiated when hiring a new employee. Included on this form are the job description, approved pay rate, and grant funding, if any. Information on this form is reviewed by the Business Manager and communicated to the external management company and outside payroll service provider.

4. New employees complete an *IRS W-4 Form* and I-9.

5. An FBI criminal history background check, Pennsylvania criminal history background check, and Pennsylvania child abuse clearance for each new employee must be submitted to the institute prior to the first day of work; these reports are placed in the personnel files.

**Personal Time and Sick Pay**

1. Employees accrue sick time based on the terms of the employee contract.

2. Employee is required to provide at least two weeks advanced notice to supervisors for a vacation and at least one week notice for personal time request.

3. Employees' earned sick time balances are adjusted monthly to reflect time earned and taken and reviewed by the Business Manager.

4. Sick leave taken is monitored against each employee's available sick time on an electronic spreadsheet and reviewed by the Business manager.

5. Before any paid time off is paid, a Staff Leave Slip is to be prepared by the employee, which is reviewed and approved by the CEO.

6. Employees are not compensated for nor are they permitted to carry over unused vacation or personal pay.
502. Personnel Data

Control Objective
To calculate and record payroll data accurately and completely for all employees.

Major Controls
- A precise paper trail covering all transactions.
- Changes in personnel data approved by responsible officials.
- Separate payroll and personnel files periodically reviewed and reconciled.

Procedures
1. Changes to personnel data are initiated with a New Hire/Change Form when making changes in new hires, terminations, pay rate changes, or payroll deductions.
2. The CEO authorizes any change to payroll data.
3. Authorized changes are communicated to the external management company who notifies the payroll service provider.
4. A copy of the New Hire/Change Form is retained in the employee's personnel file.

503. Preparation of Payroll & Timekeeping

Control Objective
To ensure that payment of salaries and wages is accurately calculated.

Major Controls
- Time records or contracts are periodically reconciled with payroll records.
- Labor hours are accurately recorded using time clock and any corrections to timekeeping records, including the appropriate authorizations and approvals, are documented on the time sheet forwarded to the external management company.
- The Business Manager monitors the overall integrity of timekeeping, semi-annually.
- Reconciliation of hours charged on time clock to time sheet and attendance records.
- The responsibility for checking the accuracy of payroll calculations is separated from the responsibility for payroll preparation to the extent possible for the size of the Charter.
Procedures

Time Clock

- All hourly and salary employees clock in and out using swipe time clock. (facial recognition sign-in)
- Any errors in clocking in or out are to be communicated by the employee to the Business Manager who makes manual adjustments.
- The Business Manager uses data about each employee’s hours worked from the time clock to prepare a time sheet/spreadsheet for all employees.
- The school-wide payroll report is forwarded to the external management company on a bi-weekly basis.
- The payroll reports received from the payroll service provider (e.g., calculations, payrolls and payroll summaries) are compared with time sheets, pay rates, payroll deductions, compensated absences etc., by the external management company.
- The external management company verifies gross pay and payroll deductions.
- The total hours and number of employees are compared with the totals in the Payroll Register by the Business Manager and external management company.
- The Payroll Register is reviewed and approved by the external management company prior to the payroll company issuing final paychecks/direct deposits.

504. Payroll Payment

Control Objective
To ensure payment for salaries and wages by check, direct deposit, cash or other means is made only to employees entitled to receive payment.

Major Controls

- Pre-numbered checks are used and all check numbers are accounted for.
- A complete audit trail on all payroll checks and direct deposit with authorizing signatures at each juncture is maintained.

Procedures

- Payroll Register is approved by the external management company prior to payroll company cutting and signing checks/direct deposit.
- Payroll payments by check, direct deposit, or cash are distributed by the Institute for forwarding to employees and payroll register is filed.
- The Business Manager controls and monitors all undelivered payroll checks.
- The payroll bank account is reconciled monthly by the external management company.
505. **Payroll Withholdings**

*Control Objective*
To ensure that payment withholdings are correctly reflected and paid to the appropriate third parties.

*Major Controls*

A. **Reconciliation of Payment and Payroll Withholdings**
Payroll withholdings are recorded in the appropriate General Ledger control accounts and reconciled with payments made to third parties.

B. **Internal Accounting Controls**
The payroll service provider calculates payroll withholdings, which are reviewed and verified by the external management company.

*Procedures*
- The payroll service provider calculates payroll withholdings for each employee. These are summarized by pay period and recorded in General Ledger.
- Payments for payroll withholdings are reconciled with the amounts recorded in the General Ledger control accounts by the external management company.
- The external management company reviews the accuracy and timeliness of payments made to third parties for payroll withholdings.
- Original withholding and benefit election forms, maintained in the employee file, are prepared by employee and reviewed and approved on a periodic basis by the Business Manager and/or external management company.

600. **Charter PROPERTY PROCEDURES**

FFA maintains detailed records of all government-furnished property and equipment, with an identification and segregation of property and equipment acquired through government contracts.

*Format:* Date Purchased, Maker, Description, Amount, Location

601. **Identification of Property**

FFA tags all property upon receipt and assigns an identification number to the property and all applicable documents.
602. **Recording and Reporting of Property**

*Control Objective*
To control completely and accurately record fixed asset acquisitions in order to safeguard fixed assets from loss.

*Procedures*
FFA maintains a log identifying all property in its possession, as follows:
- Name and description
- Serial number, model number, or other identification
- Whether title vests with FFA or a governmental entity
- Vendor name, acquisition date, and cost
- Location and condition of the equipment
- Ultimate disposition data, including date of disposal and sales price or method of disposal

603. **Physical Inventories**

*Control Objective*
To ensure that all recorded assets exist and are in use.

*Procedures*
- FFA performs a physical inventory of all property in its possession or control on an annual basis.
- The physical inventory records include each asset, the related control number, location, a brief description of its condition, and, if applicable, the grant source from which it was purchased.
- The physical inventory is reconciled to the detailed fixed asset subsidiary ledger, and differences, if any, are investigated and reconciled.

604. **Disposal of Property and Equipment**

A. No item of property or equipment shall be removed from the premises without prior approval from the Business Manager and/or the Board of Trustees.
B. FFA has adopted standard disposition procedures for the institute staff to follow, which include an Asset Disposal Form, which identifies the asset, the reason for disposition, and signature of the requester. The form also allows for an identification of the asset’s book value, condition of the asset, and supervisory approval or denial.

C. When property is retired, the appropriate asset in the fixed asset subsidiary will be adjusted and properly reflected in the general ledger.

605. Recordkeeping Over Property & Equipment

Control Objective
To completely and accurately record fixed asset acquisitions, transfers, and dispositions on a current basis.

Major Controls
A. Capitalization Policies
The Charter follows generally accepted accounting principles as applicable to special purpose business-type activity government entities. All fixed assets purchased are capitalized in the year of purchase, and recorded in the general ledger. The Institute follows the policy of capitalizing all fixed assets purchased greater than $2,500 per unit. Similar items purchased in the same timeframe and items related to the same project or purchase can be pooled together for capitalization and depreciation.

B. Fixed Asset Classification
Fixed assets are accounted for by the following classifications: land, building, equipment, leasehold improvements, equipment, furniture, and computer hardware and software.

C. Complete Record of P&E Acquisition Costs
The fixed assets subsidiary ledger contains the full history of each capital asset acquired: original acquisition cost, and any costs incurred to prepare the asset for use.

Procedures
1. Asset acquisitions, transfers, and dispositions are entered in the fixed assets subsidiary ledger on a periodic basis.

2. The fixed assets subsidiary ledger is reconciled with the control account in the general ledger on a monthly basis. Any differences are analyzed and resolved by the Business Manager and external management company.
606. **Depreciation**

*Procedures*

The Institute capitalizes all fixed assets when acquired, and records the historical cost of these items in the general ledger. In accordance with generally accepted accounting principles as they relate to special purpose business-type activity, government entities, under GASB 34, depreciation expense must be recorded in the general ledger. Harambee Institute Inc. will use the straight-line method of depreciation over the assets useful life as determined as follow:

- Computers 3 years
- Office Equipment 5 years
- Cars & Light Trucks 5 years
- Institute Buses 8-10 years
- Office Furniture 5 years
- Leasehold Improvements Useful life or life of lease, whichever is less
- Building Improvements 20 years

607. **Property & Equipment Acquired Through Government Grants/Contracts**

*Control Objective*

To assure that property and equipment are properly obtained, used, and managed during the performance of government grants or contracts.

*Major Controls*

A. **Record keeping**

The Institute maintains detailed records on all property and equipment.

B. **Custody**

All property and equipment, when not in use, is stored in a secure area.

C. **Inventory**

All property and equipment is inventoried.

*Procedures*

1. All property and equipment acquired through government grants or contracts are assigned tag numbers and properly identified with this number in the fixed asset subsidiary ledger.

2. On an annual basis, the Business Manager or her designee inventories all property and equipment and ensures that fixed assets are being used for the purpose intended.

3. If necessary, the Institute obtains approval from the appropriate government agency for the disposition property and equipment acquired through a government grant or
contract, and the Business Manager authorizes the disposition as described in the previous section.

**ADDITIONAL MISCELLANEOUS ITEMS**

The external management company’s Controller is responsible for opening bank statements, canceled checks, and appropriate advices. The external management company’s Controller methodically reviews such items before completing the bank reconciliation. Unusual items noted during the review shall be investigated promptly. The school’s external auditor’s review and verify the bank reconciliations during the course of the audit.

The external management company’s Controller shall approve journal entries.

The Board of Trustees or designee is responsible for implementing additional procedures where necessary to ensure proper internal controls.

Segregation of duties within the external management company provides an additional layer of internal controls.

**Petty Cash Policy**

FFA maintains a petty cash account to provide for on-site incidental expenses. The current petty cash revolving balance is set at $400 (replenished monthly), and may be changed at any time by vote of the Board of Trustees. Use of the petty cash account for other than incidental purposes should be discouraged, and every effort is made to utilize the standard purchasing/AP system whenever possible.

**Procedures**

1. The Petty Cash account is maintained by the Business Manager, with the CEO responsible for review and authorization of all petty cash transactions.
2. There is a waiting period of ten (10) business days for ALL cash requests.
3. Disbursements from the petty cash fund are available for expenditures totaling under $75.00 and may only be made for approved expenditures.
4. The person requesting funds from the petty cash account must complete and submit the Petty Cash Request form and submit it to the Business Manager for CEO approval.
5. If requesting reimbursement, original receipt(s) must be attached to the Petty Cash Request form.
6. If cash is requested upfront to make a payment or purchase, the original receipt(s) must be returned within seven (7) business days of the date the cash was received.
7. Once reviewed and approved (signed by the CEO), the request is
forwarded to the Business Manager who processes the request and disperses the cash.

**Credit/Debit Card Policy - PCard**

FFA has a debit/credit card to increase flexibility for key staff members. The card is not intended to be used as a replacement for normal purchasing simply for convenience. The debit/credit card may be used in certain instances when the standard purchase-order based purchasing system is not feasible. These instances include but are not limited to:

1. Meeting/Conference expenses,
2. Online purchases where purchase orders are not accepted,
3. Catalog purchases
4. Institute-related event expenses
5. Maintenance supply and equipment purchases
6. Major off-site printing/copying needs
7. Minor/miscellaneous purchases (i.e. small staff gifts, décor items, refreshments for staff meetings/gatherings, student awards and staff/family incentive items)

**Procedures**

1. There is a processing period of ten (10) business days for ALL credit/debit purchase requests.
2. The person requesting use of the credit/debit card must complete and submit the Credit/Debit Purchase Request Form and submit it to the Business Manager for CEO approval.
3. An invoice, catalog pages, web page, or other form of back-up documentation (including payee and cost information) must be attached to the Credit/Debit Purchase Request form.
4. Once reviewed and approved (signed by the CEO), the request is forwarded to the Business Manager who processes the request. In most cases, the Business Manager places the order upon receipt of the approved request. Occasionally, if the order or delivery requires special instructions, the Business Manager will scan and email a copy of the original approved request to the requester who can make the order, and provide the card number when it is time to process the payment.
5. The PCard must be reconciled by the 15th of every month for previous months purchases. Semi-annually the PCard is reviewed for expenses do not fit the criteria stated in Credit/Debit Card Policy – PCard.
Check Policy

FFA distributes checks for institute-related purchases and payments which require check payments (as opposed to credit/debit), and for parent/student refunds and employee reimbursements over $75.00.

Procedures

1. There is a waiting period of fifteen (15) to thirty (30) days for ALL checks.
2. The person requesting a check must complete a Check Request Form and submit it to the Business Manager for CEO approval.
3. An invoice, receipt(s) or backup documentation (including payee and cost information) must be attached to the Check Request Form.
4. Once reviewed and approved (signed by the CEO), the request is forwarded to the Finance/HR Clear who processes the request. Checks are not printed on-site. Approved check requests are forwarded to the external management organization once weekly. Occasionally, “rush” requests are faxed or emailed to the external management organization. Once processed, checks are sent to the institute for the CEO to sign and distribute.

This policy will go into effective immediately upon adoption.

TO THE EXTENT THAT ANYTHING IN THIS POLICY COULD BE CONSTRUED TO CONFLICT WITH APPLICABLE STATE AND/OR FEDERAL LAWS, THE APPLICABLE STATE AND/OR FEDERAL LAWS CONTROL.

ADOPTED this __________ day of __________, 2012

________________________________________________________President

________________________________________________________Secretary
Family Foundations Academy Traveling Reimbursement Policy

Overview
It is the policy of Family Foundations Academy Inc. (FFA) to reimburse staff for reasonable and necessary expenses incurred in connection with approved travel on behalf of the company. FFA strongly encourages use of travel discounts when making travel arrangements.

Travelers seeking reimbursement should incur the lowest reasonable travel expenses and exercise care to avoid impropriety or the appearance of impropriety. Reimbursement is allowed only when reimbursement has not been, and will not be, received from other sources. If a circumstance arises that is not specifically covered in this travel policy, then the most conservative course of action should be taken.

Business travel policies are aligned with company reimbursement rules. All business-related travel paid with FFA funds must comply with company expenditure policies.

Authorization and responsibility
Staff travel must be authorized. Travelers should verify that planned travel is eligible for reimbursement before making travel arrangements. Within 30 days of completion of a trip, the traveler must submit a Travel Reimbursement form and supporting documentation to obtain reimbursement of expenses.

An individual may not approve his or her own travel or reimbursement. The Travel Reimbursement form must be signed by the Chief Administrative Officer (CAO) or the director of finance (for travel over $250) or by the business manager (for travel under $250).

Travel and reimbursement for members of the management team must be approved by the CAO or the director of finance (if not for that individual), and will be reviewed annually by the internal auditor.

Designated approval authorities are required to review expenditures and withhold reimbursement if there is reason to believe that the expenditures are inappropriate or extravagant.
**Personal funds**  
Travelers should review reimbursement guidelines before spending personal funds for business travel to determine if such expenses are reimbursable. See Section II: Travel Expenses/Procedures for details. FFA reserves the right to deny reimbursement of travel-related expenses for failure to comply with policies and procedures.

Travelers who use personal funds to facilitate travel arrangements will not be reimbursed until after the trip occurs and proper documentation is submitted.

**Vacation in conjunction with business travel**  
In cases in which vacation time is added to a business trip, any cost variance in airfare, car rental or lodging must be clearly identified on the Travel Request form. FFA will not prepay any personal expenses with the intention of being “repaid” at a later time, nor will any personal expenses be reimbursed.

**Exceptions**  
Occasionally it may be necessary for travelers to request exceptions to this travel policy. Requests for exceptions to the policy must be made in writing and approved by the CAO or by the director of finance. Exceptions related to the director’s or the director of finance’s expenses must be submitted to the opposite person or to the treasurer of the board of trustees for approval. In most instances, the expected turnaround time for review and approval is five business days.

**Travel Expenses/Procedures**

**General information**  
Authorized business travel for staff that includes prepayments must be pre-approved.

Reimbursement of parking, mileage, gasoline in lieu of mileage and ferry or bus passes do not require requests if they are under $5. Requests for reimbursement of expenses over $5 are to be submitted on a Travel Reimbursement form.

**Permissible prepaid travel expenses**  
Before the travel, FFA may issue prepayments for airfare, rail transportation, rental vehicles, conference registration fees and cash advances. Applicable policies and methods of payments for these prepayments follow.
**Airfare.** Travelers are expected to obtain the lowest available airfare that reasonably meets business travel needs. Airfare may be prepaid by the finance department.

Travelers are encouraged to book flights at least 30 days in advance to avoid premium airfare pricing. First-class and business-class tickets are not reimbursable.

Coach class or economy tickets must be purchased for domestic or international flights (defined as flight time totaling less than five consecutive hours excluding layovers). A higher-priced coach ticket cannot be purchased for a subsequent upgrade in seating.

A less-than-first-class ticket (i.e., business class) may be purchased at FFA’s discretion for domestic or international flights (defined as flight time exceeding five consecutive hours excluding layovers).

Airfare may be purchased with a credit card or check through the finance department with a Purchase Order form.

**Rail transportation.** FFA will prepay rail transportation provided that the cost does not exceed the cost of the least expensive airfare.

**Rental vehicles.** FFA will pay for approved use of a rental vehicle. See the section on reimbursements below in this section.

**Conference registration fees.** Conference registration fees can be prepaid with a credit card or check through the finance department with a Purchase Order form. Business-related banquets or meals that are considered part of the conference can be paid with the registration fees; however, such meals must be deducted from the traveler’s per diem allowance. See Meals (per diem) for more detail.

**Travel advances.** Cash advances are authorized for specific situations that might cause undue financial hardship for business travelers. These situations are limited to staff traveling on behalf of FFA. A maximum of 80 percent of the total estimated cost can be advanced.
Expenses associated with the travel must be reconciled and substantiated within two weeks of the return date. The traveler must repay FFA for any advances in excess of the approved reimbursable expenses. The department initiating the travel is responsible for notifying the finance department to deposit any excess funds into the appropriate departmental account.

Travel advances are processed by submitting a completed Purchase Order form and Travel Request form to the finance department. Reimbursement for any remaining expenses is processed on a Travel Reimbursement form approved by the designated approval authority.

**Reimbursements**
Requests for reimbursements of travel-related expenses are submitted on a Travel Reimbursement form. This form must be accompanied by supporting documentation. If the requested reimbursement exceeds 20 percent of the total pre-trip estimate, the Travel Reimbursement form must be signed by the CAO or the director of finance.

These forms must be submitted to the finance department within two weeks after the trip is completed. Travel Reimbursement forms not submitted within this time frame require exception approval from the CAO or from the director of finance.

Reimbursement of travel expenses is based on documentation of reasonable and actual expenses supported by the original, itemized receipts where required. Reimbursements that may be paid by FFA are shown below.

**Airfare.** If the airfare was not prepaid by the finance department, an original itemized airline receipt, an e-ticket receipt/statement or an Internet receipt/statement is required. The receipt must show the method of payment and indicate that payment was made.

Travelers are expected to obtain the lowest available airfare that reasonably meets business travel needs. Travelers are encouraged to book flights at least 30 days in advance to avoid premium pricing.

Coach class or economy tickets must be purchased for domestic or international flights (defined as flight time totaling less than five consecutive hours excluding layovers). A higher-priced coach ticket cannot be purchased for a subsequent upgrade in seating.
A less-than-first-class ticket (i.e., business class) may be purchased at FFA’s discretion for domestic or international flights (defined as flight time exceeding five consecutive hours excluding layovers).

First-class tickets are not reimbursable.

**Rail transportation.** FFA will pay for rail transportation provided that the cost does not exceed the cost of the least expensive airfare.

If rail transportation was not prepaid by the finance department, an original itemized receipt, original e-ticket receipt/statement or Internet receipt/statement is required. The receipt must show the method of payment and indicate that payment was made.

**Automobile** (personally owned—domestic travel). A valid driver’s license issued within the United States and personal automobile insurance are required for expenses to be reimbursed. Drivers should be aware of the extent of coverage (if any) provided by his or her automobile insurance company for travel that is business or not personal in nature.

Reimbursement for use of a personal automobile is based on the FFA mileage rate.

The Staff Travel Reimbursement form is required for reimbursement for all vehicle-related expenses, including gasoline, wear and tear, and personal auto insurance. As of [Date], the rate is [$X.XX] per mile. Travelers may opt to request reimbursement for gasoline in lieu of the FFA mileage rate. In these instances original, itemized receipts are required. FFA will use Internal Revenue Service Mileage Guidelines (see attached)

**Automobile** (rental—domestic travel). Reimbursement for a commercial rental vehicle as a primary mode of transportation is authorized only if the rental vehicle is more economical than any other type of public transportation, or if the destination is not otherwise accessible. Vehicle rental at a destination city is reimbursable. Original receipts are required.
FFA authorizes reimbursement for the most economic vehicle available. In certain circumstances larger vehicles may be rented, with supervisory approval. The rental agreement must clearly show the date and the points of departure/arrival, as well as the total cost. Drivers must adhere to the rental requirements, and restrictions must be followed. Original receipts are required.

When vehicle rentals are necessary, FFA encourages travelers to purchase collision damage waiver (CDW) and loss damage waiver (LDW) coverage. FFA will reimburse the cost of CDW and LDW coverage; all other insurance reimbursements will be denied.

Drivers should be aware of the extent of a coverage (if any) provided by his or her automobile insurance company for travel that is business or not personal in nature.

Parking fees, tolls and other incidental costs associated with the vehicle use are not covered by the rental agreement.

Travelers are strongly encouraged to fill the gas tank before returning the vehicle to the rental agency to avoid service fees and more expensive fuel rates.

**Conference registration fees.** If the conference fee was not prepaid, FFA will reimburse these fees, including business-related banquets or meals that are part of the conference registration. Original receipts to support the payment are required. If the conference does not provide a receipt, then a cancelled check, credit card slip/statement or documentation that the amount was paid is required for reimbursement.

A prorated amount for the meals provided must be deducted from the traveler's per diem. See Meals (per diem) for more detail. Entertainment activities such as golf outings and sightseeing tours will not be reimbursed.

Registration fees paid directly by an individual will not be reimbursed until the conference is completed.

**Lodging (commercial).** The cost of overnight lodging (room rate and tax only) will be reimbursed to the traveler if the authorized travel is 45 miles or more from the traveler’s home or primary worksite.
Exceptions to this restriction may be approved in writing by the CAO or by the director of finance.

FFA will reimburse lodging expenses at reasonable, single occupancy or standard business room rates. When the hotel or motel is the conference or convention site, reimbursement will be limited to the conference rate.

Only single room rates are authorized for payment or reimbursement unless the second party is representing the agency in an authorized capacity. If the lodging receipt shows more than a single occupancy, the single room rate must be noted. If reimbursement for more than the single room rate is requested, the name of the second person must be included.

**Meals (per diem, $75 per day).** Per diem allowances are reimbursable for in-state overnight travel that is 45 miles or more from the traveler's home or primary worksite.

Per diem allowances are applicable for all out-of-state travel that is 45 miles or more from the traveler's home or primary worksite.

FFA per diem rates are based on the U.S. General Services Administration Guidelines, which vary by city location. In addition to meals these rates include incidental expenses such as laundry, dry cleaning and service tips (e.g., housekeeping or porter tips). Incidental expenses, unless specifically cited in this policy, will not be reimbursed.

Per diem reimbursements are based on departure and return times over the entire 24-hour day and are prorated accordingly.

If a free meal is served on the plane, included in a conference registration fee, built in to the standard, single hotel room rate or replaced by a legitimate business meal, the per diem allowance for that meal may not be claimed.

Receipts are not required for per diem allowances. Per diem allowances are reimbursed after the trip is completed.
**Business meals.** Travelers are required to follow FFA expenditure policies when requesting reimbursement for business meals. Original itemized receipts are required.

**Business expenses.** Business expenses, including faxes, photocopies, Internet charges, data ports and business telephone calls incurred while on travel status, can be reimbursed. Original itemized receipts are required.

**Parking.** Original receipts are required for parking fees (including airport parking) totaling $25 or more. The lodging bill can be used as a receipt when charges are included as part of the overnight stay.

**Telephone calls.** The costs of personal telephone calls are the responsibility of the individual.

**Tolls.** Original receipts are required for tolls totaling $25 or more.

**Miscellaneous transportation.** Original receipts are required for taxi, bus, subway, metro, ferry and other modes of transportation if costs are $25 or more for each occurrence.

**Visa, passport fees and immunizations.** If these items are required for international travel, their reimbursement is left to the discretion of your supervisor. If approved by the designated authority, original itemized receipts are required.

**Nonreimbursable Travel Expenses**
The following items that may be associated with business travel will not be reimbursed by FFA:

- Airline club memberships.
- Airline upgrades.
- Business class for domestic flights or first class for all flights.
- Child care, babysitting, house-sitting, or pet-sitting/kennel charges.
- Commuting between home and the primary work location.
- Costs incurred by traveler’s failure to cancel travel or hotel reservations in a timely fashion.
- Evening or formal wear expenses.
- Haircuts and personal grooming.
• Laundry and dry cleaning.
• Passports, vaccinations and visas when not required as a specific and necessary condition of the travel assignment.
• Personal entertainment expenses, including in-flight movies, headsets, health club facilities, hotel pay-per-view movies, in-theater movies, social activities and related incidental costs.
• Travel accident insurance premiums or purchase of additional travel insurance.
• Other expenses not directly related to the business travel.

Travel for Non-Employees
Additional costs for travel, lodging, meal or other travel expenses for spouses or other family members will not be reimbursed unless the individual has a bona fide company purpose for engaging in the travel or attending the event. Such travel is generally limited to senior management and should occur infrequently.
Monarch Purchase of Care Policy

The purpose of this policy is to inform you of Family Foundation Academy (FFA) Purchase of Care Policy. Our goal at FFA is to keep your student safe and provide high quality services in accordance with guidelines established by Department of Health & Social Service (DHSS) Purchase of Care Department. Your adherence to this policy is required in order for your student to receive services. Service will be terminated for students and families that do not adhere to this policy.

Registration

No student will receive service from the Monarch Before & After Care Program that does not have a completed and signed registration form by their parent/guardian.

Purchase of Care (POC) Policy

The Monarch Child Care Program participates in the State of Delaware’s Purchase of Care program. The purpose of the POC program is to provide care for children for a portion of the day in the absence of the parent/guardian. It is a support service that enables the parent/guardian to hold a job and/or to obtain training or education lending to employment. The program is also used to meet the special developmental needs of the child that would otherwise go unmet or to remove the child from a family situation where he/she may be in danger.

Eligibility is based on the financial and situational needs of the applicant for service and in accordance with Department of Health & Social Services (DHSS) established priorities for service. Eligible students must be DSS-Approved for the family to receive POC services. An Authorization Letter or Form 626 (Subsidized Child Care Client Agreement Form) must be received by the Monarch Child Care Program as proof of student eligibility at the start of child care service. POC fees will not apply without a valid authorization in place. Information contained on the Form will be verified with DHSS.

A student receiving POC benefits may have the service denied or terminated if DHSS is notified that the required fee (if co-pay is required) has not been paid. POC benefits may be terminated for the following reasons.

- The parent/guardian frequently abuses/disregards operating policy of the facility (hours, etc.).
- The parent/guardian fails to pay the established fee or is frequently late with payment.
- The State of Delaware informs FFA that the POC has been expired or terminated at such time regular enrollment fee would be required after the written notice have been given.

Written notice will be given within five (5) calendar days to the parent/guardian and the DHSS Case Manager. Should termination of services occur with your student, parent/guardian would be required to pay the regular enrollment fee establish by FFA.

Hours of Operations

The Family Foundations Academy Monarch Before & After Care program is open from 6:30 a.m. – 8:30 a.m. (before care) and 4:30 p.m. – 6:30 p.m. (after care). No child is permitted in the building before 6:30 a.m. or after 6:30 p.m. unless they are participating in an approved activity.

Fees
The fees for POC will be determine bases on the authorization letter provided by the State. Parents may have to pay a portion of the weekly fee based on the authorization letter. At the time of enrollment, the fee will be determine based on the authorization letter.

**Payment of Fees**

Payment of fees is due every Monday by 6:30 pm for services provided during the previous week. Every Monday parent/guardian will receive an invoice outlining their child’s Date of Attendance and Purchase of Care rate, totaling the amount due. Your child will not be able to receive care for that week if payment is not received by 6:30 pm.

Parents that are required weekly payment of fees are required to place the payment in the pre-printed envelope and complete the following information such as Student Name, Dollar Amount and Week the Payment Should be applied to. Check and Money Order should be made payable to Family Foundation Academy.

- One check can be used for more than one child. Please indicate the name of the children.
- Any checks that are returned from the bank with non-sufficient funds, closed account, etc. must be settled immediately. Please see the Returned Check Policy below.
- The school is not responsible for lost or stolen money given to a student for payment of before & after care services.

**Returned Check Policy**

- Any check returned for insufficient funds, closed account, etc. must be settled immediately with the school.
- The entire amount of the returned check will automatically be debited to the student’s account.
- A letter will be sent to the parent(s)/guardian(s) informing them that the school received notice from the bank regarding a returned check and the amount of money due. Payment is required by cash or money order within three (3) business days after the notice is sent. The student will be unable to attend before & after care until the amount of the returned check is satisfied along with a $35.00 returned check fee.
- The school will not accept a check as payment for any school activity or program from the parent(s)/guardian(s) for a period of up to one year from the date that the obligation is paid. The Before & After Care Coordinator will place a notification on the student’s account instructing the staff not accept checks as payment for services. If a check is given as payment on a blocked account, the check will be returned to the student and they will be reminded that payment must be received in the form of cash or money order.

**Penalties for Non-Payment of Fees**

- Report cards, field trips, school-sponsored activities, and other privileges will be withheld until the outstanding balance is paid in full.
- Payment by cash or money order is required if a student’s parent(s)/guardian(s) is attempting to satisfy a balance within two weeks of a school sponsored activity.
- Students with outstanding before & after care balances after the final day of school will not be re-enrolled for the following school year until the balance is paid in full and space is available at the time of payment.
• Referral to an outside collection agency if payment is not received within thirty (30) days.

Snacks
An afternoon snack will be provided daily. If your student has a food allergy, you are responsible for providing an alternative snack for your student(s). All alternative snacks must be able to be eaten without being heated or refrigerated. No child will be permitted to warm-up food via the school’s oven and/or microwave. Please contact before and after care staff with any concerns. Candy, gum, or soda are NOT permitted.

Sign-in and Sign-out
To make sure all students enter and depart the building safely, no student is allowed to sign themselves in or out.

• Parents are required to walk their student(s) in every morning and leave them only with before and after care staff.
• Students will only be released to individuals that you have authorized us to release them to.
• All individuals must be 18 years or older.
• Photo identification is required to release a student.
• Please make sure that the appropriate individuals are listed on the authorization form contained in the Monarch Child Care Program registration form. Students will not be released to a person(s) who are not listed on the registration form for any reason without written and signed authorization from the parent/guardian PRIOR to the time of pick up.

Communication
Any parent/guardian who may have questions regarding the Monarch Child Care Program, please contact:

Ahtiya Johnson
Enrollment Specialist
1101 Delaware Street
New Castle, DE 19720
302.324.8901 ext. 250
302.324.8908 – Fax
Ahtiya.Johnson@ffa.k12.de.us

Any parent/guardian who believes that they have received a communication regarding a Before & After Care balance that is not accurate must dispute the balance in WRITING within three (3) business days of date the communication was sent via U.S. Mail or Email to:

Sean Moore Co-Director
1101 Delaware Street
New Castle, DE 19720
sean.moore@ffa.k12.de.us
Corporate Credit Card Policy

- The Policy applies to all employee of the Agency who are assigned a PCard, also known as Corporate Credit Card. The Corporate Credit Card Policy applies to all credit cards, debit cards, or prepaid cards the Agency uses.
- Conditions set out in this Policy, the relevant Cardholders’ Responsibility statement issued by the Bank govern the use of any Corporate Credit Card.
- This agency uses primarily JP Morgan Purchase Card a.k.a. PCard
- Cardholders and their supervisors are responsible for ensuring that they adhere to the Corporate Credit Card policy, thereby ensuring adequate controls are exercised to minimize the risk that Corporate Credit Cards are used for fraudulent or corrupt purposes. Cardholders and their supervisors are referred to the Complain Officer for further information on their role in relation to fraud and corruption prevention.

Eligibility

- Permanent and temporary officers of Agency can apply for a Corporate Credit Card
- Employees are eligible to be issued with only one (1) Corporate Credit Card.
- To be eligible for a Corporate Credit Card, an employee must meet one or more of the following criteria:
  - Travel frequently in the course of his/her duties
  - Travel out of state in the course of his/her duties
  - Purchase significant volumes of minor goods and services for use by the Agency or
  - Incur regular frequent expenses of a kind appropriately paid by credit card

Limits

- Each Card will be limited to a maximum set by the CEO who will be determine the limit on a basis of need and your cost center’s budget(s), and be for business expenditures ONLY. Exemptions to this limit will be made on a case by case basis by the CEO.
Conditions of Use

- The Corporate Credit Card cannot be used:
  - To obtain cash advances
  - For expenses other than those incurred by the assigned officer named on the Card
- The Corporate Credit Card is to used only for official Agency business, not personal expenses. Charging personal transactions to Corporate Cards is not acceptable under any circumstances. Cardholders transactions will be scrutinized to ensure compliance with this policy.
- Infractions of the conditions of this Policy could result in cancelation of the card and withdrawal of Corporate Credit privileges
- Breaching of this policy can lead to disciplinary action against the employee concerned. In all cases of misuse, this Agency reserves the right to recover any monies from the cardholder. Cardholders will be required to sign a declaration authorizing this Agency to recover, from their salary, any amount incorrectly claimed.
- Cardholders may not use their Corporate Credit Card to obtain cash advances from banks, building societies, credit unions, not automatic teller machines. This prohibition similarly extends to cash equivalents such as bank cheques, traveler’s cheques and electronic cash transfers.

Monthly Corporate Statements

- Corporate Credit Card expenditures must be reconciled with Accounts Payable within 15 business days of the Statement Date. Cardholders who have not reconciled their monthly expenditure within this period will be asked to reconcile their monthly expenditures immediately by the A/P personnel. This procedure will ensure that cost center accounting records maintain an accurate and meaningful balance.
- Cardholders who do not reconcile their monthly expenditures within 15 business days of the Statement Date will be sent a reminder of their obligations under this Policy. Continued or repeated non-conformance to this Policy can result in cancelation of the Card and/or such other actions as appropriate.
- If the Card expenditures are not reconciled within 1 month of the Statement Date or a plausible explanation has not received by CEO or Compliance Officer, the Corporate Credit Card can be cancelled and, the Cardholders’ cost center(s) accounts can be debited for the amount outstanding. Note further action may also be taken against the Cardholder.

Cardholder responsibilities
Cardholder are responsible for the following security measures for the use of their Card:

- Cardholder must retain transactional evidence to support all charges. An acceptable receipt for reimbursements of claimable business expenses on the Corporate Credit Card is an original receipt. The more information, the better.
- Card purchases without receipts are ultimately the responsibility of the user and his/her cost center(s). A failure to provide receipts or credible explanation for the unsupported expenditures could result in a debit from the Cardholder salary.
- Reimbursement for return goods and/or services must be credited directly to the Card account. No cash should be received by the Cardholder.
- Lost or stolen Cards must be reported and cancelled immediately to JMPC 1-800-270-7760. Accounts Payable must be notified within 2 business days of this activity or in the instance of loss or theft while conducting business out of state, must be notified within 2 business days of returning to the Agency.
- Employee issued with a Corporate Credit Card are in a position of trust in regard to use of donated funds. Improper or unauthorized use of the Card may result in the Cardholder being held liable for expenditures. Legal/disciplinary action being brought against the Cardholder, termination of Card-use and/or termination from this Agency.

Records Management

- All documentation associated with the payment of a Corporate Credit Card will be maintained within the Accounts Payable Office.
- Original documentation associated with the payments of a Corporate Credit Card will be maintained within the Accounts Payable office. Cardholders should keep copies of receipts and statements for audit purposes or for future questions that may arise.

Audit

- Audits of cardholder purchases will occur on a monthly basis by Accounts Payable personnel. In addition external auditors could carry out audits from time to time.

Disputed Transactions

- Disputed transactions must be resolved with the Supplier and the Bank by the Cardholder. The Cardholder must notify the Bank immediately for resolution and Accounts Payable should be informed for noting.

Internal Monitoring

- Transactions will be monitored monthly by the Accounts Payable personnel.
• If a Cardholder has questionable purchases showing on the monthly Statement, this information will be forwarded to the respective Finance Department staff member for resolution.

Lost or stolen Cards

• Lost or stolen cards must be reported by the Cardholder immediately to JMPC 1-800-270-7760. The Cardholder must also alert the A/P department to the loss/stolen card as quick as possible.

Termination of Employment

• Prior to departure or termination of duties with this Agency, the Cardholder must reconcile all expenditures on his/her Card account since the last Statement.
• It is the responsibility of the departing employee to ensure that his/her account is settled prior to departure.
• The card must be surrendered upon termination of employment to their immediate supervisor or to the Finance Department.
To: Mrs. Holley, Mrs. Morris, Ms. Simmons, Ms. Garmai, Ms. Johnson and Ms. Mayfiled
From: Darnell Sulaiman, Consultant
Cc: Mr. Moore, CAO
Date: June 17, 2014

Policy and Procedures for Summer Camp

1. Ms. Simmons will enter all payments received for participation in Summer Camp Activities into Point of Sale System (POS) excluding Purchase of Care (POC) payments. Note POC must be reconciled back to invoice per DE State agreement.

2. Every day please scan over FFA Summer Camp Sign In sheet to ffa@ auphsite.com.

3. When Ms. Simmons is not present or busy, deposits can be placed into “drop box”. Note, Ms. Simmons, all POC payments must be given to Mrs. Holley to reconcile back to Quick Books Invoices.

4. Tuesday and Thursday Mrs. Morris will make deposits to the bank.

Thank you for the opportunity to serve.
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Chapter 2 – Internal Controls

Internal Controls provide management with reasonable assurances that its policies and procedures are implemented and consistently followed to ensure efficient and effective organizational operations.

An Internal Controls Plan consists of all the methods used to:

- Safeguard assets;
- Promote accuracy and reliability of the agency’s accounting data and records;
- Encourage compliance with all policies and procedures prescribed by management; and
- Promote the operational efficiency of an agency.

2.1 General Internal Controls

Management is responsible for the creation and maintenance of a system of internal controls to ensure effective and efficient organizational operations. The State has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Controls Integrated Framework (COSO Framework) for agencies to use in the assessment of internal controls.

COSO is a voluntary, private sector agency dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance. The COSO Framework is used by agencies to assess and enhance their internal control systems.

The COSO framework has been used as a blueprint for the private and public sectors to establish internal controls that promote efficiency, minimize risks, promote the accuracy and reliability of financial statements, and encourage compliance with laws and regulations.

COSO defines a control activity as policies and procedures that help ensure management directives are followed. Control activities occur throughout the agency at all levels and in all functions.
The various types of control activities are as follows:

- **Operational controls** are procedural guidelines proactively placed around business processes.
- **Reconciliation controls** are designed to detect if two items are consistent.
- **Detective controls** are designed to find errors or exceptions after-the-fact.

All of these types of controls are an integrated part of any internal control structure.

The State’s system of internal controls includes the establishment of Control Objectives, defining Control Procedures, and the preparation of formal Policies and Procedures.

A key ongoing objective of the State’s financial officers is that all levels of responsibility and authority operate in an environment with internal controls. Management is entrusted with the responsibility for:

- Creating a control environment by communicating the importance of internal controls;
- Identifying and assessing potential risks;
- Designing, implementing, and maintaining specific control-related policies and procedures;
- Communicating policies and procedures throughout the agency;
- Monitoring control-related policies to ensure they are continuing to function properly;
- Endorsing the review of agencies’ internal controls by the DOA; and
- Overseeing the implementation of recommendations from DOA reviews.

### 2.1.1 Internal Control Objectives

Each agency’s control structure consists of a large range of policies and procedures. The American Institute of Certified Public Accountants (AICPA) Professional Standards AU3 19.06 defines control procedures as one of the key elements critical to providing assurances for the accuracy of financial statements.
Some of the basic objectives of control procedures are as follows:

- Transactions are properly authorized. A properly authorized document must have the correct number of approvals (hardcopy or electronic signature(s)) as required by the agency’s internal policy and this Manual.

- Proper supporting documentation for all financial documents is required. Supporting documentation is defined as invoices, logs, worksheets, memos, or additional documentation that provides support for both the purpose and amount of a transaction.

- Duties are sufficiently segregated.

- A comparison or check of recorded assets against existing assets is performed regularly by staff that is independent of the financial area responsible for recording the assets.

Internal control systems vary from one entity to another. The control objectives and features are dependent on the organizational complexity of an entity and the management objectives for that entity.

Regardless of the differences in entity size and technical specialization, certain characteristics are present in all internal controls systems:

- A structural plan of the agency that provides the framework for the appropriate division of authority, responsibility, and duties among employees;

- An accounting system designed to measure the results of operations and financial position; and

- Personnel policies designed to employ, train, evaluate, and compensate employees.

While the above control objectives are broad enough to provide management with reasonable assurance that its policies and procedures are being carried out, these objectives are too general to help financial managers design or evaluate a system of accounting controls.

The following specific control objectives are widely accepted as elements of good control and should be used by operational and financial managers:

- **Authorization** – ensuring all transactions are approved by management.

- **Validation** – ensuring recorded transactions represent real transactions.

- **Capture** – ensuring all transactions are recorded.
**Valuation** – ensuring all amounts recorded for transactions are accurate.

**Classification** – ensuring all transactions recorded are assigned to the proper categories (e.g. assets, liabilities, revenues, expenses) and sub-categories (e.g. type of expenses).

**Cut-off** – ensuring transactions are recorded in the appropriate accounting period.

**Access** – ensuring only authorized individuals have appropriate access to assets, consistent with their job responsibilities.

A well-designed system of internal controls must include written policies and procedures to ensure each control objective is met. Failure to meet control objectives constitutes a weakness in an agency’s internal controls system.

Managers should continuously monitor and improve the effectiveness of internal controls associated with their respective internal programs. This continuous monitoring and other periodic evaluations provide the basis for management’s verification that existing controls are sufficient to safeguard the agency’s assets.

Management is responsible for maintaining and communicating written policies and procedures to ensure an effective system of internal controls exists within each agency. Effective policies and procedures help ensure management directives are carried out and necessary actions are taken to address risks to the achievement of the agency’s objectives.

State agencies should address a range of control activities in their written policies and procedures, such as:

- Proper authorization;
- Approval procedures;
- Verifications;
- Reconciliations;
- Reviews of operating performance;
- Security of assets; and
- Segregation of duties.
2.1.2 Segregation of Duties

One of the basic and most successful methods of achieving internal controls is through the segregation of duties. The segregation of duties divides the responsibility for a transaction or activity among different parties, so no one employee has complete control over the processing of transactions.

This method of control increases the likelihood that if one person makes an error, another will discover it. Segregation of duties also reduces the risk that one person would perpetrate and/or conceal errors in the normal course of their duties.

A rule of thumb in establishing the proper segregation of financial duties is the party that has access to or possession of an asset should not be the party that maintains the accounting records for the asset.

A few examples are:

◆ The division of responsibility for accounts receivable records and cash receipts.

◆ The preparation of monthly bank reconciliations by an employee not responsible for disbursing cash or depositing cash.

◆ The division of responsibility between the person with the ability to enter or change data in an automated system and the person who provides the approval for the transaction.

Access to the State’s financial management and accounting system is structured so agencies may segregate authorized duties. Users are not permitted to share logon IDs or passwords under any circumstances. Sharing this information is a direct security violation. Violation of security measures weakens the overall internal control structure of an agency. Security personnel will promptly disable a user’s access if the sharing of IDs and/or passwords is discovered.

When segregation of duties is impossible or impractical, management should look for other methods of ensuring internal controls, such as regular periodic supervisory reviews, rotation of duties, edits built into automated systems, unannounced verification of assets, etc.

2.1.3 Sample Internal Controls

The following is a sample of internal controls procedures adopted by the State to ensure internal controls are properly maintained over the disbursement of State funds:
♦ State agencies are required to have procedures in place to ensure the individual who generates a payment is not the same individual who approves the same payment.

♦ Checks resulting from approved payments must not be returned to the persons that initiated or authorized the payment.

### 2.1.4 Limitations of Internal Controls

Internal controls are not foolproof. Management’s monitoring of and attitude towards the adherence to control procedures are critical to making controls work. The objective of internal controls is to provide reasonable assurance that management’s defined control objectives are being met.

The concept of reasonable assurance recognizes that the cost of the system of internal accounting controls should not exceed the benefits expected to be derived, and also recognizes that the evaluation of the cost-benefit relationship requires estimates and judgments by management.

### 2.1.5 Reconciliation and Certification Requirements

State agencies are required to comply with the following reconciliation and certification requirements:

♦ State agencies are required to review, reconcile, and monitor their transactions and accounts on a daily, weekly, or monthly cycle, as needed. The preparer of the financial document is required to initial and date the document as evidence of preparation and data entry.

**State agencies should report any discrepancies in any transaction or account to their DOA State Accountant as soon as the agency becomes aware of the discrepancy.**

♦ The Transactions Processed report must be reviewed and reconciled to the Daily Validity report on a line-by-line basis. Reviewers are required to sign and date the reconciliation as evidence of their review and approval. **This review should be performed on a daily basis.**

♦ Management is required to review State financial management and accounting system reports for balance verification as part of each agency’s regular monthly reconciliation process and sign a monthly Certification of Internal Controls as evidence of this reconciliation and review. (Agencies should refer to the example at the end of this chapter.) **The Certification is to be submitted within 15 days of the end of the Month being certified.**
The Certification of Internal Controls acknowledges that:

- There were no deficiencies that arose which could adversely affect the agency’s ability to record, process, summarize, and report financial data;
- No material weaknesses in the agency’s internal controls were identified;
- Transactions have been properly reviewed and authorized prior to and during processing to ensure the proper delivery, receipt, and payment for goods/services; and
- Appropriations reflect accurate charges and all discrepancies identified have been corrected.

This form may be faxed to DOA to the attention of the agency’s State Accountant.

♦ To ensure accuracy in accounting reports and statements, reconciliations are to be performed at least annually, during the month of June, to determine agreement between the financial data keyed into the State’s financial management and accounting system and what is actually recorded on DOA reports. Reports are available through the use of DocumentDirect, a client-server product from Mobius.

Note: This reconciliation is to be performed in addition to the regular cyclical reconciliations performed in the normal course of an agency’s business operations and does not relieve agencies of any responsibilities for monitoring their ongoing activities or reporting any discrepancies throughout the course of the fiscal year.

♦ Responsible officers are required to certify they conducted an annual review of their agency’s financial management and accounting system Internal Controls Plan, and that the agency’s operations were analyzed to ensure compliance with the plan. This certification is included in the Letter of Representation that is submitted as part of the GAAP year-end package.

♦ The Director of Accounting is responsible for authorizing corrections to the accounts and records maintained by the Department of Technology and Information in the State’s financial management and accounting system. State agencies will make corrections using an (AP) Journal Voucher (JV) transaction. DOA is available to assist State agencies in achieving an accurate reconciliation, if needed.

Agencies should refer to Section 7.6.4 for more information about processing AP JVs.
2.2 SuperCard Internal Controls

State agencies’ written SuperCard Internal Controls policies and procedures must address the following topics:

- Tracking cardholders;
- Reporting and billing structure;
- Monitoring of program usage;
- Commodity blocking and spending limits; and
- Reconciliation of accounts.

Depending on the complexity and size of an agency’s program, internal controls may vary across different parts of an agency.

2.2.1 Tracking Cardholders

As part of the SuperCard Internal Controls Plan, state agencies must indicate their procedures for:

- Implementing and enrolling new cardholders;
- Handling changes to cardholders;
- Types of cards (purchasing, travel, or both);
- Deleting cardholders; and
- Cardholder security requirements.

An up-to-date list of authorized cardholders and their role in the program must be included. Additionally, procedures must be stated describing any actions to be taken for misuse of the card.

2.2.2 Reporting and Billing Structure

State agencies must indicate how they have set up their reporting and billing structure. For example, cardholders and accounts may be grouped together into various levels of reporting and billing, such as divisions, sections, etc.
Each hierarchy level receives a reporting package of active accounts. The package includes the Billing Statement representing that level’s transactions for a one-month period. Each individual account will also receive a Commercial Card Statement, if requested.

State agencies must describe how reporting and bill payment information will flow within the agency. Internal reporting and/or billing structures may be:

- Centralized through the department;
- Broken down into smaller decentralized control groups; and/or
- A combination of smaller control groups operating under a central management group.

Other combinations or hierarchy design may be possible within the program but must be fully described.

### 2.2.3 Monitoring of Program Usage

State agencies must indicate how program participants and usage are monitored. The reporting and billing structure work in conjunction with the monitoring of account usage.

Agencies need to describe the system used to authorize procurement and travel activity from the initiation of the credit card transaction through the final payment of the account balance to the credit card bank.

In addition to monitoring the usage of specific accounts, state agencies should describe the management of card usage throughout their various reporting groups. For example, an agency may decide to use purchasing or travel logs to document account codes; to reference Requisition (RQ), Purchase Order (PO), or Payment Voucher (PV) numbers; and to capture details about items being charged.

Although there may be various control practices in use, the following cardholder internal control options must be considered:

- Holding all cards centrally and distributing the card to the appropriate individual(s) with each approval to purchase a good or service on the purchasing profile of the card and/or book reservations with the travel profile of the card;
- Having authorized staff carry cards independently with suitable controls (e.g. lower spending and transaction limits, specific merchant category code blocking, requirements for retaining receipts, etc.);
Maintaining a central purchasing log for all cardholders; and/or

Requirement each cardholder to maintain an individual purchasing and/or travel log.

2.2.4 Commodity Blocking and Spending Limits

State agencies must indicate requirements for commodity code use and card spending limits. Agency internal controls may involve setting specific commodity code blocking and/or other spending limits on active accounts.

Single transaction and monthly spending limits may be set per cardholder/account, group of accounts, or for the entire agency. Merchant Commodity Code (MCC) blocking may be made more restrictive by Agency Coordinators; however, complications may occur if MCC blocking is too restrictive or not uniform across smaller inter-agency units.

2.2.5 Reconciliation of Accounts

State agencies must indicate procedures for account reconciliation. If a purchasing and/or travel log or other recording documentation is used, these documents must be included in the written internal control procedures.

For further information or questions about general or SuperCard Internal Controls, agencies should contact their State Accountant.

2.3 Audit and Compliance

State agencies and programs are subject to periodic audits of their activities to make sure they are in compliance with State law, regulatory requirements, and the agency’s own policies. These audits may be conducted by internal or external auditors.

Internal audits are management oriented. These audits gather information that is reported back to departmental and agency heads to assure these managers are in a position to make informed decisions. These audits can also detect areas in need of further internal controls; activities and practices that may require process changes to bring them into alignment with required policies; and opportunities for agencies to improve the way services are delivered.

External audits are oversight oriented. These independent audits contribute to the transparency and reliability of public sector financial reports. External auditors report to other branches and levels of government and to the public to assure effective legislative and public oversight of government activities.
Internal Controls processes must also be evaluated on a regular basis by internal or external parties to satisfy managers and elected officials that activity and system controls are adequately designed for their intended purposes, have been properly implemented, and continue to function. Regular audit and compliance checks enable the State to identify changes, modifications, and corrective measures needed for continued prudence in the management of public funds.

### 2.3.1 Documentation Requirements

Effective internal controls include proper documentation of all procedures, systems and processes for authorizing, executing and recording transactions. These transactions and processes must also be properly classified, organized, and formatted to create accurate and reliable records and reports.

Management uses financial and other data from various program activities and events to make the daily and long term decisions needed to effectively control operations. Transactional data must be promptly and accurately recorded, and all source documents must be preserved for audit purposes. Employees should contact their State Accountant with any questions about what documentation is required to support transactions.

### 2.3.2 Reporting Requirements

The accurate gathering of the State’s financial information and activities is required for the State to meet its annual reporting requirements. Each year, the State produces a Comprehensive Annual Financial Report (CAFR), based on Generally Accepted Accounting Principles (GAAP) standards and guidelines. GAAP establishes financial reporting criteria for state and local governments, so the governments’ financial performances can be reasonably compared to one another.

OMB and the DOF have identified the GAAP statements as presented in the CAFR to be the official record of the financial activities of the State.

### 2.3.3 Policy Maintenance Requirements

The Budget and Accounting Policy Manual is maintained by the OMB and by the DOF, through DOA.
2.3.4 Penalties

Failure to adhere to State policies and practices as outlined in the Delaware Budget and Accounting Policy Manual, or as disseminated from time to time by the DOA, may result in restricted or limited access to the State’s financial management and accounting system, disciplinary action, dismissal, and/or legal action.

2.4 Records Retention

Records retention requirements are established by the Delaware Public Archives (DPA), an office of the Department of State. The most current State Agency General Records Retention Schedule is available at [http://archives.delaware.gov](http://archives.delaware.gov). DPA has issued “Model Guidelines for Electronic Records” for use by all agencies in State and local government in Delaware. The purpose of these guidelines is to assist agencies to maintain records to meet the accepted standards for a variety of criteria, including ensuring that records are readily available, adequately protected, legally acceptable, auditable, and evidential.

DPA also establishes General Records Retention Schedules for electronic and paper-based records in an effort to ensure only necessary records are retained and records are retained for the proper time periods. **Agencies are responsible for adhering to all DPA records retention requirements.** Agencies should consult with DPA and DOA to determine specific record retention requirements as part of each agency’s Internal Controls Plan. DPA is also available to discuss agencies’ records storage requirements. For additional information about records retention schedules, agencies should refer to [http://archives.delaware.gov/govsvcs/general_records_retention_schedules/index.shtml#TopOfPage](http://archives.delaware.gov/govsvcs/general_records_retention_schedules/index.shtml#TopOfPage).

Documents supporting financial transactions must be retained until the completion of a successful audit. A successful audit is one in which all general, special, and federal findings and recommendations have been completely resolved. Financial reports must be retained for five years and until the completion of a successful audit.

Electronically processed transactions records are automatically stored in the State’s financial management and accounting system for reporting, auditing, and document retention purposes. Agencies remain responsible for maintaining any necessary documents and records for all manually processed transactions (where the hard copy signature for a transaction serves as the approval record), as well as any hard copy documents used to support processing for both electronic and manual transactions.

Agencies may elect to scan supporting documentation in the State’s financial management and accounting system to meet their document retention requirements. For further information on this record retention option, the agency should contact their State Accountant.
2.4.1 General

Certain documents are retained and reviewed to determine the accuracy of the State’s financial records, including the budgetary status reports received from DOA. These documents are also used by the DOF, OMB, and the Auditor of Accounts to determine the validity of financial data and the propriety of transactions. The methods and retention guidelines described in this Manual are the minimum requirements placed on agencies that generate financial documents for central processing.

Each agency is required to maintain transactional receipts and supporting documents in the manner established by the Director of OMB. All invoices, bills, statements, letters, vouchers, and other documents pertaining to receipts and disbursements must be systematically preserved by each agency. (29 Del. C. §6504) Agencies may electronically attach (scan) supporting documentation to transactions in the State’s financial management and accounting system, or agencies may maintain and file hardcopy (paper) documents for this purpose.

The Secretary of Finance is responsible for keeping a distinct account, under appropriate headings, of all:

- Receipts and expenditures of State monies;
- State property; and
- Debts and obligations due to and from the State.

For this purpose, the Secretary of Finance is granted free and unfettered access to all the books, papers, documents, and records of State agencies receiving or expending any State money. (29 Del. C. §6524)

Agencies may set higher standards or criteria for internal records retention and filing. However, any exceptions to this procedure must be approved by the Director of OMB.

2.4.2 Electronic Filing

All transactions, such as purchase orders and invoices, are filed and stored electronically. These electronic files must be maintained to show the budget on an individual appropriation basis. Any supporting paper documents may be scanned into the State’s financial management and accounting system electronically and attached to a specific transaction that reflect activity for a particular appropriation. These documents may not be commingled with any other appropriation.
2.4.3 External Construction Program Filing System

The following procedures are to be implemented to effectively manage and control the use of funds allocated to construction projects in state agencies. All paper documents pertaining to construction are to be kept separate and apart from all other General or Special Fund accounts. All projects within any given year’s program should have a separate, well-identified file.

A centrally located Construction File, external to the State’s financial management and accounting system, should be established to include, but not necessarily be limited to, the following:

1. Copy of authorizing legislation for construction and a copy of any supplemental legislation affecting construction programs.

2. Copy of major capital improvement planning budget, as approved by the Delaware Economic Development Office, the State Architect, and the General Assembly.

3. Construction plans and specifications for projects covered by the Architectural Accessibility Act (29 Del. C., c73) must be submitted to the State Architectural Accessibility Board for review and approval prior to the start of construction. Construction and renovation projects funded through the Capital Improvement Program, General Fund operational monies, or through bonds guaranteed in whole or in part by the State of Delaware fall within the purview of this Act.

4. Paper files and additional supporting documentation for each individual project to be retained include:

   a. Division of Facilities Management Review and Approval;

   b. Architectural Accessibility Board Review and Approval;

   c. Professional Services Contract;

   d. Legal Determinations;

   e. Construction Contract;

   f. Performance, Labor, and Material Bonds;

   g. Contractors’ Insurance Certificates are current by the expiration date, if a job is still in progress at such expiration date;

   h. Purchase Orders, Payment Vouchers, and Books of Account, including any Department of Technology and Information reports, ledgers, or any other type of accounts used and any significant backup;
i. Change Orders, including any significant backup;

j. Job Meeting Minutes of any board, commission, committee, etc., having to do with planning, approving, or authorizing use of construction monies, if such entities exist;

k. Correspondence Detailing Significant Project Activities;

l. Certificate (Substantial Completion) and Permits (Building, Occupancy), and plus County or Regulatory Agency Signoffs;

m. Release of Liens and Affidavit of Contractor’s Payment of Indebtedness;

n. Guarantees and Warranties;

o. Liquidated Damage Assessment;

p. Instructions to Bidders and Job Specifications;

q. Bidders’ Proposal;

r. Subcontractors’ Listing;

s. Letter of Award

t. Project-Related Shop Drawings;

u. Code or Specification Required Certificates, Reports, Permits, or Inspections (Concrete, Geotech, Steel, etc.); and

v. Special Reports (Engineering, Cost Analysis).

2.5 Security (General and Information Technology)

All state employees are required to abide by the State’s policies for the safeguarding of proprietary and personal information, and the Department of Technology and Information’s computer usage security policies. Employees are expected to safeguard and secure, and are prohibited from sharing, information, such as employee identification numbers, social security numbers, computer and software passwords, State credit card account and PIN numbers (e.g. fleet services card, SuperCard), building access badges, and other identifiers and access instruments distributed as State issued security measures. Any questions regarding this policy should be directed to http://dti.delaware.gov/default.shtml.
2.5.1 Electronic Approvals/Signature Policy

Delaware’s Uniform Electronic Transaction Act (UETA), (Title 6 Del. C. §12A) was enacted by the 140th General Assembly in July 2000 to provide the framework for the creation and validation of electronic signatures.

For the purposes of this policy, the term “governmental agencies” shall be used as defined in Delaware’s UETA. (Title 6 Del. C. §12A)

Electronic signatures shall be considered valid approval signatures for transactions processed in the State’s official accounting system of record for all governmental agencies provided that:

◆ The use of the State’s financial management and accounting system by all state governmental agencies and DOF constitutes an agreement to conduct business using electronic transactions and signatures.

◆ The electronic signature must be attributable to a specific individual. An electronic record or signature is attributable to an individual if it was the act of the individual. The act of an individual may be shown in any manner, including a showing of the efficacy of any security procedure applied to determine the individual to which the electronic record or electronic signature was attributable.

◆ In conformity with UETA as adopted by the State, information is considered provided, sent, or delivered, as the case may be, in an electronic record capable of retention by the recipient at the time of receipt. (6 Del. C. §12A-108(a)) If a sender inhibits the ability of a recipient to store or print an electronic record, the electronic record is not enforceable against the recipient. (6 Del. C. §12A-108(c))

◆ The agency maintains on file with DOA a current listing of those with electronic signatory/approval authority on behalf of the government agency.

◆ Each state governmental agency maintains and documents the system of internal controls in place within the governmental agency to guard against fraud, waste, misappropriation or misuse of State, federal, and custodial funds and assets, including explicit guidelines regarding approval authority.

◆ All electronic transactions evidenced in the system of record must be archived in compliance with State retention schedules and policies, as disseminated by DPA.

In all such cases where the electronic signature/approval requirements have been met, the electronic approval or signature attached to a transaction shall suffice to establish the electronic transaction as the transaction of record in the official accounting system of record for the state governmental agency.
This policy validates the use of electronic signatures for the processing of transactions that accept electronic approvals in the State’s financial management and accounting system and recognizes the legal authority of the electronic approval in lieu of a hardcopy signature.

Not all transactions are required to be processed electronically. DOF will identify the appropriate approval method for each transaction (electronic or manual).

Transactions that are manually approved external to the State’s financial management and accounting system will still require a hardcopy of the transaction with all designated signatures to remain on file for document retention and audit purposes. For transactions requiring manual (hardcopy) signatures, the signed hardcopy of the transaction will remain the legal authority and document of record for the transaction.

Additional security, restrictions, documentation, approvals, and retention requirements may be implemented at the agency level, but not to the extent they countermand or undermine the electronic approval process delineated in this policy.

Agencies should refer to 6 Del C. §12A for further information about the scope and applicability of Delaware’s UETA.

2.5.2 Approval Authority Policy

This policy sets accountability and control standards for the determination and delegation of review and approval authority for business transacted on behalf of the State. This policy is intended to ensure transactions are reviewed for completeness and accuracy and they conform to the State’s documentation and compliance standards.

Approval authority is delegated by the Secretary of Finance to DOA and to approving officials (Department Heads and other designees) at the state agencies to transact the State’s business.

The following guidelines and restrictions must be followed for all State transaction approvals:

- Only authorized approvers may transact the State’s business.

- Only authorized Department Heads may delegate approval authority for the review and approval of transactions in the State’s financial management and accounting system of record.

- Only employees designated by Department Heads are authorized to commit an agency to a purchase and the associated funding distribution(s). Approvals by authorized personnel certify the transaction conforms to State rules, regulation, and policy.
♦ A record of those with approval authority for state agencies must be on file (hardcopy or electronic) with the head of the appropriate state agency and with DOA. The listing of those with approval authority should be updated by individual agencies as needed and additionally reviewed at least once a year.

♦ Approvers authorized to transact business in the State’s financial management and accounting system acknowledge and agree they are accepting a public trust that includes the responsibility to:
   • Properly safeguard State assets;
   • Recognize and record all transactions;
   • Expend resources only for authorized purposes; and
   • Comply with legislation, rules, and regulations in the performance of their duties.

♦ Approvers are expected to use good judgment and professional standards in the performance of their duties.

♦ An individual may be authorized to input or submit transaction data into the State’s financial management and accounting system, but this in and of itself does not constitute approval authority.

For additional information or questions regarding this policy, agencies should refer to Chapter 6. Approvals.

Related Links:

• Transaction Threshold

• Transaction Approvals

• Use of Funds

• Fiduciary Responsibility

2.5.3 First State Financials (FSF) User Roles

A complete listing of First State Financials (FSF) User Roles can be found at the following link:  [http://extranet.fsf.state.de.us/documents/training/job_role_handbook.pdf](http://extranet.fsf.state.de.us/documents/training/job_role_handbook.pdf).
STATE OF DELAWARE
FSF Monthly Reconciliation Certification

| Organization Name: ___________________________ | Date: ___________________________
| Organization DDS#(s): ___________________________

We acknowledge our responsibility to identify and correct transactions that are outstanding in FSF. As such, I certify to the best of my knowledge and belief, that for the time period of _______ through _______, we have reconciled our budgetary reports to the actual reports to determine if transactions have been properly processed, reviewed, and authorized. To that effect, we certify that:

- There were no deficiencies that arose which could adversely affect this organization's ability to record, process, summarize and report financial data;
- We have identified no material weakness in internal controls;
- The transactions have been properly reviewed and authorized prior to processing to ensure the proper delivery and receipt of goods/services;
- Appropriations reflect accurate charges and all discrepancies identified have been corrected.

This certification includes review and reconciliation within each of the FSF Modules:

- [ ] Accounts Payable
- [ ] Purchase Orders and Requisitions
- [ ] Accounts Receivable/Billing
- [ ] Grants
- [ ] PCard
- [ ] PFA

☐ I certify FSF Monthly Reconciliation is complete with no exceptions.

OR

☐ I certify FSF Monthly Reconciliation is complete with exceptions as noted in the attached Monthly Reconciliation Exception Report.

(Certifier’s Signature) ___________________________ (Certifier’s Printed Name and Title) ___________________________ (Date) ___________________________

Signatures must be actual signatures, not stamped. This Certification is to be submitted within 15 days of the end of the Month being certified.

FAX completed form to DOA 302-736-7937

08/05/11
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Chapter 12 – Procurement Card

12.1 Program Summary

The State of Delaware through Division of Accounting (DOA) has contracted with JPMorgan Chase (JPMC) Bank to provide state agencies with a VISA card program for procurement and/or travel purchases. This program is called the Procurement Card (PCard) Program; one card operating with both purchasing and/or travel options. JPMC’s online card administration software (PaymentNet) allows the management of the PCard program via the Internet at the state level.

The State of Delaware is liable for the use of the PCard. Only state employees are eligible for participation in the PCard program. State employees are defined as individuals who receive a paycheck through the PHRST system, and who are paid directly by state agencies.

State employees, with appropriate approvals from their agency, can obtain a card without a personal credit history check. Employees can enroll by completing one form, and transactions can be made with one card number, allowing for better control.

For more detailed information on PCard procedures, agencies should contact the Division of Accounting PCard Team.

12.1.1 Advantages of the PCard Program

a. For General Purposes, the Card provides:

1. A reduction in the number of checks issued, resulting in significant time and cost efficiencies.

2. Card management via the Internet in real time.
   - Employee, coordinators, and managers can view updated employee card information.
   - Coordinators and managers have access to numerous reports.

3. Simplification of the reconciliation process.

4. Faster payment to merchants.

5. Zero liability for lost and stolen cards (with timely bank notification).
6. The Visa Liability Waiver Program protects against eligible losses that might be incurred through card misuse – charges may be:

- Billed up to 75 days before notification of termination,
- Incurred but unbilled as a notification of termination, and
- Incurred up to 14 days after notification of termination.

b. For travel, the card provides:

1. Secure trip registrations, lodging, and avoidance of possible late charges.
2. Pre-trip assistance with information such as weather reports and health precautions.
3. Ease and convenience of use during travel.
4. A reduction in the need for travel advance.
5. Traveler benefits include:

- Primary coverage auto rental insurance.
- Travel and Emergency Assistance Services.
- Travel Accident Insurance – The cardholder is automatically insured against accidental loss of life, limb, sight, speech, or hearing while riding as a passenger in, entering, or exiting any licensed common carrier.

   i. For more information click the link to review the Statewide Contract for Nationwide Vehicle Rental Services GSS13694-VEH_RENTAL


- Baggage insurance – The cardholder is automatically insured.

6. A process for streamlining employee reconciliation and reimbursement (one card, one billing statement).
c. For purchasing, the card provides:

1. Timely payment at point of sale of goods and services.
2. Reduction of internal paper flow (less invoices received, and less payment vouchers issued).
3. Enhanced efficiencies including billing, payment, and ex-post procurement audit activities.
4. Rebate eligibility for timely payment.
5. Improved cash management practices.

12.1.2 General Usage

a. General – Regardless of the reason or type of purchase, all PCard receipts must be kept for reconciliation purposes.

b. Travel – See Chapter 11 – Travel Policy

1. The PCard should be used for all common carriers (airlines, rail, or bus), car rental, lodging tax, and for any authorized miscellaneous expenses.
2. For meals (food, beverage, tax, and tips) while traveling out-of-state.
3. The PCard may be used for out-of-state gasoline purchases, if the traveler is in a location where the Fleet Services fuel access card cannot be used.
4. The PCard may be used to pay for meals for several employees while traveling within the same agency.
5. The PCard has no Single Transaction Limit (STL) for travel related expenses. The STL is the maximum dollar limit for a single transaction.

c. Purchases – The PCard enhances payment options, reduces administrative costs, and assists the State in negotiating better prices for goods and services. All PCard transactions must comply with accounting procedures and state laws governing purchases.

1. Purchases of $5,000 or less
   - The PCard can be used as Direct Payment for all fund types.
• The PCard generally has a Single Transaction Limit of $5,000 for purchases, but an “Open” Profile with no STL is available when requested and authorized by the agency.

2. Purchase over $5,000

• The PCard must be set to an “Open” Profile for these purchases (no STL).

• All current procurement and accounting procedures remain in effect for purchases over $5,000. Funds must be encumbered, and purchase orders are required for all general fund purchases.

• Purchases utilizing federal and local school funds over $5,000 can be made with the PCard, without encumbering funds on a purchase order.

12.1.3 Who Should Have a PCard?

PCards may only be issued to state employees. The evidence of a PHRST 6-digit Employee ID is required and is audited during Enrollment. Agencies can request cards for those individuals who have a reasonable need (i.e. individuals who travel on official state business, and/or individuals who make official state purchases).

The number of individuals who make official purchases should be kept to a minimum as dictated by agency requirements and in accordance with each agency’s internal control policy. Segregation of duties standards for PCard usage must be strictly enforced.

12.2 PCard Administration

The PCard is administered and maintained by the use of PaymentNet, a web-based application that provides on-line, real-time card administration.

PaymentNet provides control over PCard spending. With PaymentNet, DOA, under the guidance of the agency, can control the funds available on a card, the amount that can be spent in a single transaction, or in a single day, and the types of merchants where individual employees can purchase goods and/or services. These controls enable the agency to greatly reduce liability, while providing employees the spending power they require.

Because transaction information is posted to the State’s financial management and accounting system daily, transactions can be quickly reconciled as the receipts and invoices are presented, rather than waiting until the end of the billing cycle.
12.2.1 Steps for Enrollment

a. Agencies may enroll in the PCard Program by contacting the State PCard Administrator in DOA.

b. To designate the agency PaymentNet Coordinator, Back-up Coordinator, and FSF Coordinator, the State of Delaware PCard Enrollment Request form, provided by DOA, must be completed for each individual and signed by the agency’s Business Manager, or other designated approving official.

c. DOA reviews the Internal Controls procedures and, when approved, signs and dates the approved document. A copy is returned to the agency.

12.2.2 PCard Program Management

a. The State of Delaware PCard Enrollment Request form is administered by DOA to promote accountability and to ensure adherence to policies and procedures. The signed PCard Request forms are subject to review and must be kept on file for 25 months after completion and entry into PaymentNet. Agencies may hold these forms on site or contact Delaware Public Archives for long-term storage requirements. This form is available with the other FSF forms at the following link: http://extranet.fsf.state.de.us/forms.shtml.

b. Cardholders are assigned to profiles in PaymentNet. Profile types may be assigned at the discretion of the agency’s PaymentNet Coordinator.

c. Agencies must review quarterly (at a minimum). The review is documented and signed by the PaymentNet Coordinator or the Back-up Coordinator.

12.2.3 Reports

a. The PaymentNet Internet site (www6.paymentnet.com) offers secure reporting to cardholders and their managers. The use of the site is highly recommended and is a valuable Internal Controls tool.

b. A printed Commercial Card Statement reflecting all cardholder transactions is furnished on a monthly basis to the cardholder’s agency. Cardholders may view and download their personal Commercial Card Statement (with system access granted by the agency).
c. Managers may view and download a variety of merchant, cardholder, transaction, and administration reports to monitor and analyze program participation. The following are examples of how the standard reports can assist the user:

1. Transaction Reporting:

   - **Transaction Detail with Account Codes and Notes** lists all transactions by cardholder, including merchant name, transaction and post dates, transaction amount, and transaction notes.

   - **Transaction Detail** reporting provides detailed transaction information delineated by each cardholder. It is used to reconcile accounts at the end of an accounting period.

2. Cardholder/Account Information Reports:

   - **Cardholder Listing by Hierarchy** is used to monitor the number and status of accounts in each cost center.

   - **Available Limit by Low Available Balance** is used to monitor cardholders nearing available credit limits and to determine if credit lines are sufficient.

   - **Cardholder Status Report** is used to identify account limits and account status (i.e., Closed, Not Activated, Active, etc.)

3. Administration Reports:

   - **Unusual Activity Analysis** enables PCard Administrators to monitor unusual transaction activity and to determine if the transactions are business-related.

4. Merchant Reports:

   - **Summary Quarterly Vendor Analysis** summarizes the total number of transactions and dollar amounts spent per quarter with each merchant, and subtotals are provided for each merchant category.

   - **Merchant Ranking** identifies the merchants where the accounts are being used and the dollar amounts spent per merchant and can be used for negotiations.

   - **Transaction Detail by Merchant** lists transactions and amounts spent per merchant.
Ad hoc reporting is available for all users with virtually no lead time. These online demand reports may be saved within the user’s own separate login and may be run at any time. PaymentNet Coordinators may limit access to reports based on cardholders’ security privileges.

12.3 Authorized Credit Card Use

12.3.1 Cardholder Responsibilities

a. The PCard is embossed with the cardholder’s name and must only be used by the cardholder. The cardholder is responsible for all charges to the card. No other person is authorized to use the card, except in an emergency situation. For example, a cardholder may have someone else make travel arrangements on their behalf (i.e., airline tickets, rental car, or hotel stays). Agencies should refer to Chapter 11 – Travel Policy for more information regarding combining expenses on a PCard.

1. Travel and hotel reservations MUST be booked on the traveler’s card. Insurance coverage on VISA for traveling ONLY applies to the cardholder. If luggage is lost, stolen, or misplaced, the traveler is responsible for all liability. The traveler is also responsible for tickets, if they were charged against someone else’s card account.

2. All items purchased "in person, over the counter" must be immediately available at time of credit card use. The PCard shall not be charged for merchandise that must be back ordered for later delivery.

3. Agencies must monitor the dollar value, the number of transactions, and all other card activity on a regular basis.

4. Spending limits established for an individual PCard must be adhered to by the Cardholder.

b. The PCard may be used only by authorized State employees and must not be used for personal or unauthorized purposes, in accordance with Delaware Code Title 29 Del C. §5112 including:

1. Personal identification.

2. To purchase alcoholic beverages or any substance, material, or service in violation of policy, law, or regulation.

3. Meals, travel, entertainment within the State of Delaware, or any expense not authorized for State business.
Note: The PCard may not be used to charge expenses for family members or others who may be accompanying the employee on official State business, even if the intention is to reimburse the State. Failure to adhere to this policy may result in disciplinary action and/or dismissal.

4. Personal telephone calls/monthly service.

5. Use of card or card number by someone other than the cardholder, except in emergencies as described above, or in Chapter 11 – Travel Policy.

6. Splitting of a purchase into multiple charges under $5,000 to circumvent the limitations of the State Procurement Code.

7. Combining charges from several cards to circumvent the purchase limit assigned to either cardholders or limitations of the Delaware Code, State Accounting Policy, or an Agency’s requirements.

c. A cardholder who intentionally makes unauthorized purchases or accidentally (carelessly) uses the PCard is liable for the total dollar amount of such unauthorized purchases, plus any administrative fees charged by JPMC Bank in connection with the misuse. The cardholder is also subject to disciplinary action (including dismissal) and possible criminal action for intentionally making unauthorized purchases.

12.3.2 Agency Responsibilities

a. Agencies may place more stringent restrictions on card use.

b. Agencies must submit Change Requests by 2:00 PM daily to allow for real-time impact on card maintenance.

c. Disputed transactions must be submitted to Division of Accounting PCard Team for processing.

d. Billing statement transactions must be reconciled in a timely manner, so as not to invoke the Escalation process.

e. Receipts, logs, and invoices must be maintained for audit purposes.

f. Agencies must ensure that all cardholders understand the Budget and Accounting Manual before releasing the card.
12.4 Record Keeping and Billing

12.4.1 Cardholder Responsibilities

a. Whenever a credit card transaction is made, either over the counter or by telephone, documentation must be retained as proof of purchase (e.g. receipts or packing slips) and provided within seven days to the agency’s Reconciler. For travel, Budget and Accounting Policy requires a State of Delaware Personal Expense Reimbursement Form to “be submitted to the appropriate agency authority within seven work days after the completion of travel” along with any required receipts. This action is required in order to document the expenses of the trip, even if no money is owed to the employee.

NOTE: Federal Tax Regulations specify that if an individual does not provide receipts within 120 days of an expense, the expense must be treated as income for the employee and taxed.

b. At the end of each billing cycle, a monthly Commercial Card Statement of Account is sent to each cardholder by JPMC Bank. Itemized receipts should be attached to the monthly bill and kept until an internal audit is completed.

12.4.2 Billing

a. JPMC Bank submits a monthly billing invoice the day after the close of the billing cycle (the Statement Date) into the State’s financial management and accounting system for payment of all charges made against the PCards. DOA pays the JPMC Bank statement within five calendar days from the Statement Date.

b. State agencies process PCard transactions daily in FSF to reimburse DOA for funds used to pay JPMC Bank.

c. Each transaction made on a PCard requires the assignment of a chartfield string or the designation to a specific purchase order and category code.

d. Agencies are required to reconcile and approve the daily transactions in the State’s financial management system against the Cardholder receipts, within 30 days of each billing date.

e. Agencies may need or choose to set aside funds through the use of purchase orders to encumber the charges reflected in the State’s financial management and accounting system. PO numbers for purchases exceeding $5,000 are required for transactional details within the State’s financial management and accounting system. When using the purchase order details, all the chartfield requirements and category codes default into the specified fields.
f. DOA monitors the billing process to ensure timely compliance, using an escalation process. However, if agencies do not comply with timely payment and reconciliation of PCard transactions in the State’s financial management and accounting system, then card usage may be revoked.

12.4.3 Escalation Timeline

PURPOSE: DOA pays the JPMC Bank Statement within five calendar days of the Statement End Date. State agencies process PCard transactions in the State’s accounting system to reimburse DOA for funds used to pay JPMC Bank. Agencies are required to reconcile and approve the PCard transactions with the cardholder receipts/invoices/packing slips or logs within 30 days of each billing end date.

DOA closely monitors the billing process and the PCard transactions to ensure timely compliance, using an escalation process. The responsibility is as follows:

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<th>ESCALATION TIMELINE</th>
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<td>Days from end of monthly billing cycle</td>
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<tr>
<td>Call/email of Deputy of DIRECTOR of Finance From DOA Director</td>
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12.5 Disputed Transactions

If items purchased by the PCard are found to be faulty or in error, the cardholder is responsible for attempting to resolve the issue with the merchant as soon as possible. If the merchant has not replaced or corrected the item by the date the cardholder receives the transaction in the State’s financial management and accounting system, the purchase of that item will be in dispute. Cardholders should contact their PaymentNet Coordinator for assistance in resolving disputed items with the merchant.

12.5.1 Cardholder Responsibilities

a. Cardholders can dispute any charges in question. In most cases, merchants are responsible for fraudulent purchases and should be the first point of contact for resolution.
b. If a particular transaction is disputed, the employee has 60 days from the end of the billing cycle to notify JPMC, and JPMC will assist the employee in attempting to obtain reimbursement from the merchant.

**Note:** Notification through the Change Request form to DOA is required for all billing errors and disputed items. A phone call alone will not preserve a cardholder’s rights.

c. Merchants are required to comply with Visa regulations and may be subject to charge-backs for noncompliance.

### 12.5.2 Coordinator/Reconciler Responsibilities

a. If a disputed transaction is not resolved with the merchant, the disputed item must be reported to DOA on the Change Request form, and the transaction is “flagged” as disputed in FSF.

b. The Agency’s Reconcilers ensure transactions are reconciled, and disputes and credits are handled in a timely manner.

### 12.5.3 Division of Accounting Responsibilities

a. DOA submits a Change Request for the disputed items into PaymentNet and populates the necessary information regarding the dispute. The dispute notification is automatically emailed to the JPMC dispute resolution department.

**NOTE:** Notification by DOA on a Change Request form is required for all billing errors and disputed items. A phone call or adjusting the transaction in the State’s financial management and accounting system alone will not preserve a cardholder’s rights.

b. DOA verifies the dispute and accompanying credit are received for reconciliation and audit purposes.

c. DOA monitors the progress of the disputed item(s) until resolved.

d. DOA reports and escalates any disputed items greater than 100 days old for a formal dispute process via JPMC.

e. DOA assists agencies to resolve the disputed item in a timely manner, as needed.
12.6 Card Security

12.6.1 Cardholder Responsibilities

The cardholder must:

a. Safeguard the PCard and account number.

b. Ensure the card is **only** for legitimate business purposes.

c. Maintain the card in a secure location at all times.

d. Adhere to the purchase limits and restrictions of the card.

e. Obtain all sales slips, register receipts, purchasing card slips, and/or packing slips and provide the same to the agency PCard Reconciler **within seven (7) business days of the transaction or completion of travel.**

f. Not accept payment by cash or check for returned items in lieu of a credit transaction to the PCard account.

g. Not allow anyone other than the Cardholder to use the PCard, the account number, except as noted under “Authorized Credit Card Use” in Section C, above.

**Note:** Unauthorized use of the card may result in the withdrawal of the card, disciplinary action, and/or dismissal.

12.6.2 Agency Responsibilities

Agencies must:

a. Appoint and monitor activities of all PCard personnel.

b. Actively develop and follow Internal Controls procedures.

c. Keep cards secure. Any cards not used on a frequent basis should be categorized with a “Null” Profile in PaymentNet, until needed.

d. Monitor activity, reconcile, approve, and allocate transactions for the agency’s individual cardholders.

e. Reconcile card activity on a regular basis and in a timely manner.
Note: If no activity occurs over 18 consecutive months, JPMC purges the card account from their system, and the card account is closed in PaymentNet.

12.6.3 Lost or Stolen Cards

In the event of a lost or stolen card:

a. The Cardholder must immediately notify JPMC Bank at 1-800-270-7760, and advise the representative that the call pertains to a State of Delaware Visa Purchasing Card. JPMC Bank will immediately deactivate the card. Bank representatives are available 24 hours a day, 7 days a week.

b. The cardholder must notify the agency PaymentNet Coordinator, Back-up Coordinator, or other approving official immediately during business hours or as soon as practical during non-business hours.

   JPMC automatically issues a replacement card, which is delivered for pick-up within five to seven business days.

c. A previously reported lost card that is subsequently found must be returned to the agency PaymentNet Coordinator, who will document and destroy the card.

12.6.4 Cardholder Separation/Transfer

a. Employees separating from state employment must surrender the PCard and all receipts to the agency’s appropriate PCard personnel, or other approving official prior to separation from state employment. Upon notification of employee separation, the agency PCard personnel must issue a Change Request form to DOA. DOA immediately closes the card account.

b. Employees transferring to another state agency, including transfers to a different section (Internal Program Unit) within an agency, must have their account closed, their log-on deactivated, and the card collected and destroyed. The gaining agency will request a new card, if needed. This process allows cards to be uniquely identifiable to the employee and the agency, and allows the billing statement and the State’s financial management and accounting system to properly reflect the purchasing activities of each agency, proxies, and default distribution.
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Chapter 7 – Purchasing and Disbursements

7.1 General Information

The State uses an encumbrance accounting system to provide information on the actual extent of the State's obligations (encumbrances) and to guard against over-committing available funds. All General Fund and Special Funds under the control of the State Treasurer are subject to this encumbrance accounting system.

All financial obligations of each agency are reviewed and recorded by the Secretary of Finance and DOA when they are incurred (29 Del. C. §6523), through the issuance of Purchase Orders (POs) and the recording of Direct Claims. Agencies may not enter into any agreement or contract, or incur any expenses, which will result in an obligation in excess of the agency's budgetary appropriations (29 Del. C. §6519(a)).

7.2 Obligating Funds

Agencies may only obligate available funds, and correct amounts must be charged at the time of the issuance of a PO or a Direct Claim payment. The agency is responsible for verifying that funds are in the proper account before obligating or expending funds. If the funds are not in the proper account, the transaction should not be processed or submitted to the DOA.

An agency may not create any indebtedness or incur any obligation for personal services, work, labor, property, materials, or supplies, except by properly executed and approved requisitions or purchase orders, unless specifically exempted in the Manual and bearing the approval or approvals as prescribed by the Manual (29 Del. C. §6512(a)). Any obligations incurred in any other manner will not be considered an obligation of the State.

Requisitions, POs, and Direct Claims are initiated at the agency. After receiving all required agency approvals, agencies must determine if the purchase is subject to any special approvals.

All Requisitions, POs, and Direct Claims greater than $5,000 require DOA review and approval for processing in FSF. For more information on standard and special approval requirements for transactions, agencies should refer to Chapter 6 – Approvals.

If no special approvals are required to process the transaction, and the purchase is for $5,000 or less, the Requisition, PO, or Direct Claim is processed in the FSF system with only agency approvals required.
If special approvals are required to process the purchase transaction, and the purchase is greater than $5,000, the Requisition, PO, or Direct Claim is to be forwarded for the needed additional special approvals before it is submitted to DOA for review and special processing.

### 7.2.1 Federal and Local School District Fund Purchases

Agencies have the option of using POs to encumber available federal funds or local school district funds. **Federal and local school district funds used for the purchase of capital assets must be encumbered.**

Agency purchases over $5,000 made using both General Fund and federal or local school district funds must use a PO to satisfy General Fund purchase requirements. The State Application Identifier (SAI) number must be referenced on all POs used to encumber federal funds.

For additional transaction information relating to Grants, agencies should refer to Chapter 10 – Grants Management.

### 7.2.2 Prohibitions

No General Funds may be expended for purposes such as gratuities, greeting cards, flowers, and tickets to athletic events, when unrelated to an agency's function. The only exceptions to this policy are for employee recognition programs (29 Del. C. §6505(c)).

No funds may be expended for parking tickets and other traffic violations (29 Del. C. §6505(c)).

State officials and employees may not sign or approve any blank Requisitions or POs (29 Del. C. §6512(c)).

### 7.3 Direct Claims

Certain purchases may be made as Direct Claims, without the use of POs. Direct Claim purchases are subject to all of the State's purchasing and procurement policies, protocols, and guidelines, and all transactions require proper approvals for processing. While agencies are encouraged to encumber funds, the following transaction types do not require a formal encumbrance of funds as a prerequisite to affecting a purchase or processing payment documents:

1. All expenditures not exceeding $5,000
2. Salaries
3. Other Employment Costs – Employer's/Employee’s share
4. Employee group benefit plan expenditures approved by the General Assembly, inclusive of non-payroll groups
5. Grants-in-Aid expenditures, as per annual Grants-in-Aid legislation (Annual Bill passed by General Assembly)
6. Revenue refunds
7. Welfare and Assistance grants
8. School district payments out of local funds (not including the purchase of capital assets)
9. Debt service
10. Bond sale expenses
11. Jury Duty and witness fees
12. Investigation Funds (DSHS)
13. Court-appointed attorney’s legal fees
14. Court-mandated legal settlement
15. Budget Commission Contingency Fund expenditures
16. Expenses that are an obligation of the agency, wherein the agency cannot directly control the timing and amount of the expenditures
17. Reimbursement to parents (Parent visits child placed in out-of-state facility)
18. Student private placement expenses, including tuition and transportation
19. Private carrier school transportation
20. Client placement expenses
21. Examinations & Premium Tax Evaluations
22. Federal funds expenditures
23. Payments to institution inmates and patients
24. Funeral service payments
25. Freight
26. Books purchased for resale
27. Reimbursement of carriers and self-insurers from the Industrial Accident Board Second Injury and Contingency Fund
28. Hospital and medical costs incurred under the Migrant Worker Program
29. Late payment charges (29 Del. C. §6516(d))
30. Patient trust funds
31. State Employee Pension Fund Investments (OMB)
32. Blue Collar Dollar (DOL)
33. Home Health Agency expenditures (DHSS)
34. Right-of-way expenditures
35. Library standards' payments (DOS)
36. School bus contractors' payments (Schools)
37. Monthly tourism convention payments (DOR)
38. DNREC Underground Storage Tank Amnesty Program
39. Bureau of Museums' purchases at auction
40. Legal Contingency Fund payments (OMB)
41. Foster Care Board and Adoption Assistance payments
42. DTI – telephone bill for state agencies (ASF)
43. OMB's GSS and DTI – replenishment for postage meter (ASF)
44. DOA PCard payment (NSF)
7.4 Transaction Processing Requirements

Each agency is responsible for processing their transactions and documents:

- in a timely manner;
- in proper sequence; and
- in accordance with established procedures.

**POs may not be presented simultaneously with payment vouchers.** "After-the-Fact" POs will not be accepted, unless accompanied by an After-the-Fact Waiver Request form. The form can be accessed by clicking the link below.

http://budget.delaware.gov/forms.shtml

7.4.1 Waivers

Ordinarily, the Secretary of Finance will not approve transactions where either the documentation or the transactions reflected therein are not in accordance with the law, the accounting Manual, or DOA memoranda. Under extraordinary circumstances, the Secretary of Finance may waive compliance and approve the transactions.

To secure a waiver of procedures, an agency head (cabinet secretary or equivalent) must receive prior approval from the OMB Director, and the Secretary of Finance. The waiver request should include:

- the reason(s) the accounting procedures should be waived; **or**
- the cause for the failure to adhere to normal accounting procedures; **and**
- a showing that the best interests of the State will be served by a waiver of the procedures.

In the event the waiver request is **approved**, a copy of the request and the approval must be forwarded by the Secretary of Finance to the Auditor of Accounts and the Attorney General.

In the event the waiver request is **not approved**, the Secretary of Finance, through DOA, must report in writing to the General Assembly, the Attorney General, the OMB Director, *(29 Del. C. §8304(4))* , and the Auditor of Accounts.

7.4.2 Emergency Purchases
From time to time, agencies may face emergency situations, in which goods or services must be acquired immediately. In these cases of emergency, agencies may need to bypass normal purchasing processes and approval requirements. In instances where emergency purchases have been made, invoices received from the vendor will be processed in the same manner as for regular encumbrances.

For emergency purchases, agencies will need to complete an Emergency Purchase Justification Form (KK004) and retain it in its files. This form will include a brief explanation of the emergency, a short description of the goods and services to be purchased, and space for the cabinet secretary/agency head to sign in approval. The actual financial transaction must be entered by the agency into the financial accounting and management system as a direct claim voucher or as a purchase order. In either case, the description is to include the word “EMERGENCY.” For purchases that must be made immediately, a direct claim payment voucher must be prepared. In cases where the purchase must be made over an extended period of time, a purchase order must be prepared. The processing of direct claim vouchers and purchase orders go through the normal steps required.

For an electronic copy of the Emergency Purchase Justification Form, agencies should refer to [http://extranet.fsf.state.de.us/forms.shtml](http://extranet.fsf.state.de.us/forms.shtml).

All emergency purchases and POs will be periodically reviewed by DOA to determine the kinds of emergencies encountered. All agencies are expected to limit the use of this procedure to bona fide emergency situations, and to comply with the State's procurement provisions as set forth in [29 Del. C., Chapter 69](http://extranet.fsf.state.de.us/forms.shtml).

### 7.5 Requisitions, Purchase Orders, and Change Orders

Requisitions and POs require review and approval in the FSF system to create an encumbrance. All proposed purchases over $5,000 require DOA review and approval in addition to any agency level approvals. For a complete list of approval requirements, agencies should refer to [Chapter 6 – Approvals](http://extranet.fsf.state.de.us/forms.shtml).

The Secretary of Finance, through DOA, reviews transactions to determine that:

- the request is authorized by law;
- the request is properly coded;
- the procedures set forth in the Budget and Accounting Policy Manual and the Delaware Code have been followed;
- funds are available to the department; and
- all authorized approvals have been granted.

If all these conditions are met, the transaction will be approved and the necessary funds will be encumbered. If the proposed purchase is not approved, it will be returned to the originator with an explanation.
Only approved POs and Change Orders may be dispatched to vendors. Agencies are responsible for dispatching approved POs and Change Orders to vendors.

### 7.5.1 Requisitions

A requisition creates a pre-encumbrance in the accounting system; not a formal obligation of funds. After a requisition is approved, FSF will create an approved PO (a formal encumbrance), usually through overnight batch processing. Agencies also have the option to manually source an approved requisition to a PO, if the agency does not wish to wait for the nightly process.

The DOA recommends agencies use the requisition processes in the FSF system whenever possible. Some of the advantages include a more complete audit trail, the ability to use the Requisition Lifeline functionality to check the status of purchases and more robust approvals workflow capabilities.

Agencies may encumber for purchases using either the requisition or the PO functionalities of FSF. The purchases of capital assets are recommended to begin as requisitions.

### 7.5.2 Regular Purchase Orders

All General and Special Funds POs must be issued to specific vendors, unless exceptions are granted by OMB. See Section 7.5.3 – Open Order POs, below for more information.

All POs must include a vendor identification number (VIN). A list of identification numbers for approved vendors is maintained by DOA. For instructions on how to make changes to vendor information, see the State of Delaware Substitute Form W-9 at [http://w9.accounting.delaware.gov/W9Form.aspx](http://w9.accounting.delaware.gov/W9Form.aspx). To add a new vendor to the State's list of approved vendors, see the GSS website at [http://gss.omb.delaware.gov/contracting/index.shtml](http://gss.omb.delaware.gov/contracting/index.shtml).

**NOTE:** If a PO is supported by a contract, the contract number must be listed on the PO or Direct Claim voucher.

### 7.5.3 Open Order Purchase Orders

Occasionally, agencies may wish to encumber funds for a purchase without designating a specific vendor. These non-specific vendor POs are called Open Order POs.
All requests to establish Open Order POs require concurrent approvals from the OMB Director, and the Secretary of Finance. After the Open Order PO has been approved, purchases are governed by normal purchasing procedures.

**NOTE:** Special approvals are only required when agencies establish an Open Order PO. Regular processing is used to spend against the encumbrance, after it is approved, and to process all payment vouchers.

School districts are permitted to establish Open Order purchase orders for school bus contractors without prior approval(s) from OMB. These POs still require DOA approval if the amount is greater than $5000.

### 7.5.4 Next Fiscal Year POs – School Districts

As previously noted, agencies may not enter into any contracts or agreements, or incur any expenses, which will result in an obligation in excess of an agency's appropriation (29 Del. C. §6519(a)). Since each year's appropriation is not effective until July 1, this requirement prohibits the issuance of POs for the next fiscal year, until July 1 of each year.

An exception to this policy is made for school districts to allow the schools to obligate school supplies for the following school year with the provision that the obligation(s) shall not be due and payable until after July 1 (29 Del. C. §6519(b)). School districts may obligate funds on Next Fiscal Year POs beginning on March 1.

### 7.5.5 Fiscal Year Considerations for Purchase Orders

Agencies should encumber funds for year-end by specific vendor using the best estimates available. At year end, certain encumbrances may be carried over to the next fiscal year, while other encumbrances will revert back to the General Fund.

#### 7.5.5.1 General Fund Purchase Orders & Reversions

Outstanding General Fund encumbrances that carry-over into the next fiscal year are referred to as Type 04 POs (excess amounts encumbered for a vendor). Type 04 POs are automatically reverted on June 30, the last day of the fiscal year, into which the Type 04 PO was carried-over. Appropriations designated by the General Assembly as continuing are exceptions to this policy.

To pay an outstanding balance with a vendor after the encumbered funds have been reverted, agencies must either request from OMB a transfer of funds from the Prior Year Obligations Fund, or a new PO must be issued for the vendor. This new PO will be encumbered against the new fiscal year appropriation.
7.5.5.2 Special Fund Purchase Orders & Reversions

Special Fund POs (Type 20, 40, and 50) will routinely be carried in FSF for up to two years. At the end of the second fiscal year, the system will verify any activity during the preceding 12 months:

- If there has been activity associated with the PO, such as a Change Order or payment, the PO will continue as is.

- If there has not been any activity associated with the PO, the open amount of the PO will be decreased to $0, and the funds will become unencumbered available funds.

Type 30 Special Fund POs will always be decreased to $0 after two years, whether or not there is any activity. For more information about Special Fund reversions, contact a state accountant.

7.5.5.3 Contingency Fund

Agencies may request a transfer from the Prior Year Obligations Fund, in the event a year-end liability exists for a vendor that was not anticipated, and therefore, a specific PO was not prepared. Requests should be directed to the OMB Director.

7.5.6 Change Orders

All adjustments to encumbrances, where the aggregate total is $5,000 or greater, (approved POs) must be initiated by agencies using a Change Order transaction, and submitted to DOA. Change Orders are to be used for all adjustments (increases or decreases) to both regular and Open Order POs.

The same approvals required to approve the original encumbrance are necessary to adjust the PO. However, when a modified PO amount exceeds a higher dollar threshold (e.g. $5,000), additional approvals are required.

**NOTE: Only dispatched POs may be altered with a Change Order.** If an approved PO has not been dispatched, the agency should modify and process the PO through FSF workflow for a PO approval.

If a specific PO is cancelled, the agency will notify the vendor in writing.
7.5.7 Purchases of Capital Assets

Requisitions are recommended to be initiated in the finance and accounting system for purchases of capital assets. Agencies should enter asset category information into the system prior to the purchase of the asset. After the capital asset has been purchased, FSF will forward the transaction information to DOA's centralized Asset Management staff for further processing.

Agency personnel are responsible for entering product information into FSF upon receipt of goods (e.g. model number, identifying information, etc.).

Agencies should contact DOA's Asset Management staff for assistance, if required. Additional information about the State's Asset Management requirements can be found in Chapter 13 – Asset Management.

7.5.8 Credit Cards

Agencies and school districts may not use credit cards registered in the name of the agency, school district, or State to create an obligation of the State, except as specifically and duly authorized on an annual basis by the Secretary of Finance. Only oil company, telephone, or contract credit cards may be authorized for such purposes, and the use of such credit cards is subject to all policies and procedures established by the Secretary of Finance (29 Del. C. §6505(e)).

An approval for a credit card is only good for one fiscal year. Agencies must renew all credit card approvals at the start of each fiscal year in order to continue to use the card(s). For more information about state-authorized credit card use, agencies should refer to Chapter 12 – PCard.

7.6 Disbursements

The Secretary of Finance is responsible for safeguarding and systemizing the expenditure of state funds. State monies may only be expended to carry out the functions of State agencies. The OMB Director is responsible for directing agencies in the manner and method in which forms of indebtedness are presented, including salaries of officers and employees (29 Del. C. §6514(a)).

Monies drawn from the State Treasury to pay employee salaries and expenses, to defray the expense of any agency, on account of any contract for building or repairs, to purchase property, for work and labor performed, or for materials or supplies furnished to any agency must be presented to, reviewed, and approved by an approving official of the agency being charged (29 Del. C. §6515(a)) and by the Secretary of Finance, as required by this Manual. The Secretary of Finance may not make any requirements that will unnecessarily interfere with the prompt
payment of amounts due and may not cause the payment of salaries to state officers to be delayed beyond the due date (29 Del. C. §6517).

For the payment of expenditures in which bills or statements are rendered, a Payment Voucher (PV) is used in the FSF system. For the payment of salaries, pensions, or any other expenditures in which bills or statements are not renderable, the Secretary of Finance shall present a signed statement authorizing the payment of the amounts due (29 Del. C. §6515(d)).

The Secretary of Finance may refuse to approve payment for an invoice or bill only, if the invoice or bill:

- More than exhausts the appropriation from which it must be paid;
- Has not been presented in accordance with this Manual and Title 29, Chapter 65 of the Delaware Code;
- Is not in accordance with the contract under which the indebtedness was created;
- Does not have required supporting documentation or information; or
- Involves any transaction or item not in accordance with law.

This action does not apply to the payment of the principal or interest on any obligation of the State.

(29 Del. C. §6518)

Specific information regarding the required approvals for processing regular and Direct Claim Vouchers is located in Chapter 6 – Approvals.

### 7.6.1 General Information

All PVs, issued by any agency, are paid by the State Treasurer upon certification by the officers of the agency. The approval of the Secretary of Finance is required for vouchers totaling more than $5,000. Methods of payment may include checks, drafts, and electronic funds transfers (29 Del. C. §2707).

Agencies must provide the vendor's invoice number and invoice date on all vouchers processed in the FSF system, to ensure payments from the State are properly credited to the account. The vendor's invoice number is used as a reference on the pay advice (check stub). Vendor's invoice numbers should be meaningful and unique. The State’s financial management and accounting system will only process vouchers that have a unique vendor, vendor invoice number, and invoice date combination.
Upon processing of an approved voucher, the encumbrance will be liquidated, in whole or in part, as the situation requires, and the expenditure will be recorded. If a PV is not approved, it will be returned to the department with an explanation.

Agencies should not hold back payments until the PO can be paid in total. Agencies should encourage partial billing by vendors.

### 7.6.2 Regular Vouchers

Regular Vouchers are also referred to as PO Vouchers and Payment Vouchers (PVs). Vouchers may be used for Direct Claim payments, or a voucher can reference a PO.

Agencies should note the receipt of goods and services covered by a PO, either through FSF Receiving functionality, or by noting "OK to Pay" on the paper invoice. The agency then prepares a PV. If the vendor's invoice and the PO are not in agreement, the difference must be charged or credited to the proper account on the State's PO, as a Change Order or as a Direct Claim, as appropriate.

A PV is used to process cash and travel advances. The advance must be coded to account code 54300, which is an "open item" account. Agencies need to balance the account back to zero ($0) prior to year end. The State prefers agencies use the PCard for travel-related payments, rather than a cash advance.

### 7.6.3 Reversal Voucher

A Reversal Voucher is used to correct a voucher that has been posted and paid. The Reversal Voucher references the original PV number and can be used to reestablish an encumbrance.

A Reversal Voucher can be used to correct a paid voucher for the following reasons:

- To detach a PO and direct claim the invoice line(s);
- To correct a direct claim voucher to reference a PO;
- To correct the PO or PO line referenced; or
- To change the amounts on the Distribution Lines, but not the Total Invoice Amount (the Total Invoice Amount of the correcting voucher must match the original voucher).

Reversal Vouchers may not be used when either the PO on the original voucher or the PO to be referenced on the correcting voucher has been closed.
Agencies submit a request for a Reversal Voucher to the FSF Service Desk, via email or phone. Form AP008 Voucher Reversal Request is completed and submitted to the FSF Service Desk to streamline the process. To access the form, navigate to the FSF Portal>FSF Website>Information>FSF Forms or click the link: http://extranet.fsf.state.de.us/forms.shtml.

FSF Service Desk staff will review and, as needed, confirm the original and new coding requested by the agency, prior to including as part of a service ticket and forwarding to the FSF AP Team for processing.

The FSF AP Team will process the Reversal Voucher to "undo" the initial PV. After canceling the initial PV, the FSF AP Team can then process a new PV with the correct information.

The FSF AP Team will contact the agency to request that they review and approve the Reversal and Correcting Vouchers. These vouchers must be approved the same day so they will net to zero.

### 7.6.4 Journal Voucher

A journal voucher is used to process corrections when agencies need to recode a previous distribution for a payment. This transaction type requires standard approvals.

### 7.6.5 Intergovernmental Vouchers (IV)

An Intergovernmental Voucher (IV) is used for purchases where the Buying and Selling parties on a transaction are both state agencies. An IV permits transactions between agencies without the issuance of a check (via a PV) and the subsequent execution of a CR and bank deposit.

**NOTE:** Agencies may only effect payment to another state agency using the PV-Check-CR-Bank deposit sequence with the **prior** approval of the Director of DOA.

### 7.6.5.1 Reimbursement for Services and Supplies

All state agencies which supply goods or services to any other state agency, governmental agency, person, corporation, partnership, or business are reimbursed for the full cost of the rendered goods or services. Reimbursements must be made within 30 days of billing. Full cost includes all purchase, out-of-pocket, other employment, and overhead costs, computed in accordance with this Manual and accepted governmental accounting principles.
An exception to this policy is made if, after a written request by an agency, the Governor (or his designate) decides that full cost reimbursement is not in the best interests of the State. If such a determination is made, reimbursement for the full cost of the goods or services provided will not be required until June 30 of the next odd year. This exception does not apply to specialized transportation authorities created pursuant to Chapter 17 of Title 2. (29 Del. C. 6531)

7.6.5.2 Special Fund Direct Bill Recoveries

Central service allocations, identified by State Special Fund activities, will be recovered from state agencies, without exception, and turned over to the appropriate central service agency. These Special Fund activities include:

1. Audit activities of the State Auditor
2. Personnel activities by OMB
3. Information technology services provided by DTI
4. The Printing and Publishing services provided by OMB's GSS
5. Telephone Services provided by DTI
6. Fleet services provided by OMB’s GSS
7. Mail services provided by OMB’s GSS
8. Surplus Food Distribution services provided by OMB’s GSS

7.6.5.3 Inter-agency and Intra-agency Reimbursement

An IV is usually initiated by the Selling agency. Intergovernmental Vouchers consist of two types: manual and automated.

Manual Intergovernmental Vouchers (MIVs) are originated online. The Seller agency initiates the IV transaction and notifies the Buyer agency. After both agencies mark the IV complete in the State’s financial management and accounting system, a nightly process builds the IV Voucher.

Automated Intergovernmental Vouchers (AIVs) are automatically produced by different agencies. DTI produces a monthly automated IV billing for telephone services. Other monthly automated IV billings include Fleet, Postage, Printing, and Food Distribution, which are produced by OMB.

In these instances, both DTI and OMB are considered the Seller agencies. The Seller agency loads data files into the State’s financial management and accounting system, which generates the IVs. These IVs are automatically approved for the Seller agency. Only the Buyer agency must review and mark the IV as complete in the State’s financial management and accounting system.
Intra- and Inter-agency billings should be made on a monthly basis utilizing one form for each agency from which goods or services are being received. An exception will be made in the month of June when billing may be on a weekly basis, to facilitate a timely year-end close-out.

### 7.6.5.4 Inter-agency and Intra-agency Transfers

Additional information regarding Inter-agency and Intra-agency Transfers is located in Section 4.6 Budget Transfers and Section 4.7 Cash Transfers.

Additional information regarding required approvals for IV transactions is located in Chapter 6 – Approvals.

### 7.6.6 Travel-Related Payments and Personal Reimbursements

Travel-related expenses will be reimbursed using a regular voucher. Employees must complete and sign an Employee Expense Voucher form to reconcile travel-related expenses, including reconciling any advances that may have been provided to the traveler. This is a manual process, external to FSF, performed prior to processing the reimbursement PV. For a complete listing of all state forms, agencies should refer to [http://extranet.fsf.state.de.us/forms.shtml](http://extranet.fsf.state.de.us/forms.shtml).

Reimbursement payments greater than $5,000 require DOA approval. All supporting documentation for travel reimbursements and reconciliations are stored at the agency for audit purposes.

If a travel advance was made to the traveler, the advance must be reconciled to the actual applicable account codes. If the expenses exceed the advance, payment to the employee is for the net amount. If the advance is greater than the expenses, a collection from the employee is processed using a Cash Receipt (CR) transaction.

**NOTE:** All travel advances must be reconciled within 30 days of completing travel ([29 Del. C. §6520(c)](http://www.delaware.gov/laws_publications/))

Employees are not provided or reimbursed for food consumed in-State, during normal working hours. Exceptions are made for the following instances:

- Employees of state agencies who regularly receive wages-in-kind in addition to their salaries;
- Employees of the Delaware Economic Development Office;
- The expenditures of funds for food supplies as part of employee recognition activities established pursuant to § 5950 of this title;
- The expenditures of funds for food supplied as part of an agency training function, such as a retreat or workshop, held away from the agency’s home location.

- State Police recruits during the period of their training; or

- Circumstances where approval has been granted by the Director of the Office of Management and Budget and the Controller General.

(29 Del. C. §5112)

### 7.7 Additional Payments Information

Voucher processing in the State's FSF system offers a number of options to increase the efficiency, cost-effectiveness, and timeliness of payments. For additional information about the following processing methods and requirements, agencies should contact a state accountant.

#### 7.7.1 Payment Consolidations

Multiple payments to the same vendor are automatically consolidated by FSF, whenever possible. Agencies may manually override system default settings for a transaction to stop a single payment from being consolidated.

Payments will consolidate statewide, whenever possible. For a limited number of vendors, school payments will consolidate by district. Each payment advice will list all the vendor invoices associated with the payment.

#### 7.7.2 Payment Handling Codes

Payment Handling Codes are set to a default value in the State's FSF system, as part of the Vendor set-up process, but agencies can adjust the Payment Handling Code during the processing of individual voucher transactions, as needed. Each vendor can only be set up with one of the following Payment Handling Codes:

- (1) RE (Regular);
- (2) CA (Call agency/school for pick up);
- (3) PR (Payroll vendor checks); or
- (4) RA (Return to agency/school by mail).
Payment Consolidation assists OST in the distribution of checks. Agencies may not change the Payment Handling Code associated with a transaction after the pay cycle process has begun (usually an overnight process).

School districts have unique Payment Handling Codes for each district, to consolidate payments by district. School districts must change the Payment Handling Code on each Voucher for proper processing.

### 7.7.3 Recurring Payments

Payments may be scheduled in FSF using the recurring PO contract process. Agencies with recurring payments can establish a PO and schedule recurring Vouchers to process on a regular basis.

Only regularly scheduled payments for an identical amount are eligible for this recurring Vouchers Contract process. Examples of eligible payments include monthly copier maintenance fees or rent payments.

### 7.7.4 Payments Greater than $500,000

Payments for amounts greater than $500,000 are scheduled for payment centrally by DOA state accountants. Vouchers for amounts greater than $500,000 are sent to DOA (via system workflow), and the state accountants will identify that the Voucher requires that the payment be scheduled, based on the dollar amount. Agencies should contact a state accountant for additional information.

### 7.7.5 Single Payment Vendors

Single Payment Vendors are vendors the State pays only once for a non-taxable event. Agencies are not permitted to use Single Payment Vendors for any taxable events. Non-taxable, single payment events include, but are not limited to, revenue refunds, pension refunds, school bus training, and grants for violent crimes. Any agency with questions regarding which vendors are eligible to be Single Payment Vendors, or requiring additional information on the complete list of non-taxable events, should contact a state accountant.
7.8 Debt Service

The State Treasurer is the administrator of the State's debt service. The State Treasurer executes the State PV for payment of the State's indebtedness as a result of its borrowing program (29 Del. C. §7417(b)). Vouchers in payment of school district indebtedness are forwarded to the appropriate school district for approval, prior to approval from DOA. Bonds, notes, revenue notes, and the interest associated with each are payable at places inside and outside of the State, as the issuing officers may determine (29 Del. C. §7408).

7.9 Grant-Related Payments

7.9.1 Grants-in-Aid Payments

Funds appropriated in the Grants-in-Aid bill will be paid in installments of 25 percent, each quarter of the fiscal year. If a Grants-in-Aid total is $6,000 or less, it will be paid on an annual basis. The General Assembly may make exceptions to this installment policy by adding epilogue language to the Grants-in-Aid bill (29 Del. C. 6505(d)).

7.9.2 Interest Earned on Grants-in-Aid

Interest earned on deposits of Grants-in-Aid monies are credited to the fund associated with the grant.

7.9.3 Pass-Through Grants

Federal funds passed through from one state agency to another state agency must be done using a Budget Transfer or a Budget Journal transaction, not with a PV or an IV. Only OMB may execute this transaction.

7.10 Payment of Officials and State Employees

Payment of earnings to state officials and employees, both salaried and hourly, is accomplished through PHRST (Payroll Human Resources System Technology) as a service to DOF and OST.

7.10.1 Pay Dates

The salaries of state officials and employees are paid on a bi-weekly basis. The bi-weekly payment represents earnings for the period ending 14 days prior to the check date for all state officials and employees (29 Del. C. 2712 (a)).
If any of the above dates of payment falls on a holiday, payment shall be made on the last working day prior to the specified date of payment. (29 Del. C. §2712 (a)(3)) Methods of payment may include checks, drafts, direct deposits, and electronic funds transfers (29 Del. C. 2712 (b)).

7.11 Form 1099

Agencies and schools are not permitted to file paper 1099s. **ALL** Form 1099 reportable payments to vendors must be consolidated by DOA into one filing on magnetic media. Any agency or school district that files a paper 1099 is subject to a **$50 fine/penalty** for each form submitted to the IRS.

In accordance with IRS requirements, a telephone number must appear on 1099 forms. The disbursing agency or school's telephone number will be listed along with the payment amount, voucher number, and voucher date for each transaction that totals to the amount of the 1099-MISC form.

January 5 is the due date for submitting 1099 information into DOA. A report of the data in FSF will be generated and sent to agencies for verification. Please notify the agency's state accountant at DOA of any errors or discrepancies.

- If an agency did not make any reportable payments from the agency's internal checking accounts, agencies will need to enter the State of Delaware's E.I. number, 516000279TN in the E.I./S.S.N. block of the 1099, the agency department and organization, and $0 in the miscellaneous block of the form.

- Agencies must include payments from **ALL** internal agency/school checking accounts, including petty cash accounts (**ALL** applicable payments other than through FSF).

- Agencies should report only one amount per individual. If multiple payments have been made to the same vendor, please consolidate the payments into one amount.

- The general rule is that a 1099 must be filed if the total payments, to individuals and/or partnerships for services, are $600 or more. However, agencies and schools must report **ALL** payments to individuals (including state employees and/or partnerships) for services, **regardless** of the amount, because the recipient may have performed services for other state agencies, whether recorded in FSF or on other internal checking accounts.

**NOTE:** Per IRS regulations, all attorney fees (including law firms or other providers of legal services) using an E.I. Number (Employer Identification Number) or a Social Security Number (SSN) must be reported.
7.12 State-Issued Refunds

This section details the requirements for state-issued refunds. Agencies should refer to Chapter 9 – Receipt of Funds, Section 9.3.5, for policies pertaining to refunds received by the State.

7.12.1 Refund of Improperly Collected Fees

In the event any agency improperly collects fees or receipts that become revenue to the General Fund, the State Treasurer has the authority (except as otherwise provided specifically by law) to make a refund from the General Fund, after certifying with the collecting agency that the fee or receipt was improperly collected and deposited. (29 Del. C. §2713) The State Treasurer will execute a Direct Claim PV charging the expenditure to the Refunds and Grants appropriation.

7.12.2 Tax Refunds

If the refund is for the Current Year corporate and personal tax, the refund payment is processed through the Division of Revenue's (DOR) automated system. A Journal Entry (JE) transaction is executed to enter this data into FSF. The JE reflecting the summary of refunds by appropriation and account code is prepared by DOR and approved by the State Treasurer. The summary refund information is coded to the State Treasurer's Refunds and Grants appropriation and sent to DOA for processing.

If the refund is not for the Current Year corporate and personal tax or if the refund is for some other tax, the refund payment is not part of DOR's automated system. The refund payment is generated by DOR using a regular PV, approved by the State Treasurer.

7.13 Payment Dates

The payment date of an invoice or bill will be the date appearing on the vendor check issued by the State. The State shall make every effort to issue payments to vendors within 30 days of the:

- Presentation of a valid invoice on which a state agency is liable to make payment; or
- Receipt of goods or services, if received after the invoice or bill.

The agency must determine what constitutes "Received". Agencies should date and time stamp all incoming invoices or bills. Agencies also have the option of using the Receiving functionality of FSF.

Payment Vouchers requiring a DOA approval should be forwarded to DOA (via FSF) with at least five working days remaining in the 30-day period to ensure timely payment:
- Transactions will be processed in the order received.
- There is no guarantee of same day processing.
- A fax or copy of a document will not be accepted for processing unless an emergency situation exists and with the approval of the senior state accountant.

### 7.13.1 Contested Invoices or Bills

Agencies do not have to make payments or accrue interest charges on portions of an invoice or bill which is contested on reasonable grounds by the agency, provided the agency notifies the vendor, in writing and within a 30-day period, detailing the reasons for contesting the invoice or bill.

### 7.13.2 Vendor Interest Charges

A vendor may require that interest commence from the end of the 30-day period and continue until payment. The interest rate shall not exceed annualized rate of 12 percent. Instead of interest, vendors may charge a “penalty,” which is not permitted. All interest charges shall be paid by the agency receiving the goods or services from the vendor.

Payment of General Fund and Special Fund interest charges accrued by an agency are processed as a Direct Claim, using funds appropriated for contractual services. OMB will record payments for this purpose separately from "other contractual services". Agencies of public or higher education may make payments from local or State General Funds not restricted to another purpose.

If the agency believes the interest charge was incurred through no fault of its own, an appeal may be made to OMB and Controller General. If, in their opinion, the receiving agency demonstrates that some other agency or agencies bear greater responsibility for causing the delay which occasioned the payment of interest, the responsible agency or agencies shall reimburse the receiving agency for the interest charge.

The Secretary of Finance will report to the Controller General on January 15 and July 15 of each year:

- The name of any agency which has, within the first six months, paid interest to a vendor;
- The number of interest payments made by each agency; and
- The total amount of interest paid by each agency.
7.13.3 Vendor Discounts

Every effort must be made to take all discounts allowed by vendors. This policy requires vendors' invoices to be processed as expeditiously as possible. All agencies should seek to obtain discount terms when negotiating purchases with a vendor.

7.13.4 Advance Payments to Vendor

Payments to vendors are to be made only after goods or services are received. The only exceptions to this policy are where:

- Advance payments are standard business practices (e.g. maintenance contracts, subscriptions, registration fees, airline reservations).

- An advanced payment is in the State's best interests. Requests for such advance payments must be in writing to the OMB Director, and receive the concurrent approval of the OMB Director, and the Secretary of Finance.

7.14 Documentation

Agencies are responsible for maintaining supporting documentation for agency transactions. Agencies have the option of attaching (scanning) supporting documents to the transaction in FSF, or agencies may retain supporting hardcopy documents in compliance with the Document Retention schedules set forth by the Delaware Public Archives.

7.15 Payroll Funding Adjustment (PFA)

The Payroll Funding Adjustment (PFA) Bolt-On application provides a mechanism for the State of Delaware’s agencies to correct payroll expense distribution. PFA allows agencies to redistribute Payroll charges that arise from coding errors, retroactive funding, funding shortfalls and other business practices. The PFA application must adhere to the traceability and audit ability requirements.

Every payroll funding adjustment transaction must be traceable to a tangible business event. The State requires the ability to look at an individual employee’s pay and trace it from the source in PHRST to the appropriations used to fund this individual. That is, the Division of Accounting staff must be able to look at the work the individual is assigned and make the determination that the funding is appropriate for the work. Payroll funding adjustments must be made at the paycheck level and are associated with a single individual.
The Expired Appropriations Process (EAP) manages expired appropriations in FSF. When an appropriation referenced in a payroll chartfield string is expired, FSF does not allow the payroll-related transaction to post to that appropriation. The payroll transaction is modified by the EAP and charged to the Unfunded Payroll Appropriation.

The Unfunded Payroll Appropriation is a new, zero-balance appropriation, established in FSF to house “kickers.” Agencies must clear balances on a regular basis. The PFA is used to redistribute charges from the Unfunded Payroll Appropriation to an active appropriation, thereby clearing the Unfunded Payroll Appropriation. Payroll transactions will continue to kick on future payroll charges until the source is corrected. To permanently correct an expired line of funding, PHRST End Users must locate and recode the source of the expired appropriation in the PHRST system.
April 15, 2014

Members of the Board of Directors
Family Foundations Academy, Inc.
1101 Delaware Street
New Castle, DE 19720

RESPONSES TO BOARD INQUIRIES

During the Executive Session of the Board of Directors on March 18, 2014, Board members raised the following questions to be addressed in a supplement to the Auphsite Forensic Audit of March 18, 2014. Those questions and the responses of Auphsite are set forth below:

1. **Why and when was the Wilmington Saving Fund Society (WSFS) bank account opened?** The account was opened on September 3, 2010 to provide working capital and funds for capital improvements, including the construction of the multi-purpose room and re-paving of the parking lot. Mr. Moore and Dr. Brewington had signatory rights for the WSFS bank account.

2. **Please submit WSFS loan documentation for $440,000 loan.** See Exhibit 1.

3. **Please submit requisition and disbursement forms from the WSFS loan for expenditures associated with the construction of the multi-purpose room and re-paving.** See Exhibits 2, 3 and 4. All told, $330,443.57 was spent on the two capital projects, leaving $109,556.43 unspent. Of the unspent balance, Auphsite uncovered $32,366.25 in non-construction educational expenditures for the period from December 2010 through June 2012. All expenditures referenced in this paragraph were for school-related purposes consistent with the WSFS loan documentation. This left net unspent proceeds of $77,190.18.

*This balance of $77,190.18 of loan proceeds was spent to pay American Express charges incurred by Mr. Moore and Dr. Brewington for personal, non-education related items. In addition,*
$8,739.27 in mortgage payments were used to pay personal American Express charges of Mr. Moore and Dr. Brewington. In total, $67,008.33 was used to pay Mr. Moore’s personal American Express charges and $18,921.12 was used to pay Dr. Brewington’s personal American Express charges.

4. Why and when was the PNC Bank account open?
According to Mr. Moore, the PNC Bank Account was opened to collect deposits of funds from sources other than the State. Mr. Moore and Dr. Brewington had signatory rights for the PNC Bank account. See Exhibits 5 and 6. From July 2012 through February 2014, $7,476.77 was deposited from child care activities. Of $14,167.70 in expenditures through the PNC Bank account reviewed by Auphsite, we have not received documentation of school-related purposes for only $2,831.

5. Why were the American Express Corporate Cards issued?
According to Mr. Moore, the American Express cards were issued on June 16, 2012 to serve as an alternative to the P-Card system would not be practical. They quickly became the instrument of choice for incurring non-school related expenditures by Mr. Moore and Dr. Brewington. Five such cards were issued: two to Mr. Moore; two to Dr. Brewington; and one to Mr. Beltram. Mr. Beltram’s was never used, and there is no outstanding balance on one of Dr. Brewington’s cards. The current outstanding American Express balances are:

Account # 41005 - $1,236.44, Mr. Moore
Account # 41007 - $5,711.25, Mr. Moore
Account # 41008 - $1,752.73, Dr. Brewington
Account # 41006 - $55.00, Mr. Beltram (membership fee)

Total American Express charges from June 2012 through February 2014 were $73,956.02 for Mr. Moore and $20,673.85 for Dr. Brewington, all incurred for non-school-related expenses. All but the above amounts have already been repaid out of the WSFS account and should be reimbursed by Mr. Moore and Dr. Brewington from their personal resources. See Exhibit 7. Please note Dr. Brewington made a total of $23,573.85 in personal
charges, but she already paid $2,900 back from her own resources.

6. **Was there any misuse of the P-Card Account by FFA?**
Auphsite reviewed $116,309.45 in P-Card purchases from July 2012 to February 2014. School–related purposes have been identified for all but $2,403.89 of the purchases.

**Recommendations of Auphsite for Board Consideration.**

Based on our review detailed above and our experience with other charter schools, Auphsite recommends the following actions be considered by the Board of Directors of FFA:

1. Adopt Internal Controls Policy developed by Auphsite with input from Mr. Moore.

2. Close PNC Bank account.

3. Close American Express accounts with any remaining balances to be paid by Mr. Moore and Dr. Brewington by June 30, 2014.

4. Keep open the WSFS account for local fund deposits. Local funds that are not State appropriations are not subject to the same regulations. Cash receipts can be deposited into this account. The WSFS account is subject also to the three-step process for expenditures.

5. Create an autonomous accounting department by either:
   a. Employing an accounting professional with general business acumen; or
   b. Hiring a consulting firm experienced with financial reporting for charter schools and nonprofits.

6. Routinize the procurement process by enacting a three-step process for school-related expenditures,
a. Senior level accountant verifies that expenditure within annual budget adopted by Board;

b. Departmental head “signs-off” on necessity of expenditure; and

c. Approval by Mr. Moore or Dr. Brewington is required for expenditures over $1,000 and expenditures not within annual budget.

d. Expenditure is then processed.

7. Employ services of accounting information system to capture financial activities of local funds (i.e. field trips and Before and After School Care)

8. Ratify installation of a point of sale system for cash collections. This system, installed by Mr. Moore on April 2, 2014, minimizes human error, eliminates the need for manual receipts and enhances inventory control and exportable files.

9. Annually or when a contract expires, review for competitive pricing. If required under the Internal Controls Policy, “put-out” for bid.

10. In addition to external annual audits required by the State, in October of every fiscal year, commencing October 2014, perform a soft internal audit. In March of every fiscal year, commencing March 2015, perform a hard internal audit.

a. Soft audit

   i. Review bank reconciliations
   ii. Review documentation filing procedures
   iii. Review Internal Control Policy
   iv. Review contracted services engagements

b. Hard Audit

   i. Review for OMB Circular A-133 Compliance
   ii. Review for program compliance
   iii. Review asset amortization schedules
iv. Control Test for vendor expenditures (similar to audit)

AUPHSITE CONSULTING & ADVISORY

By: Darnell Sulaiman, President
List of Exhibits

1. Loan Documentation for WSFS Account
2. Requisition and Disbursement Forms for WSFS Account
3. WSFS Construction Register, December 2010 Through June 2012
4. WSFS Bank Register, July 2012
5. PNC Bank Register, July 2012 Through February 2014
6. PNC Undocumented Expenses
7. American Express (and Member) Activity
   - Mr. Moore
   - Dr. Brewington
To: Mr. Sean Moore, Co-Director, Family Foundation Academy
From: Tamyra Dupree, Senior Internal Auditor, Auphsite Consulting
CC: Darnell Sulaiman, Partner, Auphsite Consulting
Date: September 15, 2014
Re: Monthly Financial Summary Reconciliation

Purpose: To document the questions Auphsite has in regarding to the monthly financial summary reconciliation.

Discussion:

Questions over the Financial Summary

1. What is the relevance of the Carryover Funds for Revenue (Ref 1)? Should these funds be included in the actual receipts line items per the financial summary?

2. What is the relevance of Projected Additional Revenue (Ref 2) on the Financial Summary Report for May 2014?

3. Why isn’t the Projected Surplus gains simply written as a footnote? What is the difference between “Budget Surplus” (Ref 3) and “Actual Surplus” (Ref 4)? How are these total comprised?

4. In the Projected Additional Revenue line items there are some noted variances, please provided detail and support for the noted variance. Why is there noted variance over the Projected Additional Revenue since the document mention FY 2014, Carryover Funding?

Questions over the Monthly Budgetary Report against the Financial Summary

1. How does the appropriation code for the First State Financial (FSF)-Available Funds (Ref 5) from the Monthly Budgetary Activity Report (May 2014) ties into the Receipts (Ref 6) from the FFA’s (Internal) Financial Summary
Report (May 2014)? Please provide us with a detail summary of how these two report ties into each other for the revenue transaction.

2. FSF’s states Available Funds as $19,088,672 (See Ref 5) and FFA (Internal) Financial Summary states Receipts as $9,094,238 (Ref 6) why is there a difference? If FSF is calculating, “pulling”, other revenue streams other than FFAs, can we run a query that captures only FFA revenue allocation and awards?

3. How does the appropriation code for the First State Financial (FSF)-Encumbrances (Ref 8 & 9) from the Monthly Budgetary Activity Report (May 2014) ties into the Expenditures (Ref 7) from the FFA’s (Internal) Financial Summary Report (May 2014)? Please provide us with a detail summary of how these two report ties into each other for the revenue transaction.

4. FSF’s states Encumbrances & Expenses as $13,455,911.07 (See Ref 8 & 9) and FFA (Internal) Financial Summary states Expenditures as $7,528,069.27 (Ref 7) why is there a difference? If FSF is calculating, “pulling”, other expense streams other than FFAs, can we run a query that captures only FFA expense transactions?

Please provided us with detailing support and examination regarding the noted variances above.

We appreciate the opportunity to serve and have provided a summary of the questions noted during our performance of the financial summary reconciliation.
## Family Foundations Academy
### Financial Summary
#### May 31, 2014
**FY 2014**

### Receipts:

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget FY14</th>
<th>FY13 Carry-Over</th>
<th>Receipts</th>
<th>Projected Additional Revenue</th>
<th>% of Funds Received</th>
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<tr>
<td>State - Unit Formula</td>
<td>$5,337,008.00</td>
<td>$700.65</td>
<td>$5,337,008.00</td>
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<td>100.0%</td>
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<tr>
<td>State - Other</td>
<td>$240,137.00</td>
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<td>Local - District Funding</td>
<td>$2,667,654.29</td>
<td>$2,162,238.49</td>
<td>$2,393,777.69</td>
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<td>Local - Other</td>
<td>$590,000.00</td>
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<td>$711,753.49</td>
<td>($121,753.49)</td>
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<td>Federal Funds</td>
<td>$401,961.30</td>
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<tr>
<td><strong>Total Receipts</strong></td>
<td><strong>$9,236,760.59</strong></td>
<td><strong>$2,444,371.70</strong></td>
<td><strong>$9,094,237.58</strong></td>
<td><strong>$142,523.01</strong></td>
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### Expenditures:

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<tr>
<th>Description</th>
<th>Budget FY14</th>
<th>Encumbrances</th>
<th>Expenditures</th>
<th>Balance</th>
<th>% of Funds Expended</th>
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<td>Salaries (10)</td>
<td>$3,451,652.09</td>
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<td>$2,985,482.30</td>
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<tr>
<td>Other Employment Costs (20)</td>
<td>$1,466,057.64</td>
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<td>$1,315,581.61</td>
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<tr>
<td>Travel (40)</td>
<td>$30,000.00</td>
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<td>$18,282.00</td>
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<tr>
<td>Contracted Services (50)</td>
<td>$3,133,741.83</td>
<td>$10,220.00</td>
<td>$2,964,250.00</td>
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<td>Supplies &amp; Materials (60)</td>
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<td>Capital Outlay - Equipment (70)</td>
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<td><strong>Total Expenditures</strong></td>
<td><strong>$8,646,459.47</strong></td>
<td><strong>$10,220.00</strong></td>
<td><strong>$7,528,069.27</strong></td>
<td><strong>$996,627.30</strong></td>
<td><strong>87.1%</strong></td>
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<td>Budgeted Surplus</td>
<td>$3,034,672.82</td>
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**Debt 560000 Totals:**

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<td>19,220.00</td>
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**Ref. 7**

<p>| MAIN - Type 50 | 150,510.00       | 0.00 | 0.00 | 0.00 | 150,510.00 |</p>
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<td>Explanation of Variance noted between Cash Voucher (AR) and Cash Deposit</td>
<td>9/5/2014</td>
<td></td>
<td></td>
</tr>
</tbody>
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