Independent School District #203
Hayfield Community Schools

Internal Controls Document

School Board Adopted July 2014
Revised and School Board Approve August 2025

Staff Directory

Superintendent		Gregg Slaathaug
Principals	High School	Jim Hecimovich (Interim)
	Elementary	Kayla Stanton
Clerical	Hayfield Elementary	Jill Otterbein
	Hayfield High School	Jessica Meek
	Hayfield SPED	Tanya Rieken
	District Services Coordinator	Lila Rehnelt
Business Manager	School Management Services	Scott Marine
General Accountant/Payroll Specialist	School Management Services	Stephanie Clark
Facilities & Grounds Director		Terry Picha
Activities Director		Chris Pack
Manager of Transportation	Hayfield School Bus Company	Salena Knudson

CASH

Various staff members may be the person of first receipt for cash. (For example: teachers may receive book order or fundraising money, coaches may receive fundraising money, and clerical staff may receive fees for activities, projects or district services rendered.)

Employees are informed of procedures relative to the collection of cash at least annually in a memo from the superintendent in August. Employees are directed that incoming cash must be made a matter of record as soon as possible. Employees are cautioned that cash must be given to the District Services Coordinator office at least daily.

Remittances by mail are directed to the receipting secretary (any of three offices) and are directed to be made a matter of record with an official receipt, as soon as possible. A principal will periodically review this process.

Office staff members are directed to maintain cash through the day in a secure manner and to ensure that access is restricted to the authorized personnel only. Secured areas are locked when the area is not directly occupied.

Cash is protected by the use of registers, safes, locks, or the vault.

Clerical and administrative staff are directed to move all significant amounts of cash to the vault for safekeeping, at least daily. The building secretaries will do a daily receipt listing and secure funds in the vault at the end of each day. Any staff member that has a deposit to make, must fill out a deposit form and bring to the office. The money is secured in the vault and is double-checked by the Business Office staff.

Business Office staff make deposits with a local bank as frequently as needed in order to maintain the minimum amount of cash in the vault. Staff members are advised to take security procedures that will best safeguard cash in the deposit process. Typically, the Business Office staff take deposits to the bank. However, to preserve security through randomness, at times the superintendent may direct the District Office Coordinator to take a deposit to the bank.

Deposit slips are compared and retained with the recorded case receipts by the Business Office staff.

Suspense accounting is eliminated whenever possible by the receipt and direct deposit of the item to the correct fund and account. Deposits are not delayed because of an account distribution cannot immediately be determined.

The Business Office enters receipts into the finance system. These are entered into the system during and/or at the end of the month.

Clerical staff members are prohibited from cashing personal checks or allowing notes of personal indebtedness. Staff members are directed that they may not substitute a personal check for cash.

The Business Office reconciles the bank statements for main accounts, contingency account, and the MSDLAF monthly and provides reports to the superintendent.

PETTY CASH

Petty cash fund is set at $700.00. It is kept in a container in the vault

UFARS CODING

Purchase orders, local purchase orders, hand payable check requests, and contingency fund requests all have an area for specific UFARS codes to be listed. It is the responsibility of the initiator and/or principal to code the appropriate UFARS code. Monthly invoices such as utilities are coded to the same UFARS code each month.

IMPREST CHECK REQUESTS

The imprest check is a checking account for handwritten checks. Checks usually written out of this fund are for bulk mailings, one-time refunds, and emergency checks.

A Request For Check form is filled out and given to the District Services Coordinator for approval. The UFARS expenditure code is also completed on the Request For Check form. The Business Office or District Services Coordinator writes out the check. The check is then sent to the person who requested the check or mailed to the address given on the contingency check request form.

The Business Office reconciles this checking account on a monthly basis.

BOARD CHECK

Typically board checks will be used to pay invoices generated from purchase orders, local purchase orders and monthly bills such as utilities. The board treasurer reviews payments of all board checks, and the Board is provided with a detailed report, for approval, on a monthly basis.

PURCHASE ORDER PROCESS

All purchases must have prior approval. Staff members are advised of the purchase order process at least annually with a memo from the superintendent in August. The process of obtaining prior approval begins when the employee submits a requisition under the ESS (Employee Self-Serve) system. The requisition is forwarded to the District Services Coordinator, who will transfer it to a purchase order and forward the purchase order to the building principal. The purchase order is approved/not approved by the principal based on monies available in their budget. The generating party or principal is responsible for completing the UFARS expenditure code on the requisition. Monthly invoices, such as utilities, and monthly rentals are coded to standing assigned codes. For all special education purchases, Hayfield Community Schools ISD #203, adheres to and follows the procedures described by EDGAR 34 CFR 80.36.

Once the purchase order has been approved, the numbered purchase order is then emailed to the requestor, **for them to place the order**. The only exception to this process are orders placed with Online Shopping via ESS (Amazon, School Specialty, Etc.) by the District Services Coordinator.

When the order arrives, it is checked for accuracy by the individual who placed the order. Once the complete order has arrived, the individual gives the packing slip(s) to the business office. For orders that arrive without a packing slip, the invoice will be provided to the requestor. The requestor should verify the order and write “okay to pay” and initial the invoice, then return the invoice to the business office. **All invoices should come from the vendor with our PO number documented on the invoice.**

The invoice is matched with the packing slip. The invoice is totaled to make sure the addition is correct. The amount and the invoice number are placed on the digital copy of the purchase order.

Original invoices (or authorized facsimiles) totaling the amount of payment are attached to internal documents (purchase order, check request, etc.) prior to processing for payment. On the board check request form or the hand payable check request form, the person/principal who initiates the requests puts the seventeen-digit code on the form or the name of the account to be charged for the expense.

Invoices are paid on a weekly basis. The board receives a detailed register of all payments made at the board meeting the following month.

LOCAL PURCHASE ORDER PROCESS (Casey's or Hayfield Grocery & Hardware Store Only)

Local purchases must have written prior approval via the District Services Coordinator. The employee will complete the Local Purchase Order form, include Casey's or Hayfield Grocery & Hardware Store, items for purchase, estimated cost, and expenditure code.

At the time of the purchase, the employee will provide the copy of the signed Local Purchase Order form to the vendor, if requested

Within 48 hours of the purchase, the employee will submit the receipt from the purchase to the District Services Coordinator.

Purchases made through this process must be made by only by employees of the school district.

REQUEST FOR CHECK PROCEDURE

Request for check forms are required for all payments when a purchase order is not appropriate. Examples of this would be student field trip costs, workshop registrations, officials, entry fees and other expenses.

All requests for checks must have written prior approval from the building principal and/or superintendent.

The person requesting the check fills out a check request form and attaches an invoice or detailed receipt to the form. This check request form is approved by the principal and the superintendent before it is given to the Business Office for the check to be written.

The Business Office normally processes check requests once a week, so planning is essential. The Staff members are advised of the check request process at least annually with a memo from the superintendent in August.

DISTRICT CREDIT CARD

All purchases made with the district credit card must have prior approval from the Superintendent. A credit card use form must be completed including the vendor, items for purchase, amount to be charged, and expenditure code. The credit card is obtained from the District Services Coordinator or the Superintendent. Within 24 hours after the purchase has been made, a copy of the receipt must be attached to the Credit Card Use Form and returned to the District Services Coordinator.

Purchases made through this process must be made by only employees of the school district. Use of the district credit card without prior authorization may result in the expenditures being solely paid by the employee.

YEAR-END PURCHASING

Supplies purchased during the fiscal year are to be used within the same year. To ensure that this procedure is practiced, the cut-off for purchases will be no later than March 15th . The purpose for this deadline is to ensure that any supplies ordered with the current year's allocations are used within the same fiscal year. The intent of this procedure is not for grade levels and/or departments to "spend down" their budgets. Staff are expected to process purchase orders for materials and/or items that are only needed for the remainder of the school year.

It is understood that supplies with a short shelf life will need to be purchased through the end of the school year, ie., FACS, science labs, etc. Additionally, departments with seasonal needs will also be allowed to make purchases as needed, ie., custodial, athletics, etc.

CAPITAL ASSETS AND EXPENDITURES

Capital assets of a single item valued at $10,000.00 (or greater) or a combined purchase valued at $50,000 (or greater); are tracked by the Business Office, upon consultation with Administration.

Disposal of any assets of significant value requires the approval of the superintendent.

Requests for purchases made with monies from Capital Outlay and Long-Term Facilities Maintenance will be submitted to the superintendent no later than March 28. These funds are not to be used for supplies and are intended to be used primarily for equipment and facility needs. The equipment must cost at least $1000.00 and have a useful life of greater than one year. If items are consumable within one year, the items are considered to be supplies. Requests must be supported with two quotes or estimates. Requests submitted that do not meet these specifications will not be eligible for consideration.

The superintendent and board reserve the right to establish a minimum reserve of at least 10% of the total estimated revenue for Capital Outlay and Long-Term Facilities Maintenance for future use.

INVENTORIES

The school district maintains an inventory system for textbooks, chairs and student desks. The teacher fills out an inventory list of the items kept in their classroom or instructional area. The inventories are updated during the first and final weeks of each school year. The teacher updates the inventory list with any new purchases and deletes any inventory that has been discarded. Digital copies of the inventory lists are on the OneDrive (Staff Shared Documents\Elementary\HES Inventory or Staff Shared Documents\HHS\HHS Inventory). The items identified on these inventory lists are for inventory that is not considered to be a fixed asset.

INVESTMENTS AND DERIVATIVES

The district's investment funds are placed in the MN Liquid Assets Account until needed in the local checking account. The state funds are wired to this account directly and then the funds are wired to the local bank as needed. The superintendent asked for a copy of the balance of our MSDLAF account and then records on this account summary copy of the amount needed to be transferred to the local bank. The business manager then initiates the EFT that will transfer the funds.

Board Policy 705 governs all investments. This policy also details requirements for District Depositories and all electronic funds transfers. Note: the board receives a report of all investments in a timely manner as appropriate for said investment.

FUND 21 ACCOUNTS

Fund 21 accounts are under board control and are required to follow the general accounting requirements in the UFARS Manual as noted by Minnesota Statute 123B.77, Subd. 1. Fund 21 accounts under board control are included in the district's annual external financial audit.

The board must receive, disburse, and account for all funds in the same manner as all other revenues and expenditures of the district as directed by the UFARS manual.

Fund 21 accounts must follow the processes and procedures as outlined in the Internal Controls Document for receipting revenues and disbursing funds for expenditures. No Fund 21 account will operate with a negative cash balance at the end of the fiscal year.

FUND 30 ACCOUNTS

A statement of purpose must exist for each student activity with a Fund 30 account. The statement of purpose form must be completed for each Fund 30 account on an annual basis, signed by the advisor, a student representative, and submitted to the Business Office by October 1. The form will include the same of the student activity, the name of the advisor, an acknowledgement of the receipt of a Manual for Activity Fund Accounting (MAFA), and acknowledgement of responsibility for assuring that proper procedures are followed. The form must include the following information:

Date
Name of Student Activity
Purpose of Student Activity
Age, grade, and/or interest of students served
Acknowledgment that the advisor has received a copy of the MAFA and responsibilities related to the activity
Name of Advisor – printed, signature and date
Name of Building Principal – printed, signature and date
Instructions for disposal of the balance of the activities' funds upon termination of the activity

A certified public accountant must audit Fund 30 accounts annually. The fiscal year of Fund 30 accounts will coincide with the school district fiscal year. The school board must review and accept the audit report. A copy of the audit report must be filed with MDE and must also be made available to the public upon request.

Fund 30 accounts must not borrow money from any individual or entity (ie., a booster club). Fund 30 accounts must not loan money to school employees, activity members or any other individual. Fund 30 accounts may not be transferred to the general fund to support operations.

The Business Office will maintain the financial operations of Fund 30 accounts, including receipting revenues and issuing disbursements. Disbursements for expenditures will be made via a purchase order, check request, or credit card request. Every receipt of revenue and disbursement for expenses must be prepared and approved by a student representative, the advisor, and the administrative designee (superintendent or building principal). For elementary Fund 30 accounts, the student representative approval is not required. No Fund 30 account will operate with a negative cash balance at the end of the fiscal year.

Guidelines for the establishment, management, and audit of Fund 30 accounts include the following.

Activity fund development and fund management are grounded in board policy and written procedures.
Student activity funds are used for student activity purposes and for those students currently enrolled in school.
There is an adult of record who is primarily responsible for the management of the fund.
Decisions regarding disbursement of money from a Fund 30 account cannot be made unilaterally by an administrator or faculty member. Participation by students must be supported by minutes, student signatures on purchase orders, check requests, and credit card requests.
All transactions are open to inspection.
Fund 30 accounts are managed in accordance with sound business practices.
The size of the account is limited to a reasonable amount.
Fund 30 accounts are audited annually.

REVENUE AND RECEIVABLES

Every possible effort, within the resources available, is made to segregate duties with regard to billing, collection, cash receiving, receivables accounting, and the maintenance of the general ledger accounts.

Receivables are made a matter of record promptly upon completion of the acts, which entitle the district to collect the amount due it. As directed through UFARS, the district maintains separate accounts for each major category of receivables in order to ensure the clear and full disclosure of the district's resources in its financial reports. Controls exist so that receivables are reported in the appropriate funds/accounts.

The Business Office, with the approval of the superintendent, may generate receivable invoices.

The vast majority of the district revenue comes from federal, state, county and fee dollars. Actual products and services to purchasers are minimal; therefore, invoicing receivables is also minimal.

The Business Office performs the original UFARS coding for State aids, property taxes, other direct deposits received, and any cash receipted in the district office. The Business Office reviews these codes as entries are made delinquent taxes twice a year. State payments received by EFT are cross-referenced every other month by the Business Office to ensure accuracy.

Fundraising

All fundraising activities must adhere to the processes of Internal Controls and must be in accordance with any existing federal, state, or local laws, Minnesota State High School League policies, and policies/procedures of Hayfield Community Schools.

The coach or advisor of the organization, team, or club must complete a Fundraiser Request Form prior to engaging in any fundraising activities. The process for receipting revenues and tracking expenditures must be specifically stated on the form. This form is due to the superintendent's office by September 15 and must be approved by the School Board. Participation and/or promotion of non-approved fundraising activities will be a violation of the processes for Internal Controls.

Students may only fundraise for items or equipment that will benefit students. If a student assists in the raising of funds, that student must benefit from its use during their attendance period. All student participation in a fundraising project will be voluntary. Students will not be pressured into participating in fundraising activities. Fundraising sales are prohibited during class times in classrooms.

All funds collected through fundraising must be stored in the vault on a daily basis. Staff are not permitted to keep any money in their desks or in their classrooms.

The coach or advisor is responsible to receipt and record the revenue generated through the fundraising activity, following the processes that meet the standards for Internal Controls, which includes a first and second count of all receipts. All monies fundraised on behalf of the school district must be collected and deposited with the Business Office within five days of the end of the fundraiser. **Monies that are fundraised cannot be donated to another group, organization, or individual.** The money raised cannot be used for any other purpose than the one that has been board-approved.

Activity/Event Revenue

All revenue generated by fees for activities and events must adhere to the processes of Internal Controls. Funds collected from gate fees at activities and events, as well as student fees for participation, must be receipted and recorded in accordance with the standards for Internal Controls.

Gate receipts will be reconciled with the tickets sold after the gate has been closed. The reconciliation sheet and receipts will be placed in the safe at the end of the activity. As soon as is possible, the AD Secretary will verify the funds collected and submit it to the Business Office for deposit.

After families register for activities (sports, etc); they will be billed via JMC Tuition/Fees, by the AD Secretary. Students must pay participation fees prior to being allowed to participate or play. Participation fees will be receipted by the AD Secretary and submitted to the Business Office for deposit.

Field Trips

All revenue generated by fees for field trips must adhere to the processes for Internal Controls. The district does not fund field trips. Student payments and/or alternative funds must be secured in advance of the trip to cover all costs.

Teachers are responsible for planning and organizing field trips. At least one month in advance of the trip, teachers must obtain approval of the trip from the building principal and inform parents/guardians of the trip. Each child must have a permission slip signed by the parent/guardian, which must be returned at least two weeks in advance of the trip along with any fees to be paid by the student. After the fees have been collected, the teacher must fill out a deposit form and submit it with the revenues to the District Services Coordinator along with a request for payment of any admission fees associated with the trip. Purchase orders, requests for checks, or a credit card charge will not be processed unless the funds to cover the costs have been collected and receipted by the Business Office.

YEAR-END CLOSE AND JOURNAL ENTRY PROCESS

The general accountant codes journal entries for items that are needed to reconcile the bank statement. These items include ACH cost, interest, cost of deposit tickets and uncollected NSF checks. These Journal entries are routed to the business manager for approval.

Journal entries are also needed to transfer funds from one account to another and/or one fund to another fund.

Some of the journal entries are system generated. Posting of invoices, receipts, and checks are examples of system generated journal entries.

Year-end journal entries and closing is a process of booking receivables for the state payments. Journal entries are recorded and posted for salary and wages payable, gas, fuel, and food inventories.

GENERAL

Every effort is made to ensure all records are kept in a neat and proper order. Accounting records are kept current. Backup files are kept for electronic data, in a timely manner.

Principals, as appropriate, perform internal audits.

All journal entries are generated by the business manager or general accountant and must be approved by the superintendent.

PAYROLL

Each employee who is paid on an hourly basis is responsible for entering their duty time on TimeTracker. Payroll for the majority of employees is based upon their status as salaried employees. The majority of employee payroll is governed by negotiated contractual agreements. Payroll is paid on the 20th of each month, excepting where said date falls upon a weekend or holiday, in which case payroll is paid on the preceding business day.

Principals/Supervisors are responsible for monitoring hourly employee duty time and approving individual timecards on TimeTracker.

Payroll and general ledger functions are separated in so far as staff resources allow.

Payroll is distributed to individual employee bank accounts for all regular employees by electronic transfer to help avoid fraud. Employees are provided an electronic payroll statement for each pay period to help ensure accuracy of payment. The electronic payroll statements are available on the ESS system. The business manager will send the payroll ACH files to MBT Bank.

Payroll charges, including fringe benefits, are recorded and distributed accurately as per UFARS principles and are done in a timely manner. The business manager does the journal entry at the same times as the vouchers are brought over. Normally this is done on the 20th of each month. In performing the journal entry of disbursement of salaries and benefits, deductions are reviewed.

Electronic forms are required for authorization, recording and controlling sick leave, other leaves, vacation time, holidays, overtime, and compensatory time. Most such benefits are controlled by negotiated master contracts.

The Payroll Specialist and the superintendent monitor attendance reports and payroll reports in a timely manner.

Payroll records and reports are adequately safeguarded.

Employee personnel files are maintained in the vault and access is restricted to appropriate personnel.

The Payroll Specialist performs the entering of payroll information including time sheets from TimeTracker. Journal entries to carry payroll across to finance are done by the Payroll Specialist. Principals provide UFARS codes for distribution. The Payroll Specialist and superintendent review distribution codes as often as needed to ensure accuracy and program compliance. The Payroll Specialist runs all payroll reports and sends the ACH files to the bank. The Payroll Specialist also creates the vouchers in payroll to be carried across to finance.

Periodically, the Payroll Specialist will test a payroll against a check issued. The superintendent also monitors UFARS expenditure codes against line item budgets for salaries and benefits.

EMPLOYEE EXPENSES

Employees who incur travel expenses are required to complete a Claim/Expense Reimbursement Voucher Travel Expense Request form in order for their expenses including: mileage, lodging, registration and other appropriate expenses to be considered for reimbursement. For items that are purchased, all receipts need to be attached to a Claim/Expense Reimbursement Voucher form, approved by the principal and **submitted to the Business Office within 30 days of purchase**. Sales tax will not be reimbursed.

A principal and/or superintendent must approve Travel Expense Requests.

Employee expense reimbursements will be included with the monthly payroll. Sales tax is not eligible for reimbursement. Employee expense reimbursements subject to taxation will be applied according to federal and state regulations.

The board sets the district's mileage reimbursement rate. Other expenses are reimbursed at reasonable and customary rates. Expense reimbursement may also be governed by individual or master contracts.

INSURANCE

The district's insurance program consists of many facets and is designed to protect the investment of the taxpayer as well as to protect employees. The program consists of: employee health insurance, employee worker's compensation insurance, liability (including directors and officer) insurance, fleet insurance, and property insurance.

Employee health insurance is coordinated through PEIP.

Employee long-term disability insurance is offered through Madison National Life.

Worker's compensation insurance is coordinated through RAM Mutual Insurance Company.

The remainder of the district insurance coverages have been competitively bid and are offered through Delta Dental MN for Dental, and Flyte, HCM for Flex accounts, and Aviben for 403b contributions.

GRANTS AND SIMILAR PROGRAMS

All applications for grants must be pre-approved by the superintendent.

The elementary principal is the primary coordinator for all Federal Title Grants.

Occasionally, staff may seek other grants that would enhance student opportunity and be consistent with the district' mission.