

Sec. 1. AUTHORITY OVER FISCAL MATTERS

Sec. 1.1. In accordance with state law, the Board of Directors (“Board”) has primary and ultimate authority over fiscal matters. If a matter or decision-making process is not addressed in this or other duly adopted policies of the Board, authority rests with the Board. In the event of a conflict between this policy and any other Board policy, such conflict shall be brought to the Board for resolution. Refer to the Board’s Policy relating to its Authority Over Fiscal Matters (the “Controlling Policy”) for requirements applicable to this policy.

Sec. 1.2. The Delegate, as defined in Sec. 3.2 of the Controlling Policy, shall report to the Board any business arrangement or transaction with an individual that is an officer, as defined in Sec. 5 of the Controlling Policy, and any conflicted,¹ interested² or related³ party, as defined in other Board policy or applicable law. Life School and its officers may not enter into a business arrangement or conduct a transaction in such a manner so as to circumvent this requirement.

Sec. 1.3. As established in Sec. 4 of the Controlling Policy, where the Delegate is authorized to confer authority to a designee (as denoted by the phrase “or designee”), the Delegate may confer such authority to a designee.

Sec. 2. FINANCIAL MANAGEMENT SYSTEM DEFINED

The Life School Financial Management System is the system of controls and records that enable Life School to use and safeguard funds and property for lawfully authorized purposes in furtherance of its mission and to achieve its vision, consisting of the following components.

- (a) *Budgetary Control.* The Financial Management System facilitates oversight of Life School’s finances by the Board through:
 - 1. Documented practices that provide for the maintenance of records of the original budget and budget amendments as approved by the Board;
 - 2. Approval of obligations and expenses by the Delegate or designees not exceeding budgeted amounts approved by the Board unless authorized in Board policy or through a Board approved budget amendment.
 - 3. Board receipt and review, including accurate, complete and timely updates by the Delegate or designee of compliance with the budget, as amended to include a comparison of the original and amended budget to Life School’s actual obligations and expenses.
- (b) *Financial Reporting.* The Financial Management System shall provide accurate, complete and timely information regarding Life School’s financial condition, results of operations, cash flows and other pertinent matters concerning Life School operations. The

¹ Tex. Ed. Code § 12.1054; 19 TAC §§ 100.1131 through 100.1135

² 19 TAC § 100.1047(f)

³ Tex. Ed. Code § 12.1166

Board shall receive summary reports at each regular meeting. The Delegate or designee may utilize summary and detailed reports and records to oversee Life School finances, property and staff resources.

- (c) *Internal Control.* The Financial Management System shall include documented controls over assets, liabilities, appropriations, obligations, revenues, expenses, and cash flows to ensure that funds, property, staff resources and other tangible and intangible items of value are used to implement the Life School program. The Financial Management System shall also include controls over budgeting, contract administration, financial accounting, financial reporting, grant administration, payroll and other Life School functions. The Financial Management System shall include controls over records to demonstrate compliance with local policy and Federal and state legal requirements.
- (d) *Records.* The Financial Management System shall create and maintain financial accounting and other summary, detailed and source records that account for Life School's assets, liabilities, appropriations, obligations, revenues, expenses and cash flows. The records maintained shall identify the source and application of funds and the use, custodial assignment and location of property. The records maintained shall include sufficiently detailed source documents that function as the origin of the summary and detailed financial and other information disclosed to the public, oversight government agencies, the Board, the Superintendent and other interested parties.

Sec. 3. CHART OF ACCOUNTS

In accordance with Module 3 of the *Financial Accountability System Resource Guide* ("FASRG"), Life School shall maintain financial accounting records that utilize the minimum account code structure mandated by the State Board of Education and the Texas Education Agency ("TEA").

Sec. 3.1. Required Account Codes

Life School shall utilize the account codes mandated in FASRG Module 3 to account for public funds and public property. As appropriate and necessary, the Delegate or designee may authorize the use of the local option codes and locally defined classifications provided in FASRG Module 3.

Sec. 3.2. Local Account Codes

Within the mandated account code structure, the Delegate or designee may authorize the development and use of locally defined account codes that facilitate the administration and oversight of non-Life School functions and activities and the use of local funds and property.

Sec. 4. OBLIGATIONS

The Delegate or designee shall authorize or cause to be authorized any obligation of public funds. Additionally, the Delegate or designee shall prepare a financial accounting record(s) that accounts

for any obligation of local or public funds through the execution of a contract or the issuance of a purchase order. In authorizing the obligation of local or public funds, the Delegate or designee shall determine if the obligation was authorized by the Board in the approved budget, as amended, and through applicable Board policy or resolution.

Sec. 5. DISBURSEMENTS FOR GOODS AND SERVICES

The Delegate or designee shall authorize any disbursement of public funds through check, electronic funds transfer, charge or credit account, promissory note, or other means or method of disbursing funds to a third party. Prior to authorizing the disbursement of funds, the Delegate or designee shall prepare or cause to be prepared a sufficiently detailed, original internal accounting record identifying the business-related purpose of the disbursement. Additionally, the Delegate or designee shall obtain a sufficiently detailed, original third-party record identifying the goods received or services rendered.

Sec. 6. DISBURSEMENTS FOR EMPLOYMENT SERVICES

As authorized by the Board through policy or resolution, the Superintendent⁴ shall approve the employment of qualified individuals for Board approved positions. Moreover, the Delegate or designee shall prepare sufficiently detailed payroll, personnel and time or activity accounting records to support the use of local and public funds for employment services.

Sec. 7. COMPETITIVE PROCUREMENT

Pursuant to applicable Federal and state law and rules, the Delegate or designee shall ensure that goods and services are procured competitively to ensure that limited financial resources are maximized without unreasonably sacrificing the quality of the goods and services received.

Sec. 8. CONTRACT ADMINISTRATION

The Delegate or designee shall maintain a contract administration process to ensure that contractors deliver goods or provide services in accordance with the terms, conditions, and other legal requirements of the applicable contract or purchase order.

Sec. 9. ADMINISTRATIVE PROCEDURES

The Delegate or designee shall formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the Delegate or designee shall not adopt, and is prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegate or designee shall confer

⁴ Pursuant to 19 TAC § 100.1033(b)(14)(D)(iii), the Superintendent may not delegate final authority to select and terminate charter school employees or officers.

with the Board or legal counsel before deviating from the requirements set forth in this policy. In the event that a deviation from this policy becomes necessary, the Delegate or designee shall either recommend an amendment to this policy or the Board's approval of a specific deviation, including the purpose, scope and duration of the requested deviation.