

# **Franklin County Schools**

## **Internal Controls Manual**

Approved by Franklin County Board of Education  
January 9, 2017



# INTERNAL CONTROLS

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## **WHAT ARE INTERNAL CONTROLS?**

Internal control is a process affected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

-U.S. Government Accountability Office (GAO) Green Book

## **WHAT IS AN INTERNAL CONTROLS SYSTEM?**

“An internal controls system is a continuous built-in component of operations, effected by people, that provides reasonable assurance, not absolute assurance, that an entity's objectives will be achieved.”

-U.S. Government Accountability Office (GAO) Green Book

### **TCA § 9-18-102(a)**

An amendment to state law requiring all county governments to establish and maintain internal controls which provide reasonable assurance that . . .

1. Obligations and costs are in compliance with applicable law
2. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriations; and
3. Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

Effective - June 30, 2016,  
updated November 28, 2018

## **COMPONENTS OF INTERNAL CONTROLS**

- I. Control Environment
- II. Risk Assessment
- III. Control Activities
- IV. Information and Communication
- V. Monitoring

### **I. CONTROL ENVIRONMENT**

Control environment is the foundation for an internal controls system. It provides the discipline and structure to help the entity achieve its objectives by the:

- 1. Demonstration of commitment to integrity and ethical values;
- 2. Exercise of oversight responsibility;
- 3. Establishment of structure;
- 4. Demonstration of commitment to competence; and
- 5. Enforcement of accountability.

### **II. RISK ASSESSMENT**

Risk assessment examines the risks facing the entity as it seeks to achieve its objectives. This review provides the basis for developing appropriate risk responses by:

- 1. Defining objectives and risk tolerances;
- 2. Identifying, analyzing and responding to risk;
- 3. Assessing fraud risk; and
- 4. Analyzing and responding to change.

## **CONTROL ACTIVITIES**

The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal controls system; this includes the entity's information system to include the:

1. Design of control activities;
2. Design of activities for the information system; and
3. Implementation of control activities.

## **III. INFORMATION AND COMMUNICATION**

This is the quality of information management and communications that personnel use to support the internal controls system including, but not necessarily limited to the:

1. Use of quality information;
2. Communicate internally; and
3. Communicate externally.

## **IV. MONITORING**

Monitoring assesses the quality of performance over time and promptly resolves the findings of audits and other reviews. This is accomplished by the:

1. Performance of monitoring activities; and
2. Remediation and correction of noted deficiencies.

## **PURPOSE**

To document an understanding and assess the internal controls of financial policies and procedures of Franklin County Schools as it pertains to the following:

- Whether obligations and costs of the operation are in compliance with applicable law;
- Whether county funds, property and other assets that are designated/assigned to the Franklin County Schools are safeguarded against waste, loss, unauthorized use of misappropriation; and
- Whether revenues and expenditures in the county funds are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

## **OVERVIEW**

An in-depth study and analysis of the internal control environment for the operations of Franklin County Schools was performed during the Fall of 2016 by multiple school system staff members of Franklin County Schools as well as the Deputy Finance Director for the Franklin County (sole responsibility is the school system). The staff members include the Director of Schools and the following system-level administrators:

Supervisor – Exceptional Children Services;  
Supervisor -- Student Support Services;  
Supervisor – Secondary Education and Career Enhancement;  
Supervisor – Federal Programs, Elementary Education & Accountability;  
Supervisor – Human Resources;  
Supervisor – School Nutrition; and  
Supervisor - Technology.

Administrative assistants and others in supporting positions also contributed to the development of this manual. Representatives from every component of the school system were involved.

## **ETHICS**

It is the intent of Franklin County Schools to demonstrate a commitment to integrity and ethical values. This commitment can be evidenced thorough the adoption and adherence to the following school board policies:

- [\*\*Policy 1.106 - Ethics \(School Board\)\*\*](#)
- [\*\*Policy 1.1061 – Effective Boardmanship Standards\*\*](#)
- [\*\*Policy 1.107 – Conflict of Interest \(School Board\)\*\*](#)
- [\*\*Policy 1.108 - Nepotism\*\*](#)
- [\*\*Policy 5.605 – Staff Gifts and Solicitations\*\*](#)
- [\*\*Policy 5.611 - Ethics \(Personnel\)\*\*](#)



## **Compliance with Applicable Law for Obligations and Costs**

Section Two of the Board of Education's Policy manual is titled 'Fiscal Management'. The policy manual is posted on the school system's web-site, readily available. Section Two of the manual is scheduled for an annual review by the school board in the month of January.

As stated in Franklin County Board of Education Policy 2.100 titled 'Fiscal Management Goals and Objectives'.

- [\*\*Policy 2.100 – Fiscal Management Goals and Objectives\*\*](#)

...The Board shall practice sound fiscal management procedures which guarantee maximum use of all resources provided...

### **I. Budget Adoption**

Franklin County Schools is merely one entity of Franklin County Government. While the Franklin County Board of Education has policies and procedures that outline the budget process, the school budget eventually becomes one component of the county budget. Franklin County operates under the County Financial Management System of 1981.

The school system's budget is guided by Franklin County Board of Education Policy 2.200 titled 'Annual Operating Budget' which includes guidelines for the preparation procedure, hearing reviews, and the final adoption procedure.

- [\*\*Policy 2.200 – Annual Operating Budget\*\*](#)

As stated in policy, the director of schools, director of finance, and the chairman of the board shall develop a budget preparation calendar no later than January 1 of the current school year. The calendar shall be used as a guide for coordinating the budgetary activities of individuals and groups, collecting budget data, reviewing budget problems, and making budget decisions. Budget preparation is the responsibility of the director of schools. The director of schools establishes procedures for the involvement of staff, including requests from department heads and principals, all of whom shall seek advice and suggestions from other staff and faculty members. Once the needs of each department have been expressed, the director of schools and others, as needed, meet with the county's deputy finance director to develop the budget.

Typically, in April the director of schools and the deputy finance director will receive the initial estimates of the BEP (Basic Education Plan) state revenue for the following school year. The final BEP revenue numbers will be made available in July.

Once the preliminary information regarding anticipated revenue and expenditures are

established, the director of schools and the deputy finance director meet to balance the financial needs of the school system with the anticipated revenue and the preliminary working budget is developed. The working budget may be revised several times before a version is ready to present to the school board for discussion. A work session is typically conducted with board members to discuss and revise, if needed, each line item of the budget. A final budget must be presented to the finance committee in May. The county commission is expected to approve the school budget in the month of June.

Other specific board policies affiliated with financial management include -

- [Policy 2.400 - 'Revenues'](#)
- [Policy 2.500 - 'Deposit of Funds'](#)

## **II. Budget Amendments**

The director of schools/designee and the deputy finance director monitor the adopted budget throughout the year to ensure that any needed budget amendments are made before an overage occurs. The guidelines for budget amendments can be evidenced thorough the adherence to the following school board policy.

- [Policy 2.701 - 'Financial Reports and Record'](#)

## **III. Purchasing**

The Franklin County Board of Education complies with the county purchasing policy adopted under the County Financial Management System of 1981 that is in effect for Franklin County Government. The guidelines for purchasing can be evidenced through the adoption and adherence to the following school board policies:

- [Policy 2.700 - 'Accounting System'](#)
- [Policy 2.805 - 'Purchases'](#)

This policy addresses the following purchasing situations: purchases by individual schools, routine purchases made at or by the central office, special purchases, emergency purchases, purchasing of surplus property, cooperative purchasing, online purchasing, and purchasing with federal grant funds.

Some of the requirements of the *Tennessee Internal School Uniform Accounting Policy Manual* are referenced in this policy.

- [Policy 2.806 - 'Bids and Quotations'](#)

- [Policy 2.807 - 'Requisitions'](#)

#### **IV. Purchase Orders**

The Franklin County Board of Education complies with school board policy 2.808 Purchase Orders and Contracts and with the policy of the county financial management policies. Per the Finance Department, all purchases for \$25.00 or more made by the school or school system shall be by purchase order or formal contract, and no purchase shall be made nor payment approved unless covered by an approved purchase order. Purchase orders will include the following essentials:

1. A specification which adequately describes to the supplier the characteristics and the quality standards of the item required;
2. A firm, quoted, net delivered price, whenever possible; and
3. Signature of purchasing agent /designee.

School personnel will present in person, email or FAX a requisition to the Deputy Finance Officer who will verify the availability of funding in the budget. A purchase order number is assigned by the Deputy Finance Officer. The purchase order is then issued, and the requested purchase can be made.

The majority of goods ordered are delivered to the maintenance shop to be checked by the Shipping/Receiving Clerk (signature denoting receipt of goods is required). The Clerk will verify that the goods received were the items listed on the initial requisition; additionally, the Clerk will notify the person making the purchase of the actual delivery and also forward the appropriate documents to the accounts payable clerk at the finance office for proper payment. Many times, maintenance employees assist in the actual delivery. The person receiving the goods must sign the invoice or packing slip verifying the goods were received. The purchase order is then liquidated (if not open blanket PO), and checks are prepared for payments by the Franklin County Finance Department.

The guidelines for purchase orders can be evidenced through the following school board policies:

- [Policy 2.807 - 'Requisitions'](#)
- [Policy 2.808 - 'Purchase Orders and Contracts'](#)

Purchase order guidelines are also addressed in the Franklin County purchasing policy adopted by the Franklin County Financial Management System of 1981.

## **V. Store Cards**

Franklin County Board of Education maintains the following store cards: Walmart, Lowe's, Office Max, and Home Depot cards. These cards are maintained by the school system administrative assistant (Human Resources) and kept locked up in his/her desk. The administrative assistant maintains a sign-in-out sheet for store cards. School personnel must review and sign the invoices of all store card purchases; the store card, signed receipt, and accompanying purchase order are returned to the administrative assistant the day that the card is signed out.

## **VI. Credit Cards**

Franklin County Board of Education has multiple credit cards that have been assigned to the various directors that are maintained in safe, secure locations. The cards are used for making reservations for professional development conferences for school board members and district educators and for on-line purchases. Purchase orders are required prior to the use of the credit card; receipt of the invoice must be submitted to the Finance office for prompt payment. The credit cards are to be used only when hotels decline the receipt of a system check.

## **VII. Contracts**

As Franklin County Board of Education is one of the entities under the 1981 Financial Management Act the finance director signs all county contracts dealing with purchasing. Any items (other than professional services or other items exempt from bidding by state statute) over \$25,000 must be competitively bid, and all items between \$500 and \$25,000 must have three quotes. All contracts are approved by the Franklin County Board of Education and the county commission, when applicable. For a detailed step-by-step listing of internal controls/processes over bidding/contract awards, see the bidding procedure section of the county's purchasing policy. The deputy finance director coordinates with the individual county departments/offices to ensure contract compliance from the vendors (county receiving agreed upon price, level of service, etc.).

- [Policy 2.806 - 'Bids and Quotations'](#)
- [Policy 2.808 - 'Purchase Orders and Contracts'](#)

## **VIII. Emergency Purchases**

Franklin County Board of Education Policy 2.805 addresses emergency purchases, and the director of schools enforces this policy. The director of schools will coordinate with the county finance department in the case of emergency purchases that arise from unforeseen events that will require normal bidding procedures to be circumvented because of the nature of the

emergency at hand. As stated in policy D-17, emergency purchases are those which are necessary to avert hazards which threaten health or safety, to protect property from damage or to avoid major disruption of educational activities. If within budgetary limits and deemed essential, emergency purchases may be made by the director of schools. However, if the purchase is of such significant magnitude as to impact on the integrity of the budget, the chairman shall call a special or emergency meeting of the Board to deal with the matter. Emergency purchases follow normal purchasing procedures to the extent possible. The emergency purchase justification form should be signed by the director of schools and the finance director.

- [Policy 2.805 - 'Purchases/Purchasing Authority'](#)

## **IX. Payroll**

Payroll is authorized each fiscal year through the annual county budget appropriation for the school's general purpose fund and federal funds and school nutrition that is prepared by the director of schools and then sent to the county commission for approval. Work Agreements are prepared by Human Resources for both the certified and classified staffs (including school nutrition). Authorization for payroll for both the certified staff and the classified staff is generated by the director of human resources and forwarded to the deputy finance director at the beginning of the fiscal year. The certified staff and most of the classified staff are paid monthly; only the true-twelve month employees (working year round, about 260 days) are paid every two weeks. Time sheets are required to be generated, verified, and signed by all employees and their immediate supervisor; the timesheets are then forwarded to the finance office for processing.

All pay for school personnel is channeled through the finance office. Supplemental payroll is sent to the finance office per pay period. The school finance administrative assistant and the finance director monitor all county payroll items during the fiscal year to ensure that payroll costs do not exceed county commission approved amounts. The guidelines established by the Franklin County Board of Education can be evidenced through the adoption and adherence to the following school board policies:

- [Policy 2.802 - Payroll Procedures](#)
- [Policy 2.804 – Expenses and Reimbursements](#)
- [Policy 5.110 – Compensation](#)

## **X. Employee Benefits**

The Franklin County Board of Education participates in TCRS for full-time employees and also allows full-time employees to maintain health insurance after they retire if they meet qualifications and are eligible for TCRS benefits. The deputy finance director and the director of human resources monitor the OPEB and pension obligations for the school system as well as a contracted actuary. The director of human resources for the school system and the Deputy

Finance Director are responsible for ensuring compliance with the county personnel policies to ensure that only eligible county employees/retirees receive OPEB and pension benefits. The deputy finance director and the director of human resources review as needed the status of the school system employees to check for eligibility of these benefits.

- [Policy 3.600--Insurance](#)

## **XI. Vacation and Leave Obligations**

The deputy finance director coordinates with the payroll clerks and the school system to ensure that all vacation/sick time accrued is accounted for accurately, is in compliance with the applicable personnel policies, and is within legal limits. The guidelines for vacation and leave can be evidenced through the adoption and adherence to the following school board policy.

- [Policy 5.310 – Vacations and Holidays](#)

## **XII. Debt Issuance and Management**

The Franklin County Finance Department coordinates with the county financial advisor (bonds) and financial institutions (capital outlay notes) to ensure that the county is in compliance with the adopted county debt management policy and state statute. The finance department is responsible for an annual review of the county debt management policy. The guidelines for investments can be evidenced through the adoption and adherence to the following school board policy:

- [Policy 2.402 – Investment](#)

# **SAFEGUARDS AGAINST WASTE, LOSS, UNAUTHORIZED USE OR MISAPPROPRIATION**

## **I. Control Environment**

All specific jobs of the school system have written job descriptions which includes, but is not limited to, the essential duties and responsibilities as well as physical demands of the position.

The Director of Human Resources maintained the job descriptions; this file is readily available on-line on the system web-site under 'Departments' and the 'Human Resources'.

**Link for [Job Descriptions](#) -**

Since January 1, 2000, all new employees of Franklin County Schools have been required to have a criminal background check; the results of the check have to be deemed satisfactorily by the director of schools. All employees hired before January 1, 2000 and bus contractors were fingerprinted for the purpose of verifying a clear criminal back check during the 2018-19 school year. The school system is now required to conduct a criminal background every five (5) years for all employees, contractors, and volunteers. A file of all results is maintained.

Every new employees of the school system must have:

1. Criminal background check (state level and federal level). Satisfactory results are required before the applicant begins work for Franklin County Schools.
2. Pre-employment drug-screen; and
3. Clearance of/by registries of state of Tennessee - the judicial system as well as the department of children services.

After being offered employment by FCS, the new employee must submit a completed physical form which declares, in part, that the individual is able to perform the duties and responsibilities of the position for which he or she is being employed.

Annually, the *Personnel Handbook* and the *Substitute Handbook* are up-dated and posted on the system web-site.

**Link for [Personnel Handbook](#) –**

**Link for [Substitutes](#) -**

Annually, every employee is required to sign that he/she realizes that he/she will be responsible for the contents of the applicable handbook.

Guidelines for ensuring an employee controlled environment can be evidenced through the adoption and adherence to the following school board policies:

- [Policy 5.101 – Line and Staff Relations](#)
- [Policy 5.102 – Classifications and Qualifications](#)
- [Policy 5.104 – Equal Opportunity Employment](#)
- [Policy 5.106 – Application and Recruitment](#)
- [Policy 5.107 – New Teacher Orientation](#)

## **II. Physical Security of the Office**

Financial records for the school system are not stored at the Franklin County Board of Education Central Office.

The director of schools, every system director, maintenance supervisor, and the administrative assistants working in the building have a key for Franklin County Board of Education Central Office. The same employees have a second key to the appropriate office. A log of allotted keys is maintained; it includes a listing of the employees and the specific area of the building for which he/she has a key. A master key to the various offices/rooms of the Central Office is maintained by the Director of Human Resources.

A camera system (monitor located in the receptionist area) records activity at the side door (where the sidewalk is covered by a canopy) during work hours. Only this door is unlocked during the day; all other outside doors are locked during work hours.

Normally, cash money is not maintained at the Central Office.

## **III. Receipting**

See the segregation of duties for procedures for receipting over-the-counter and mail transactions.

## **IV. Disbursements**

See the segregation of duties for procedures for payroll and non-payroll disbursements. All non-payroll checks are generated on official, pre-printed checks.



## **V. Journal Entries**

See the segregation of duties for procedures in reconciliations and journal entries.

## **VI. Grant Management**

See the segregation of duties for procedures in grant management.

## **VII. Capital Assets**

Franklin County has adopted a capital assets policy that includes capitalization thresholds, useful lives and procedures for additions, deletions and annual inventory reviews. This includes assets that were purchased with state and federal grant funds. See the segregation of duties checklist for procedures/assignments for inventory control.

- [Policy 2.702 – Inventories](#)
- [Policy 2.7021 – Technology Improvements](#)
- [Policy 2.7022 – Acquisition and Use of Technology Equipment](#)

## **VIII. Payroll**

To protect against fraud (ghost employees, unauthorized bonus payments, etc.), all new school employees are required to physically come to the Franklin County Board of Education Central Office to process for employment. Two proofs of identification are required.

Additionally, all school system employees that request a change in payroll are required to physically come to the central office to sign the necessary forms.

Employees resigning or retiring are asked to submit a written statement in this regard. Employees who are not re-employed for the following year receive a letter to this effect.

All pertinent changes regarding the employment and pay of an employee is submitted by human resources to the finance office in a written format. Pay is actually calculated at the finance office from the submitted timesheets for the employees working the complete fiscal year. Pay for the certified employees and remainder of the classified employees is calculated by human resources and submitted to the finance office. Each month, these employees receives one twelfth of the expected pay minus deductions as required or as authorized by the employee. The finance office makes adjustments as needed to the employee's base amount after the signed timesheets are

received.

Annually, prior to the beginning of the new fiscal year or school year, efforts are made to ensure that all employees are paid correctly per the approved salary schedules and that the required supporting documentation (W4, approved deductions, etc.) are on file.

- [Policy 2.802 – Payroll Procedures](#)
- [Policy 2.804 – Expenses and Reimbursements](#)

## **X. Surplus Property**

When equipment, books, materials, and other personal property no longer have an intended use by the system or are no longer capable of being used because of condition, the Franklin County Board of Education shall declare them surplus property and authorize their disposal.

The director of schools shall prepare a list of unusable items for Board approval. The list shall contain the following information if, and when known: name of item, date of purchase and reason for disposal. All unusable items shall be sold within ninety (90) days of being declared surplus to the highest bidder after advertising in a newspaper of general circulation at least seven (7) days prior to the sale or after being placed on a national known website for disposal of surplus property. If reasonable attempts to dispose of surplus properties fail to produce a monetary return to the system, the Board shall approve other methods of disposal.

- [Policy 2.403 – Personal Property Sales](#)

# **Franklin County Board of Education's Documentation of Efforts to Ensure that Revenues and Expenditures are Properly Recorded and Accounted for, to Permit the Preparation of Accurate and Reliable Financial and Statistical Reports and to Maintain Accountability Over the Assets**

## **I. Expenditures and Revenues**

The deputy finance director at the finance office on behalf of Franklin County Schools performs monthly reconciliations for all funds with the county trustee. The reconciliation includes ensuring that revenues and expenditures for the month were coded correctly. Copies of the month-end reports are sent to the director of schools and appropriate system director/supervisor.

The deputy finance director posts all purchase orders and contracts for Franklin County Schools to the LGC software as encumbrances to assist with ongoing monitoring of the appropriation budget.

The deputy finance director reviews the budget of each fund to ensure the original approved budget and any subsequent amendments are posted correctly to the accounting software.

The deputy finance director closes the year-end in July each year. The end-of-year report prepared by the deputy finance director includes those items required by audit (deferred revenue, taxes receivable, interest receivable, etc). The county finance department prepares and reviews depreciation and capital asset reports and submits all required reports on the state's ePlan website.

The director of schools takes prompt action on any identified control weakness over accounting, purchasing and budgeting identified by his/her review of operations, external annual audits and state/federal monitors.

The director of schools and the deputy finance director attend numerous trainings annually including the TN Department of Education Finance Workshop and workshops related to *Tennessee Internal School Uniform Accounting Policy Manual*.

**FRANKLIN COUNTY SCHOOLS**  
**Segregation of Duties Checklist**

**LEGEND---**

**XX** The employee indicated by the XX is the preferred person to perform the procedure

**X** The employee responsible if the preferred person is not available

Educational Supervisors include:

- Supervisor of Human Resources
  - Coordinator- Coordinated School Health
  - ESP
- Supervisor of Student Support Services
  - Maintenance Director
  - Transportation
  - Alternative School
  - Family Resource Center
  - Prevention Coalition
  - Athletics
  - Homebound Instruction
- Supervisor of Exceptional Children Services
- Supervisor of Secondary Education and CTE
- Supervisor of PK – Grade 5. Testing
- Supervisor of Technology
- Supervisor of School Nutrition Services

Located at the Finance Office -

851 Dinah Shore Boulevard

Winchester, TN 37398 -

Franklin County Finance Director

Deputy Director (Franklin County Schools)

**Franklin County Schools  
Internal Controls Checklist  
Receipts**

	Checks Received in Mail			Daily Receipting and Depositing					
	Open Mail - Stamp all checks for 'Deposit Only' when received	Issue Receipts for Mail-In Checks		Maintain Separate Cash Drawers	Issue Receipts for Over- the- Counter checks	Stamp all Over-the- Counter Checks for "Deposit Only When Received	Deposit Intact ---- -Prepare daily deposit	Deposit all Checks in the Trustee's Office	Verify Trustee's Receipt with Check-out Sheet
	1	2		3	4	5	6	7	8
Franklin County Finance Director/Designee									XX
Director of Schools									
Education Supervisor		X							
Liaison – Central Office and Finance Office	X	XX		XX	XX	XX	XX	XX	
Clerk					X			X	
Receptionist/HR	XX				XX				
Federal Projects/SPED Educational Assistant									
School Nutrition Director/Administrative Assistant (Centralized)								XX	

**Franklin County Schools  
Internal Controls Checklist  
Receipts**

1. Two employees are assigned to open mail, stamp checks “For Deposit Only Account # XXXXXXXXXXXX” immediately upon receipt. The account # on the stamp is the Trustee’s Bank Account Number.
2. Issue receipts for the mail-in checks in preprinted receipt book.
3. A locked bank bag is issued to the employee responsible for receipting funds for that day.
4. Manually issue receipts for over-the-counter checks in the preprinted receipt book.
5. Stamp all checks “For Deposit Only Account # XXXXXXXXXXXX” immediately upon receipt.
6. Combine the checks and money order receipts from the locked bank bag. Make an itemized list of all checks and money orders and total the list (Excel File). The deposit is made intact for each day or period. We aim to make deposits with the trustee daily. Keep all collections in a locked safe or file drawer until the deposit is made if deposits are not daily.
7. Carry the deposit to the trustee’s office and obtain a receipt from the trustee for the amount of the deposit.
8. Copies of checks and receipts, as well as the spreadsheet are sent to the Finance office to verify with the trustee’s report.

**Franklin County Schools  
Internal Controls Checklist  
Issuing Non-Payroll Checks**

	Non-Payroll Checks		Signature Authority		
	Enter Invoices	Print & Attach Invoices Checks	Verify Amount and Sign	Process and Mail Checks	Reconcile Account Payable Bank Statement
Franklin County Finance Director/Office	XX	XX	XX	XX	XX
Director of Schools			XX		
Education Supervisor					
Finance Administrative Assistant/HR					
Federal Projects/SPED Administrative Assistant					
School Nutrition Administrative Assistant					

All processing of non-payroll checks is completed at the Franklin County Finance office.

**Franklin County Schools  
Internal Controls Checklist  
Issuing All Payroll Checks**

	<b>Issuing Payroll Checks</b>								
	Obtain time sheets from department heads and schools	Approve or Determine that Leave Balances; Time Sheets have been approved	Process Payroll Post to General Ledger and Online; check Stubs	Process Payroll ACH  Direct Deposits	Determine that Payroll Deduction Accounts Clear out for Each Payroll	Determine Amount of Payroll Tax Deposit	Approve Payroll Tax Deposit  Sign Account Pay checks	Make Necessary Deposits  Net Pay and Taxes	Review Payroll Ledger  Register for Reasonableness
Franklin County Finance Director/Office	XX	XX	XX	XX	XX	XX	XX	XX	XX
Director of Schools									
Education Supervisors									
School Finance/HR Administrative Assistant	XX								X
Federal Projects/SPED Administrative Assistant									
Finance Office - School Nutrition									XX

Collect the time sheets from each department head and forward to the Finance Office to complete the payroll process.



# Franklin County Schools Internal Controls Checklist

## Cash Reconciliations

	Cash with Trustee – All Funds						Cash in Bank – All Funds			
	Obtain the Trustee's Monthly Report	Obtain a List from the Trustee or Prepare a List of Outstanding Checks	Reconcile the Trustee's Cash balance to Fund Cash	Investigate old outstanding checks or unusual items	Prepare any necessary adjusting journal entries		Receive, Open, and Review Bank Statements and Cancelled Checks	Perform Bank Reconciliation	Review Bank Reconciliation and Trace Reconciling Items and Balance to Account Records	Prepare Any necessary Adjusting Journal Entries
Franklin County Finance Director/Designee	XX	XX	XX	XX	XX		XX	XX	XX	XX
Director of Schools										
Education Supervisor										
School Finance/HR Administrative Assistant										
Federal Projects/ SPED										
School Nutrition										

All cash reconciliation is processed at the Finance Office.

**Franklin County Board of Education  
Internal Controls Checklist**

**Purchasing**

	Purchasing									
	Requisition from Department Heads for Encumbrance	Issue Detailed Purchase Order for Approval Which Records Against Budget	Order Goods /Services Based on Approved Purchase Order	Receive Ordered Goods/ Services	Sign Invoice or Shipping Documents Indicating the Goods/ Services were Received	Match Shipping Documents, Purchase Order, and prepare for Check Issuance	Print Checks Attach to Invoice, Etc.	Sign and Approve Check for Payment	Process Payment Check Stubs, etc. Mail	Determine the Disposition of any Unused Purchase Orders
	1	2	3	4	5	6	7	8	9	10
Franklin County Finance Director		XX				XX	XX	XX	XX	XX
Director of Schools								XX		
Education Supervisor	XX		XX	XX	XX					
Finance Office/HR Adm Assistant	XX		XX	XX	XX					
Finance Office Clerk	XX		XX	XX	XX					
Receptionist				XX	XX					
Federal Projects/SPED Adm Assistant	XX		XX	XX	XX					
School Nutrition Adm Assistant	XX		XX	XX	XX					
Shipping/Receiving Clerk				XX	XX					

**Franklin County Board of Education  
Internal Controls Checklist**

**Purchasing**

1. The finance office obtains a requisition or obtains purchase information based on the current county purchasing policy. The name of the person making the request, the method of request (e.g. by telephone) and the date is documented. The request is detailed. The brand, quantity, product order number, price and total purchase amount is documented. Requests for purchase orders that do not include complete information are not accepted. The request normally comes from a department head or the department head's designee
2. The finance director or designee determines whether bid laws and the local purchasing policy have been followed and ensures that the purchase order is completed in detail and then processed appropriately. One signature of an appropriate employee of the school system is required. The finance director or deputy director signs the approval. The school director/other designee has opted to sign the requisition only. The school purchase orders require only one signature; the finance director or deputy director.
3. Physically order the goods/services as listed on the purchase order. Sometimes this will be completed in the finance office, and sometimes this will be done by the department head or a specific department designee. Local vendors of goods/services are advised of the persons who are authorized to make purchases on behalf of the government. Local vendors are also advised that no goods or services can be purchased without an approved purchase order for items over \$25.
4. The shipping/receiving clerk, the department head, or a specific department designee receives the order.
5. Once the goods have been shipped and received or the service rendered, the finance office, the department head, or a specific designee checks the order, the invoice, or the shipping documentation indicating that the goods/services have been received as ordered. The documents then go to finance accounts payable personnel.
6. Once the goods have been shipped and received or the service performed, the Finance Office accounts payable personnel receives the shipping documents, invoices and then matches a purchase requisition, purchase order, shipping documents, invoice, etc. and prepares the invoices for payment. This will be the documentation used to approve the checks.
7. The finance director or deputy director approve the check for payment. All non-payroll checks require two signatures for approval. The director of schools/designee signs for the funds for which he/she is responsible. If the appropriate person is not available, the Deputy Finance director is the second approving signature.
8. A third administrative assistant /accounts payable clerk processes the payments and mails the checks.
9. The finance director and deputy finance director review the outstanding purchase orders as well as in maintaining the budgets, amendments and reports to the department heads and commission/boards.

# Franklin County Schools Internal Controls Checklist

## Grants

	Grant Performance and Documentation					
	Apply for the Grant _____	Read the Grant Contract _____				
	Include Grant in the Budget	Obtain and Read OMB's Uniform Grant Guidance	Maintain Central Grant Documentation Files	Maintain Separate General Ledger Revenue and Expenditure Accounts for each Grant	Mark or Tag Equipment and Make an Inventory Listing by Grant	Physically Observe the Equipment on the Equipment Listing
	1	2	3	4	5	6
Franklin County Finance Director/Office		XX	XX	XX		
Director of Schools/	XX					
Administrative Assistant – Finance Office		XX	XX		XX	XX
Administrative Assistant – HR						
Federal Projects/SPED Administrative Assistant	XX	XX	XX		XX	XX
School Nutrition Administrative Assistant	XX	XX	XX		XX	XX
Grant Writer	XX	XX	XX			XX
Shipping/Receiving					XX	

**Franklin County Board of Education  
Internal Controls Checklist**

**Grants**

1. The finance director or deputy director works with all county personnel to ensure the grant procedures are followed as approved in the county policy. The finance committee approves and sends the application to the county commission for approval. The Franklin County Board of Education must approve all grant proposal submits for Franklin County Schools. When it is approved, the grant is included in the school budget and ultimately county as appropriate.
2. The most recent version of the U.S. Office of Management and Budget's uniform administrative requirements, cost principles and audit requirements for federal awards are on file at the finance office and available by internet at any time. This document is downloaded from the Internet and on file. The finance director is responsible for knowing the contents of the OMB document and the grant contract and seeks any clarification from federal, state or other grant program management personnel.
3. All grant documents related to Franklin County Schools are maintained in both the board of education office and the county finance office. Each grant is kept in a separate file by fiscal year. The file contains the grant application, grant reports, budget and budget amendments, correspondence from the State of Tennessee and the federal agency monitoring reports, information specific to the grant, such as CFDA Number and Exact Grant Title, DUNS Number and Exact Entity Title for the DUNS Number), key dates, total amount of federal award, federal and state award agencies, and indirect cost calculations if applicable. The required documentation is presented throughout OMB's uniform guidance as mentioned in (1) above. Internal control and procurement policies are on file in the finance office.
4. Revenues and expenditures for each federal or state grant are maintained in separate revenue or expenditure accounts or are cost entered so that each grant can be easily recognized and accounted for in the county's accounting records. The finance director and deputy finance director are responsible for maintaining the school grants. Both positions serve as a backup for other.
5. Equipment purchased with federal and state grants is permanently marked or tagged as equipment purchased with specific grant funds. An inventory listing is made of equipment purchased with grants funds. Equipment is listed separately for each state or federal grant. Equipment on the inventory listing is physically inspected on a periodic basis by someone not associated with preparing and maintaining the inventory list. The department responsible for the equipment has the responsibility of marking the equipment and annually submits an inventory list to the board of education. County, insurance policy and inventory policies are regarded by the responsible department head. The fixed assets are maintained by the school finance administrative assistant.
6. The equipment is physically observed by the responsible parties of each department on an annual basis. The inventory list is maintained and is updated with the board of education for insurance and fixed asset maintenance.

**Franklin County Schools  
Internal Controls Checklist**

**Budget**

	Budget Operations			
	Prepare the Annual Budget for County Commission Approval	Review the Budget Monthly	Prepare Budget Amendments and Post to Accounting Records	Major Appropriation Category Budgets Should not Be Exceeded
Franklin County Finance Director/Office	XX	XX	XX	XX
Director of Schools	XX	XX		
Education Supervisors	XX	XX		
School Finance – Administrative Assistant				
Human Resources- Administrative Assistants				
Federal Projects/SPED Administrative Assistant				
School Nutrition	XX	XX		

**Franklin County Schools  
Internal Controls Checklist**

**Budget**

1. Franklin County operates under the Financial Act of 1981. The school board sets a budget calendar that coincides with the main budget calendar. The school budget is a combined effort of the director of schools, the supervisor of each educational program, the school finance administrative assistant, and the county finance director. The school board will approve the general purpose budget on the second Monday in May. The finance committee reviews all budgets as per TCA. The goal is to have an approved consolidated budget as described in TCA 5-21-110 and 5-21-111.
2. The school budget is reviewed each month by the director of schools, and the school board. Monthly reports are distributed by the deputy finance director.
3. Inter-category amendments must be approved by the Franklin County Board of Education as requested by the director of schools, and appropriate supporting directors. This is a procedure used when funds are not added to a category, but an allocation is decreased to increase another allocation when funds are needed for procurement.
4. Amendments that are needed to decrease/increase revenues and expenditures categories are prepared by the deputy finance director and must be approved by the school board. The deputy finance director presents the amendments to the finance committee. The finance committee then approves and sends the amendments to the next county commission meeting for approval. When the commission approves the amendments, they are then entered and posted by deputy finance director.

**Franklin County Schools  
Internal Controls Checklist**

**Journal Entries**

	Entering Journal Entries and Transfers			
Franklin County Finance Director/Office	XX	XX	XX	XX
Director of Schools				
Education Supervisor				
School Finance – Administrative Assistant				
Human Resources- Administrative Assistants				
Federal Projects/SPED Administrative Assistant				
School Nutrition				

1. The appropriate system-wide director or may bring corrections to the attention of the deputy finance director. A standard journal entry form is utilized. The form records debits and credits and explains the transaction in detail for each journal entry. Documentation is attached as necessary.
2. Accounts payable and administrative personnel are utilized to perform the data entry.
3. Journal entries are performed as needed at the Finance Office.

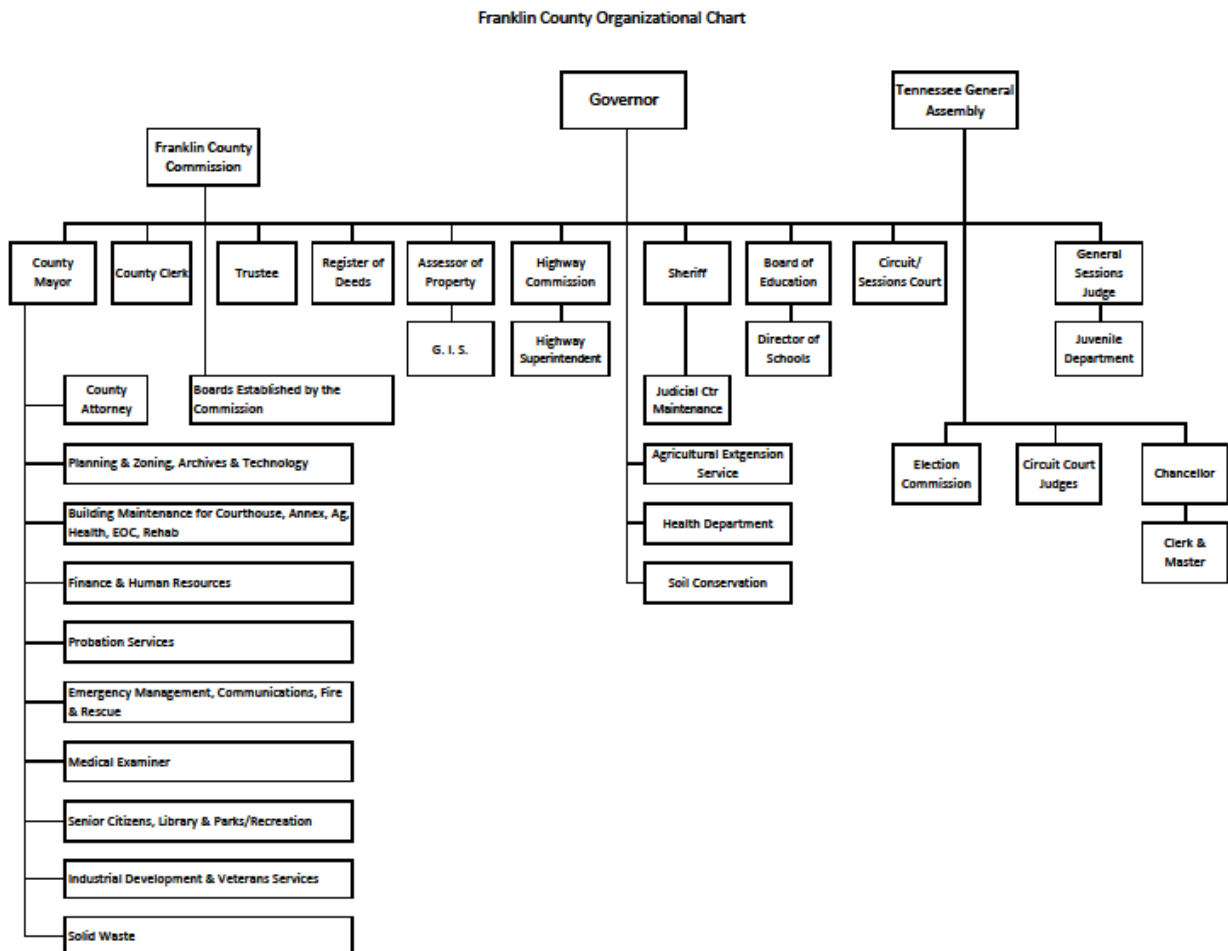


**Franklin County Schools  
Internal Controls Checklist  
Payroll and Employee Maintenance**

	Maintaining Employee Payroll Records			
	Obtain Payroll Change Notice from Department Heads	Approve or Determine that Funds are Budgeted for new Hire or Changes for Employees	Process Data Entry for Employee Changes in Payroll Software	Check Data Entry for Employee Changes/Additions in Payroll Software
Franklin County Finance Director/Office		XX	XX	XX
Director of Schools				
Education Supervisor				
Administrative Assistant – Finance Office and/or HR	XX			
Federal Person/SPED Administrative Assistant				
School Nutrition Clerk				

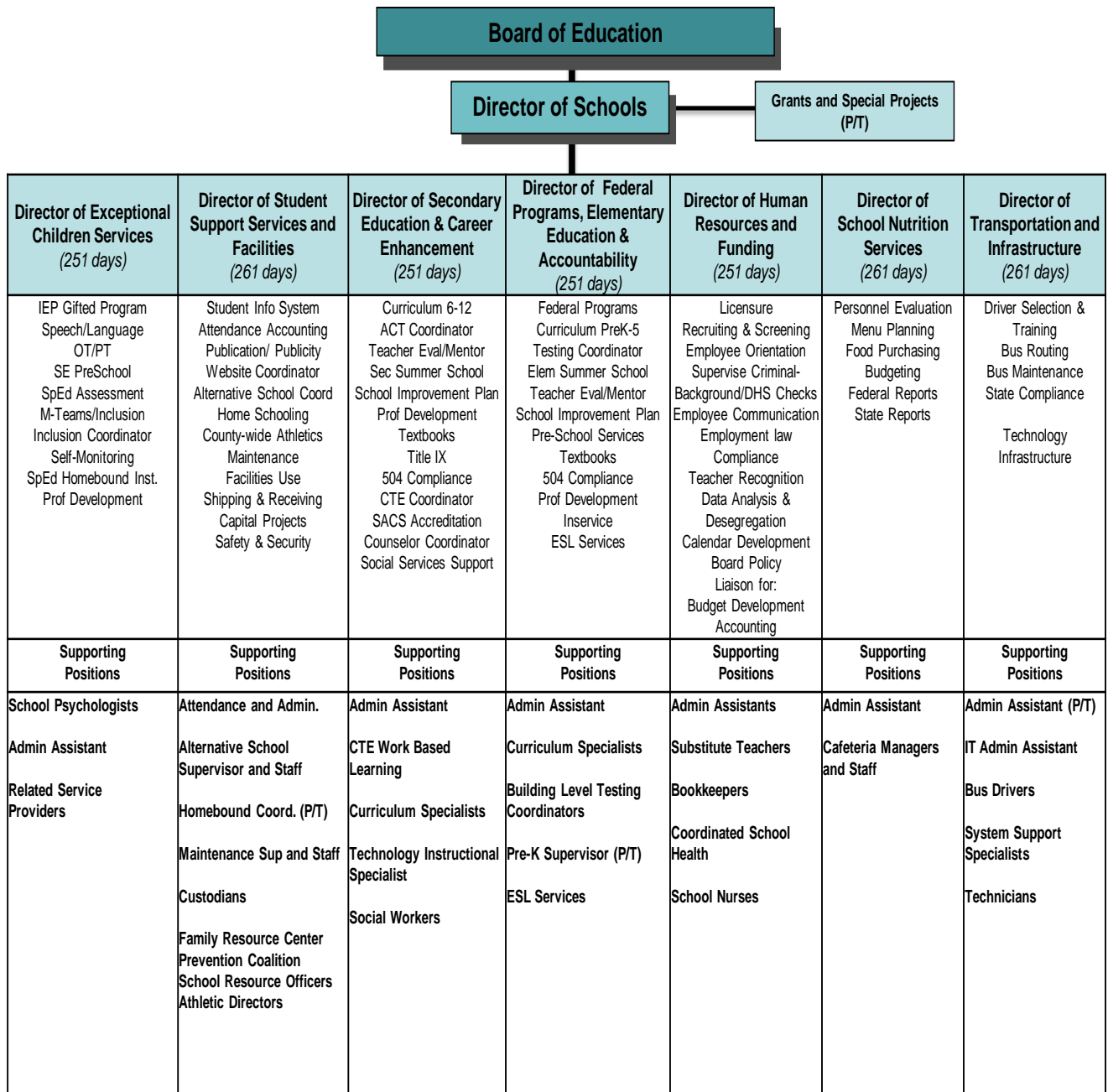
## Appendix A

### Franklin County Government Organizational Chart



## Appendix B

### Franklin County District Organizational Chart 2016 - 2017



## **Appendix C**

### **Franklin County, Tennessee** **Policies and Procedures**

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Administration of Federal Programs

Aligned with the Requirements of the

New Uniform Grants Guidance for all Federal Funds

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Highway Commission approved November 19, 2015

School Board approved December 14, 2015

To be presented to Finance Committee – January 5, 2016

To be presented to County Commission - January 19, 2016

## **Appendix D**

### **Franklin County Schools School Nutrition Program Internal Controls**

#### **I. Cashier Instructions**

- Before opening your POS computer, verify change account amount and record.
- Verify Date.
- Observe and verify the Reimbursable Meals.
- Know your Charge Policy.
- Change is not to be given from the register unless making change from a purchase.
- Checks are not to be cashed from the register.

#### **II. Day End Procedures**

- In order to reconcile cash you must be able to accurately count the number of free, reduced & paid student meals, adult meals & all extra sales. This must be done at the time & place the meals were served.
- Complete all transactions.
- At first count of till, remain at the register. NEVER LEAVE MONEY UNATTENDED!
- Second count of money is done in the manager's office. Two people count the money at the same time.
- When both 1<sup>st</sup> and 2<sup>nd</sup> counts agree, then and only then will BOTH persons sign the reconciliation sheet or computer report. By signing the reconciliation form, both persons agree that the listed amount is correct.
- After the second count is completed, the manager will combine all drawers to complete the deposit. TWO signatures/initials must be on the bank deposit tickets. All reports will be maintained by the manager.
- After completing the deposit, the money is transported to the bank daily (or at a minimum every third business day).
- The school employee making a deposit is responsible for making sure bank tellers are observed during money count. The school employee should be informed of any difference in the amount on the deposit slip and the actual amount of money in the deposit.
- Provisions must be made for a safe, secure location for cash.
- Contact the central office for cash counter corrections.

### **III. Refunds**

No refunds are to be issued from the cash register over the amount of \$2.00. If the requested refund is under \$2.00, contact the central office for instruction. If a refund of over \$2.00 is necessary, the student's parent/guardian will notify the School Nutrition Department to request a refund. Cafeteria managers will find the authorization form in the 'manager's folder'. Complete the authorization and submit to the central office. If approved by the school nutrition program director, the finance department will process a refund check and mail it to the parent.

### **IV. Student Account Adjustments**

If a student account adjustment is needed for any reason, contact the central office.

### **V. Meal Counting and Claiming**

To receive reimbursement for meals, sites must accurately count, record and claim the number of meals served to students by category: Free/Reduced/Paid. Adequate documentation must be kept on file to support the claim. Meals must be counted at the point-of-service. The monthly Claim for Reimbursement is submitted electronically by the SFA to Tennessee: Meals, Accounting, and Claiming (TMAC). The SNP supervisor submits the claim monthly. It is the responsibility of the supervisor and central office staff to ensure all policies and procedures (i.e., Meal Count Edit Check) and internal controls (onsite visits) are implemented to ensure the Claim for Reimbursement is accurate and supported by documentation.

### **VI. Assessment of the Meal Counting and Claiming System**

According to 7 CFR 210.8(a)(1), every school year, prior to February 1, each School Food Authority (SFA) with more than one school (as defined 7 CFR Part 210.2 to include Residential Child Care Institutions (RCCIs)) must perform no less than one on-site review of the lunch counting and claiming system employed by each school under its jurisdiction.

Each on-site review must ensure the school's claim is based on the counting system, as implemented, and yields the actual number of reimbursable free, reduced price, and paid lunches, respectively, served for each day of operation.

If the review discloses problems with a school's meal counting or claiming procedures, the SFA must ensure that the school implements corrective action, and within 45 days of the review conduct a follow-up on-site review to determine that the corrective action resolved the problems.

Edit checks should be completed daily in the schools and monthly at the central office prior to a reimbursement claim being filed. Edit checks are mathematical processes that compare the monthly and daily lunch counts against data to assist in the identification of lunch counts in excess of the number of free and reduced lunches served each day to eligible children.

- Edit check calculations help identify 'potential over claims'.

## **VII. Approved Collection Procedures**

The chosen meal counting procedure is approved by TNDOE. Information on the collection procedure approved for each school in the system is included in the "Counting Procedure" in the Application/Agreement completed yearly on line in TMAC (Tennessee: Meals, Accounting, and Claiming) <https://tmac.cnpus.com>. Any changes to the procedure must be approved by TNDOE.

## **VIII. Internal Controls for Accountability**

- Second party reviews of Free & Reduced Meal applications and rosters at time of approval and periodically during the year.
  - Applications are processed using Nutri Kids software. The processor verifies that the software has calculated the income correctly and makes comparisons to the income eligibility chart.
- The SNP director, field manager and/or administrative assistant can often spot potential problems during routine visits to schools by watching cashiers. This will help the director identify where training or technical assistance is needed. When problems are noted, technical assistance, coaching, or additional training should be implemented to correct the problem.
- Consolidation of meal counts are calculated by Nutri Kids software and verified by the SNP director.

## **IX. Charged Meals**

- Cafeterias should not charge adult meals or a la carte items for students or adults.
- Cafeterias should follow the approved board policy for charging meals

- Uncollected charged meals constitutes a bad debt and is unallowable. Charges must be collected by the end of the school year or made up from funds other than the School Nutrition Program. Documentation of efforts to collect this money should be maintained.

## **X. Confidentiality Statement**

A system for claiming meals must prevent overt identification. This means the eligibility category of any child must be protected and known only by those school officials who deal directly with the counting and claiming system. All employees must sign the confidentiality statement yearly.

## **XI. Guidance**

Use the Tennessee Internal School Uniform Accounting Policy Manual July 2011 for further guidance. This manual is found on TMAC.

## **XII. Training on Meal Counts, Consolidations & Claims**

All personnel involved in the meal count system must be adequately trained to perform their duties and responsibilities. Written records should be kept to document training. A review of these records can help the SNP director determine who may need training. Any new personnel or substitute personnel involved in the meal count/collection procedures should receive training prior to being given responsibility for the task. The SNP director can determine if other personnel need additional training, coaching or technical assistance by observing procedures in use and asking questions.

## **XIII. Suggested Areas for Training**

- Implementing the collection procedure as it is outlined in the Application/Agreement.
- Correctly operating any mechanical or electronic equipment used to determine the meal count.
- Recognizing a reimbursable meal and knowing the procedures to follow when the student has not selected a reimbursable meal.
- Using correct procedures to issue PIN numbers.
- Interpreting and using the information on PIN numbers to accurately count, collect correct payments & record the meals by category.
- Using the up-to-date master roster to resolve meal eligibility questions.
- Dealing with lost, stolen or misplaced PIN numbers.
- Handling charged meals.
- Counting meals for visiting students.



- Completing reports of daily meal counts and daily cash collections.
- Correctly completing cash reconciliation.
- Maintaining security of cash, pin numbers, etc.
- Avoid overt identification of eligible students.

ALL RECORDS MUST BE KEPT ON FILE FOR THREE YEARS PLUS THE CURRENT.

## Appendix E

### Franklin County Schools Extended School Program

#### Bookkeeping and Internal Controls Procedures Cash/Check Handling Receipts, Reconciliation

	Staff	Site Director	Principal	ESP Supervisor
Received money from parent	X			
Receipts money from parent	X			
Prepares bank deposit		X		
Takes deposit to bank	X	X	X	
Reconciles bank deposit slip to receipt book	X (2)	X (1)		
Checks for three-day deposit		X	X	X
Reconciles bank statement at the end of the month		X		
Approves bank reconciliation by signing				X
Prepares Check		X		
Approves check for Payment and Sign Check		X	X	

## Extended School Program

### Bookkeeping and Internal Controls Procedures **Purchasing**

	Staff	Site Director	Principal	ESP Supervisor
Makes request to purchase		X		
Initiates requisition				X
Prepares Purchase Order				X
Approves request to Purchase				X
Signs out credit card (from administrative assistant in HR)		X		
Receives good from vendor	X	X		
Returns credit card to administrative assistant (same day if possible)		X		X
Makes copy of PO and transactions to be sent to Finance Office				

### **Controls**

Money must be in the account to purchase.

## **Extended School Program**

### **Bookkeeping and Internal Controls Procedures**

#### **Collecting/Receipting**

Money collected should be receipted in a 3-ply receipt book on the day it is received. The following procedure will apply:

- Money received by a staff member must be receipted immediately. The money should be put in a locked bag or box and placed into a secure location until it is taken to the bank.
- A staff member will write a receipt which will include the parent's name, the child's name, and a check for either cash or check. The receipt should contain all pertinent information.
- The site director will prepare a deposit slip. The money may be taken to the bank by the site director, an ESP staff member or the school principal. The deposit slip should include the receipt numbers.
- **Remember the three day bank law in which we can be fined by the State Comptroller if we do not comply.**

#### **Purchasing**

- All requisitions MUST be approved **PRIOR** to purchase
- Pre-numbered purchase orders/requisitions are required PRIOR to making any purchase.

#### **Wal-Mart Credit Cards**

- The staff member must 'sign' for the Wal-Mart credit card after receiving your approval from the supervisor.
- After a purchase is made the same employee must 'sign' the card back in, on the same day if possible and turn in a signed receipt.

Wal-Mart cards must be signed back in at least by the next day; the approved staff member is only allowed to keep the card for 24 hours.

Please be mindful that receipts have to be reviewed to ensure purchases are ESP appropriate. For example, if you purchase a candy bar and/or soda with the card, that could be considered fraudulent purchases. This could lead to an investigation by the State Comptroller's Office.

- A card will not be issued out over the weekend or a holiday.

All employees must denote by signing a form that he/she has read and understands the Bookkeeping Procedures of this special program.