Overview: Financial Policies & Procedures

Financial policies and procedures are essential components of strong internal controls and effective fiscal stewardship. Policies serve as high-level directives established by the school’s governing board, setting expectations and defining boundaries for financial management. Procedures provide operational guidance and detail how to carry out the policies in day-to-day practice.

Financial policies should be written to ensure compliance with applicable federal, state, and local regulations, as well as board requirements.

While financial procedures are typically developed and maintained by the Head of School and relevant finance and operations personnel, the Board’s Finance Committee should provide input and periodic oversight. Both policies and procedures should be reviewed annually and revised or re-adopted as necessary.

**Required Board-Adopted Financial Policies**

Federal regulations and state statutes require schools to maintain formal, board-adopted policies in the following areas:

* Budget
* Accounting
* Audit
* Interim Financial Reporting
* Banking Services
* Procurement
* Contracts
* Equipment Control and Disposition
* Travel
* Conflicts of Interest
* Ethical Principles and Disclosure
* Borrowing
* Records Retention
* Federal Fund Management

The checklists that follow provide further details about the purpose and compliance requirements for each policy area. Sample Financial Policies can be found on the CSI Resource site [here](https://resources.csi.state.co.us/financial-services/).

# Budget Policy

**Purpose:**

To establish a clear and compliant process for developing and adopting the annual budget in alignment with state statutes and school board expectations.

**Additional Resources:**

[CSI Budget Process Resources](https://resources.csi.state.co.us/budget-process/)

[CDE’s FPP handbook](https://www.cde.state.co.us/cdefinance/coafpphandbook)

[ ]  Notification of budgeting requirements and statutory deadlines is documented and communicated

[ ]  The annual budget development and adoption timeline is clearly defined

[ ]  The fiscal year or budget year is explicitly stated in accordance with state requirements

[ ]  The budget demonstrates compliance with the Taxpayer’s Bill of Rights (TABOR)

[ ]  The board formally delegates authority to the school leader for leading budget development

[ ]  The budget includes a clear itemization of planned expenditures by category or program

[ ]  The policy identifies and maintains board-designated reserve funds, including required levels and use restrictions

[ ]  A multi-year financial forecast is included to support long-term planning and sustainability

[ ]  Input from the School Accountability Committee (SAC) is incorporated into the budget planning process

[ ]  Budget priorities are aligned with the school’s Unified Improvement Plan (UIP)

# Accounting Policy

**Purpose:**

To establish the school’s commitment to sound financial management and internal controls by delegating the board’s responsibility for maintaining accurate, transparent, and compliant accounting practices in accordance with state statutes and applicable accounting standards.

**Additional Resources:**

[CDE’s FPP handbook](https://www.cde.state.co.us/cdefinance/coafpphandbook)

[ ]  The school’s financial statements conform to Generally Accepted Accounting Principles (GAAP) and maintain accuracy and consistency in all reporting

[ ]  The board formally delegates authority for the accounting and management of all school funds to designated finance personnel or the school leader

[ ]  Periodic financial reports are prepared and presented to the school board for oversight and transparency

# Audit Policy

**Purpose:**

To establish the requirements for the school’s annual financial audit and any additional board-directed audits, ensuring transparency, accountability, and compliance with applicable laws and best practices.

[ ]  Specify whether the board or school leader is responsible for selecting the independent auditor, along with selection criteria and required qualifications

[ ]  Establish a timeline for engaging the auditor to ensure timely completion of required audits

[ ]  Identify any additional audits required by the board (e.g., periodic internal control audits or program-specific reviews)

[ ]  Include a provision to undergo a formal auditor selection process at regular intervals (e.g., every 3–5 years) to maintain independence and objectivity

# Interim Financial reporting Policy

**Purpose:**

To outline the content, frequency, and review process for interim financial reports to ensure ongoing fiscal oversight by the board.

[ ]  Define the types of financial reports (e.g., budget-to-actual, balance sheet, cash flow) and required contents to be submitted to the board

[ ]  Establish the review process for interim reports (e.g., finance committee review prior to full board review)

[ ]  Include a procedure for monthly financial report submission and review, detailing responsible parties and timelines

# Banking Services Policy

**Purpose:**

To define the standards and controls related to banking services, including account management, authorized signers, and relationships with financial institutions.

[ ]  Include requirement of a [PDPA](https://www.colorado.gov/pacific/dora/public-deposit-protection-act-pdpa) [institution](http://www.dora.state.co.us/pls/real/bidS_Search.Search_Page).

# Fund Disbursement Policy

**Purpose:**

To establish clear authority and procedures for disbursing school funds through various methods, including procurement cards and checks, and to ensure appropriate oversight and internal controls.

[ ]  Define approval and signatory thresholds for disbursements, such as:
  - Under $500: Business Manager
  - $501–$25,000: School Leader
  - $25,001–$50,000: School Leader & Board Treasurer
  - Over $50,000: School Leader, Board Treasurer & Board President

[ ]  Specify which board and staff positions are authorized to:
  - Sign checks
  - Hold procurement or debit cards
  - Access bank accounts

[ ]  Define transaction exemptions (e.g., recurring rent, payroll, emergency disbursements) that may bypass standard approval but fall under separately approved policies

[ ]  Require at least one authorized signer on school bank accounts to be an active board member

[ ]  Require a minimum of three authorized signers on all school bank accounts

# Payroll Policy

**Purpose:**

To outline the procedures, responsibilities, and board requirements for payroll processing, timing, and authorization.

[ ]  Payroll procedures must be developed by the School Leader and reviewed by the Finance Committee

[ ]  Define the authorization process for pay amounts, including required board or staff approval roles

[ ]  Identify required payroll procedures, including:
  - Pay frequency
  - Time and effort reporting
  - Public Employees' Retirement Association (PERA) contributions
  - Benefit processing

[ ]  Require all pay amount approvals to be documented in writing

[ ]  Require all pay authorizations to be completed at the time of hire and prior to issuing pay

# Procurement Policy

**Purpose:**

To delegate procurement authority to school staff and establish thresholds and requirements for purchases, ensuring alignment with both federal and non-federal regulations.

[ ]  Define procurement thresholds for required quotes, bids, and approval

[ ]  If non-federal procurement thresholds differ from federal procurement thresholds (see page 9 of [sample financial policies](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fresources.csi.state.co.us%2Fwp-content%2Fuploads%2F2019%2F03%2FSample-Financial-Policies-to-Schools_Revised_03142019.docx&wdOrigin=BROWSELINK)), ensure that the policy includes separate thresholds for goods/services purchased with federal and non-federal funds

[ ]  Define allowable exclusions (i.e., emergencies, sole-source procurements)

[ ]  Identify who has authority to approve exclusions and under what conditions

[ ]  Specify which staff or board positions are authorized to enter into financial obligations on behalf of the school

# Contract Policy

**Purpose:**

To establish controls to safeguard school assets and outline requirements for tracking and disposing of equipment, especially those purchased with federal funds.

[ ]  Identify which staff and board members are authorized to sign contracts on behalf of the school

[ ]  Define contract value thresholds that determine levels of required approval

[ ]  Set a maximum contract term length, with a recommended cap of five years

# Equipment Control and Disposition Policy

**Purpose:**

Define and formalize the board’s requirements for asset protection and disposition.

[ ]  Require all equipment that exceeds the capitalization threshold or is considered highly portable/attractive to be tracked in the school’s inventory system

[ ]  Require secure storage (i.e., locked rooms, restricted access) for portable or high-risk assets

[ ]  Require compliance with federal disposition requirements for federally funded equipment

[ ]  Require federally purchased equipment to be tagged with a unique asset label indicating the grant year and source

[ ]  Require the School Leader to develop and maintain a centralized inventory system to prevent asset loss or theft

# Travel Policy

**Purpose:**

Establish requirements for travel authorization and reimbursement processes.

[ ]  Require the school leader to develop and enforce procedures for staff travel, including eligible expenses, mileage reimbursement rates, and allowable costs for in-state, out-of-state, and international travel.

[ ]  Define approval thresholds and identify the individuals responsible for authorizing various types and levels of travel.

[ ]  Designate the board chair as the approver for travel requests submitted by employees who report directly to the board.

# Conflicts of Interest Policy

**Purpose:**

Establish expectations and procedures for identifying, disclosing, and managing conflicts of interest involving board members and staff.

[ ]  Define "conflict of interest" and require board members and staff to avoid both actual and perceived conflicts.

[ ]  Specify the procedure for disclosing potential conflicts of interest to the board.

[ ]  Outline requirements for disclosure and recusal when a conflict, or the appearance of one, exists.

# Ethical Principles/Disclosure Policy

**Purpose:**

Clarify ethical standards and disclosure obligations for board members and school staff.

[ ]  Prohibit the acceptance of gifts that exceed the threshold set by the [Colorado Independent Ethic’s Commission threshold](https://www.colorado.gov/pacific/iec/current-gift-ban-amount)

[ ]  State that violations of ethics laws or board policy may result in disciplinary action, up to and including dismissal.

# Borrowing Policy

**Purpose:**

Define permissible debt practices and identify authority for incurring financial obligations on behalf of the school.

[ ]  Affirm that the school is legally prohibited from entering into multi-year debt obligations.

[ ]  Identify who is authorized to approve short-term debt and establish any applicable dollar limits.

[ ]  Specify whether school credit cards are permitted and define allowable credit limits and usage parameters.

# Records retention Policy

**Purpose:**

Establish retention timelines and proper handling of official records.

[ ]  Adopt a records retention schedule compliant with [state requirements](https://sipa.colorado.gov/sites/sipa/files/documents/2023-Records-Management-Policy.pdf) for school districts

[ ]  Specify the format (digital or physical) and storage location of official records.

[ ]  Define acceptable methods for secure disposal of records once the retention period has ended.

# federal fund management Policy

**Purpose:**

To identify and formalize the procedures for managing federal grants from award through closeout, including policies related to budgeting, reporting, and internal controls.

**Additional Resources:**

[2 CFR Part 200](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200)

[ ]  Clearly documented roles for key personnel involved in grant oversight (i.e., finance, program leadership, and administrative staff).

[ ]  Statement of adherence to Uniform Guidance (2 CFR Part 200), EDGAR, and supplement-not-supplant requirements.

[ ]  Process for collecting and securely storing documentation that supports allowability, allocability, and reasonableness of costs in compliance with federal record retention requirements.

[ ]  Procedures to ensure timely, need-based drawdowns to include segregation of duties for preparation, approval, and fund drawdown.

[ ]  Vendor checks conducted to ensure no federal funds are used with suspended or debarred entities (via [SAM.gov](https://sam.gov))

[ ]  Asset tracking procedures, including use of serial numbers or asset tag identifiers, and clear responsibilities for inventory management.

[ ]  Process for planning, procuring, and managing federally funded construction projects, including Davis-Bacon compliance where applicable.

[ ]  Procedures for requesting and documenting the disposal or transfer of federally purchased equipment or materials.

[ ]  Policy for documenting staff time paid with federal funds, including:

  • Semi-annual certifications for employees working solely on a federal program

  • Personnel Activity Reports (if applicable)

  • Payroll reconciliation with time and effort documentation

[ ]  Regular internal review of grant compliance to include annual staff training for grant compliance (i.e., time and effort policy)