



Financial Policies and Procedures Manual

Updated: June 2023

This document will describe the policies and procedures for the accounting and administrative functions conducted by Pullman Community Montessori. Management may amend this manual as needed to align with PCM School Accounting Manual for Washington State. The Board of Trustees is to review the manual every year. PCM will meet the Commission's Financial Performance Framework standards throughout the life of the charter contract. These policies may be updated by the BOT to ensure PCM policies and procedure ensure PCM meets this goal.

42 **Contents**

43	INTRODUCTION	3
44	Financial Policies	3
45	Financial Leadership and Management.....	4
46	INTERNAL CONTROL STRUCTURE	5
47	Background.....	5
48	1. Internal Control Environment	5
49	2. Accounting System.....	5
50	5. Internal Control Procedures	5
51	The Accounting Cycle.....	7
52	SUMMARY OF ACCOUNT STRUCTURE.....	12
53	Assets.....	12
54	Liabilities.....	12
55	Revenue.....	13
56	Expenses.....	14
57	PROCESSING CASH RECEIPTS AND REVENUE.....	15
58	Background	15
59	Processing and Recording Cash Receipts.....	15
60	Processing and Recording Revenue	16
61	Accounts Receivable Aging	18
62	PROCESSING PURCHASES	19
63	Background.....	19
64	Purchase Approval.....	23
65	Issuance and Monitoring of Purchase Orders.....	23
66	Receipt of Goods.....	24
67	Reimbursable Expenses.....	24
68	Credit Card Purchases	25
69	PROCESSING CASH DISBURSEMENTS.....	26
70	Processing Invoices	26

71 Online/Phone/Fax/EFT Payments27

72 Recurring Expenses27

73 De Minimis.....28

74 Accounts Payable Aging.....28

75 Petty Cash Account.....28

76 Insurance Coverage.....28

77 Political Contributions.....29

78 MANAGEMENT OF CASH.....30

79 Accounts30

80 Bank Statements30

81 Bank Reconciliation.....30

82 Related Party Transactions30

83 Investment of Funds30

84 PAYROLL.....33

85 Hiring.....33

86 Salary Determination33

87 Compensation Accrual.....33

88 Employees vs. Independent Contractors34

89 Utilization of Independent Contractors/Consultants34

90 Obtaining Payroll Information34

91 Time Reporting Procedures.....37

92 Processing Payroll38

93 Periodic Payroll Reconciliations.....40

94 Protecting Payroll Information40

95 Changes to Payroll Information.....40

96 Terminations and Resignations.....41

97 Sick Leave and Paid Time Off.....41

98 Recording Absences43

99 Further Details: Sick Leave.....43

100 Shared Sick Leave.....43

101	Key Guidelines to Using Paid Time Off (PTO):	44
102	PROPERTY AND EQUIPMENT	45
103	Background	45
104	Capitalization Policy	46
105	Depreciation Policy	46
106	Disposal of Property and Equipment Policy	47
107	RECORDS RETENTION	48
108	Records Retention Policy	48
109	Records Access Policy	50
110	Records Destruction Policy	50
111	FRAUD AND MISAPPROPRIATION	51
112	GENERAL FUNDRAISING	53
113	STUDENT FUNDRAISING	53
114	TIME AND EFFORT POLICY	55
115	Extracurricular & Core Program Policy	57
116	Federal Programs	58
117	Federal Programs - Cash Management	58
118	Federal Programs - Allowability of Costs	59
119		
120	INTRODUCTION	
121	Pullman Community Montessori (PCM) is committed to developing and maintaining financial policies	
122	and procedures that ensure sound internal controls, fiscal responsibility, and accountability in	
123	accordance with the Generally Accepted Accounting Principles (GAAP), rules and regulations of the	
124	Financial Accounting Standards Board (FASB), and Governmental Accounting Standards Board (GASB).	
125	PCM will follow all the relevant laws and regulations that govern charter schools within the state of	
126	Washington. As a nonprofit organization, PCM is entrusted with funds granted by government	
127	agencies, private foundations, and individual contributors, and it will adhere to the highest standards of	
128	accounting. Clear financial policies and procedures will enable PCM to meet its financial needs and	
129	obligations, ensure long-term financial stability and viability, and protect its tangible assets and	
130	reputation.	
131		
132	Financial Policies	
133	1. PCM shall comply with applicable laws, rules, and regulations in regard to financial matters and	
134	according to the terms of the contract by which it is bound.	
135	2. Control procedures shall be in place to ensure the security of the organization's assets.	

136 3. Timely and accurate financial information shall be produced to fulfill all reporting requirements
137 and management needs.

138 **Financial Leadership and Management**

139 The financial management team of PCM consists of:

- 141 • Board of Trustees
 - 142 ○ Treasurer of the Board of Trustees
 - 143 ○ Board Finance Committee
- 144 • Head of School
 - 145 ○ Contracted Chief Financial Officer and Accounting support (Financial Consultant)

146
147 The day-to-day fiscal responsibilities of PCM are assigned to its fiscal staff. However, ultimate fiduciary
148 responsibility for the overall management of the organization lies with the Board of Trustees.

149
150 The Board of Trustees will meet monthly to ensure that its fiduciary duty is maintained. PCM will establish
151 a Finance Committee by the first full Board meeting. This committee will be responsible for selecting an
152 audit firm on an annual basis, reviewing the financial policies and procedures manual on an annual
153 basis, approving the annual budget, and working with PCM's finance team to review the monthly
154 financial statements.

155
156 The Finance Committee of the Board of Trustees shall be responsible for the primary Board-level
157 oversight of school financial matters, as defined by the Board. Head of School, supported by Financial
158 Consultant, will have the primary responsibility of executing all financial matters. All members of the
159 fiscal management team will work together to make certain that all financial matters of the organization
160 are addressed with care, integrity, and in the best interest of PCM.

161
162 The Head of School is responsible for administering PCM's adopted policies and ensuring compliance
163 with procedures that have been approved by the Board of Trustees. Exceptions to written policies may
164 only be made with the prior approval of the Finance Committee. Changes or amendments to these
165 policies shall be conducted by the Finance Committee and approved by the Board of Trustees every
166 year.

167
168 Any violation of these policies and procedures is considered to be cause for termination or removal and,
169 depending upon the nature of the infraction, civil and/or criminal prosecution.

1

INTERNAL CONTROL STRUCTURE

Background

This manual describes the policies and procedures of PCM. The policies are designed to safeguard the assets of PCM, facilitate compliance with applicable law, and produce timely and accurate financial information in accordance with the Generally Accepted Accounting Principles (GAAP), rules and regulations of the Financial Accounting Standards Board (FASB), and Governmental Accounting Standards Board (GASB). It is the responsibility of the leadership team to safeguard the PCM's assets, which include cash, cash equivalents, and fixed assets. The contents of this chapter will demonstrate the internal controls that will be/have been implemented to assure assets are safeguarded appropriately.

The internal control structure is composed of five basic elements, described in detail below.

1. Internal Control Environment

The internal control environment reflects the importance PCM places on internal controls as part of its day-to-day activities. Factors that impact the internal control environment can include management and Board philosophy; organizational structure; ways of assigning authority and responsibility; methods of management and control; personnel policies and practices; and external influences such as significant donor expectations; and legal compliance requirements.

2. Accounting System

PCM has established an accounting system comprised of the methods and records used to identify, assemble, classify, record and report accounting transactions. The methods are set up to: (1) identify and record all of the organization's transactions; (2) describe the transactions in enough detail to allow classification for financial reporting, and (3) indicate the time period in which transactions occurred in order to record them in the proper accounting period.

3. Fiscal Year

The fiscal year is from September 1 to August 31.

4. Audits

PCM's audited financial statements must be approved by the Board of Trustees and provided to the appropriate oversight entity according to all applicable requirements.

5. Internal Control Procedures

PCM has adopted a number of internal financial controls. These procedures are set up to strengthen PCM internal control structure in order to safeguard the organization's assets. The internal financial controls consist of the following:

Segregation of Duties: A hierarchical structure of authority and responsibility has been developed at PCM to ensure the separation of the custody of assets and recordkeeping. In situations where there are an insufficient number of employees to achieve this because of budget constraints, a compensating control has been, or will be, created at PCM. This protects PCM from potential fraud or misappropriation of funds.

- Compensating controls currently include, but not limited to:
 - Required designated Board member signature on checks over \$20,000.
 - Initial completion of bank reconciliations assigned to the Financial Consultant, then reviewed by Head of School.
 - Vendor payment initiation assigned to the Financial Consultant.
 - Initial approval of cash disbursements assigned to the Head of School.
 - Review and approval of cash disbursements by the Board.
 - All statements and records are readily available for review by the Board, including bank statements, credit card statements, and accounting records.

Organizational Chart:

- Head of School: Reviews and approves all budgets; approves major capital expenses; approves and coordinates staffing changes and hires; approves compensation changes; approves all purchase orders and disbursements; completes investments.
- Office Manager: Orders school supplies for teachers and procures other items for the school as necessary; sends all invoices to the Accountant, with the proper approvals; collects and deposits funds from students/parents.
- Financial Consultant: CFO-support services, including: high-level financial leadership guidance, budget creation support, grant compliance support, variance reporting and analysis, and internal controls support.
- Accountant: ensures fiscal policies and procedures are being followed; enters journal entries as needed; completes bank reconciliations; creates purchase orders; prepares all financial reports; enters all invoices; cuts checks and prepares various EFT payments; mails checks;
 - Note: Currently, the Accountant position is being outsourced to a third-party service provider, which is also providing CFO-support services. As such, the accountant and CFO. The service provider will be identified as the Financial Consultant in the rest of this document.

Restricted Access: Physical access to valuable and moveable assets is restricted to authorized personnel. Authorized personnel include: Head of School, Montessori Coach, designated teachers, and the Office Manager. Technology consultants, if hired, will also have access as needed.

Document Control: In order to ensure that all necessary documents are captured by the accounting system, financial related documents must be dated when received, then filed sequentially by number or date. This can include, but is not limited to invoices, packing slips, contracts, etc. This can be done electronically.

Records Retention: To provide an accurate and auditable record of all financial transactions, PCM's books, records, and accounts are maintained in conformity with generally accepted accounting principles

as required by Washington law, applicable to charter schools. Records will be maintained for the periods sufficient to satisfy IRS regulations, federal grant requirements, OMB A133 audit requirements, if applicable, and other legal needs as may be determined. Record retention requirements are reviewed annually with legal counsel and independent auditors to determine any necessary changes.

Processing Controls: These are designed to identify any errors *before* they are posted to the general ledger. PCM's processing controls are the following: (1) Source document matching, when applicable (example: purchase approval and corresponding invoice); (2) Clerical accuracy of documents; and (3) General ledger account code checking.

Reconciliation Controls: These are designed to identify any errors *after* transactions have been posted and the general ledger has been run. The process involves reconciling selected general ledger control accounts to subsidiary ledgers. Reconciliation is completed by the Financial Consultant and approved by PCM's Head of School.

Annual Independent Audit: PCM's financial statements are audited annually by an independent audit firm selected by the Board of Trustees on the recommendation of the Finance Committee. The Finance Committee has the authority to request an entrance and exit conference with the auditor.

Security of Financial Data: PCM's accounting software is accessible only to the Head of School and the Financial Consultant. Individual ID codes and passwords are in place for every user and limit their access and functionality depending on their role within PCM. All other hard copies of financial data, when not in use, will be secured in a closet or cabinet at PCM. All financial data and source documents are backed up in case of data loss.

Risk Assessment: This is designed to identify, analyze, and manage risk relevant to the preparation of accurate financial statements. It includes mitigating risks involving internal and/or external factors that might adversely affect PCM's ability to properly record, process, summarize and report financial data.

The Accounting Cycle

The accounting cycle is designed to accurately process, record, summarize, and report transactions of PCM. PCM will maintain their accounting records and related financial reports on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when services are incurred or goods are received.

The component bookkeeping cycles fall into one of five primary functions:

1) Revenue, Accounts Receivable, and Cash Receipts

Key tasks in this area include:

- Processing cash receipts
- Making deposits
- Recording cash receipts in the general ledger and subsidiary records
- Performing month-end reconciliation procedures
- Processing general ledger integration for private donations/revenue
- Processing wire transfers into school accounts

2) Purchases, Accounts Payable, and Cash Disbursements

Key tasks in this area include:

- Authorizing the procurement of goods and/or services
- Processing purchases (credit card, check, reimbursement)
- Processing invoices
- Issuing checks
- Recording checks in the general ledger and in cash disbursement journals
- Performing month-end reconciliation procedures
- Year-end reporting: Preparing 1099 forms
- Processing wire transfers out of school accounts

3) Payroll

Financial Consultant, an outside service provider, will perform the payroll process. Their responsibilities include calculating appropriate amounts for taxes to be remitted to the Federal, State and City government agencies and voluntary and/or statutory deductions that may or may not require remittance to retirement plan trustees, child support agencies, etc.

Key tasks in this area include:

- Obtaining and gathering payroll information
- Preparing payroll checks and depositing payroll taxes
- Submitting information to Financial Consultant for processing
- Performing quarterly reconciliation
- Preparing quarterly payroll tax returns
- Preparing W-2s, the W-3, and other annual payroll tax returns

4) General Ledger and Financial Statements

Key tasks in this area include:

- Preparing monthly journal entries
- Reconciling bank accounts and other general ledger accounts
- Reviewing general ledger activity and posting adjusted journal entries
- Producing the financial statements
- Producing the annual budget

The general ledger process consists of posting the period's transactions to QuickBooks (the accounting software), which produces the financial statements. The Financial Consultant will reconcile bank and credit card accounts, enter payroll, review the general ledger and prepare for the annual audit.

The Head of School presents monthly statements to the Board of Trustees at each board meeting. The required statements are outlined in the following section.

The Head of School is responsible for creating and updating 5-year budget projections for PCM. In addition, the Head of School, in consultation with the Montessori Coach and the Financial

Consultant, will prepare the annual operating budget of income and expenses and the capital budget for PCM. These budgets and the 5-year projection are reviewed and approved annually, first by the Head of School, then by the Finance Committee of the Board and finally by PCM's Board of Trustees and modified as necessary, with approval by the last day of the closing fiscal year. This process is described below.

5) Budgets and Financial Reporting

The Laws

RCW 28A.505.050

RCW 28A.505.150

RCW 28A.505.170

RCW 28A.505.180

Budgets

PCM's budgets for the following fiscal year must be drafted for Board review and approved prior to the end of the current fiscal year. The budget may later be revised and approved as necessary. The approval of the budget becomes the legal authority to spend the organizations funds.

Budgets are created annually and updated on as needed basis according to actual expenditures and programmatic changes that occur during the year. Creation of the annual operating budget and capital budget is an iterative process led by the Head of School but requires input from the Montessori Coach and the Financial Consultant. This input is necessary to ensure enrollment is accurately represented per the charter agreement, and to make certain the staff can properly support the proposed number of enrolled students. Critical school program expenses should be represented in the budgets to ensure reality is properly reflected. Historical information is used when available and applicable. The iterative process is repeated until the overall budget fairly represents the revenues and expenses for the operating budget, as well as the cash requirements for capital expenditures under the capital budget.

State revenues are estimated by using Form F-203, Estimate for State Revenues. The data may be revised until the budget is adopted. The information supplied on Form F-203 is combined with other data and is used to estimate each school's state-funded allocations for each fiscal year.

Upon completion of the budget, PCM shall publish a notice in accordance with RCW 28A.505.050 stating: That PCM has completed the budget. That the budget is on file at the school. That a copy of the budget will be furnished to any person requesting one. That the board of directors will meet for the purpose of fixing and adopting the budget of PCM for the ensuing fiscal year. The date, time, and place of the board hearing which shall occur no later than August 31 for Charter Schools. That any person may appear at the public hearing and be heard for or against any part of the budget. Notice of public meetings shall be published at least once each week for two consecutive weeks in a newspaper of general circulation in Pullman. Additionally, each fiscal year, PCM's adopted official budget document (Form F-195 and F195F), shall be submitted in the format prescribed by OSPI.

Once complete, the Head of School presents the overall budget to the Finance Committee for review. If/when the Committee is satisfied, the budget is then presented to the entire Board for a vote of

approval. The proposed budget must be submitted to the Commission by July 10th, if changes are made after July 10th, those must be communicated to the Commission by August 31st. The budget must be approved and passed before the start of the new fiscal year (August 31) and in accordance with the guidelines of the Office of the Superintendent of Public Instruction. Once approved, the implementation of, and accountability for, the budget is the sole responsibility of the Head of School.

After approval, the Financial Consultant uploads the budget into the accounting system. This budget is then used to run monthly budget vs. actual expense reports that are shared with the Head of School. Differences of more than \$10,000.00 AND 10% are described in the notes section. The Head of School is responsible for making sure that significant differences are thoroughly researched and ultimately identified as either permanent or temporary variances. In addition, the Head of School ensures the Financial Consultant produces contingency budgets with extreme issues.

From a day-to-day operational standpoint, the Head of School may work with the Treasurer of the Board of Trustees or the Chairperson of the Board of Trustees to resolve questions or issues related to the budget.

Budget Extensions

As expenses are reviewed during the monthly budget to actual reporting, PCM must complete a budget extension prior to incurring expenditures in excess of the total of such appropriations as required by RCW 28A.505.150. The budget extensions (Form F-200) must be filed in accordance with the procedures outlined in RCW 28A.505.170 and RCW 28A.505.180. The Board of Directors shall adopt a written resolution stating:

- The estimated amount of additional expenditures.
- The source of funding.
- The specific reason(s) for the extension. The reason(s) may be brief. For example: increased enrollment, purchase of equipment, increased salary demand, etc.

Financial Reporting

One week before each Board meeting, the Finance Committee will review:

- 1) the budget vs. actual report for the operating budget;
- 2) the budget vs. actual report for the capital budget;
- 3) the Statement of Financial Position; and
- 4) the enrollment budget vs. actual report per grade for General Education and Special Education students.

The Treasurer of the Board of Trustees will present these reports to the Finance Committee at each meeting and provide the full Board access. The Finance Committee may also request cash flow projections through the end of the fiscal year to identify the months that cash flow may run negative.

In addition, monthly budget vs. actual reports for the operating budget and capital budget will be produced by the Financial Consultant for the Head of School by the 21st of each month.

At the end of the year, the following key financial statements are produced:

- 1) Statement of Financial Position

Commented [MP1]: Update per JC:

"Finance Committee will review:"

- 430 2) Statement of Activity
- 431 3) Statement of Cash Flows
- 432 4) Statement of Functional Expenses
- 433

434 Quarterly financial reports for the Commission will be prepared by the Financial Consultant (third party
435 service provider) and reviewed by the Head of School in compliance with generally accepted
436 accounting principles. Such reports shall be submitted to the Commission 45 days after the quarter end
437 for quarters 1, 2 and 3 and 180 days after the year end. The form of the quarterly reports will be
438 determined by the Commission. Fourth quarter and year end reports shall be submitted with the annual
439 independent financial audit.

440
441 PCM will comply with all necessary non-profit corporation financial and informational filing
442 requirements, including IRS form 990.

2

SUMMARY OF ACCOUNT STRUCTURE

The Laws

RCW 28A.710.220

Assets

Types of Equity

In non-profit organizations, assets must be classified by nature and segregated between:

1. Net Assets With Donor Restrictions
2. Net Assets Without Donor Restrictions

PCM's assets are classified as with or without donor restrictions.

Cash and Cash Equivalents

All cash and cash equivalents of PCM consist of cash in PCM's bank accounts.

Grants Receivable

Grants receivable include money that PCM expects to receive from government or private sources. Donation letters or pledges are also considered grants receivable.

Property and Equipment

Property and equipment includes the assets used by PCM for activities and programs that have an estimated useful life longer than one year. For PCM, fixed assets primarily consist of musical instruments, classroom equipment, furniture, computers, and computer software.

Purchased property and equipment is recorded at cost. Donated property and equipment are recorded at fair market value at the date of donation. Acquisition costs include all costs necessary to bring the asset to its location in working condition, including:

- Sales tax, if any
- Freight
- Installation costs
- Direct and indirect costs, including interest, incurred in construction.

Liabilities

Accounts Payable

Accounts payable include costs and expenses that are billed through a vendor invoice or contract, and are recorded at the invoice or contract amount. Vendors and suppliers are paid as their payment terms require, taking advantage of any discounts offered. If cash flow problems exist, payments are made on a greatest dependency/greatest need basis.

483 **Capital Lease Obligation**

484 PCM may lease office equipment under a capital lease. In such cases, payments of both principal and
485 interest will be made monthly.

486
487 **Accrued Liabilities**

488 Salaries, wages earned and payroll taxes, along with professional fees, rent and insurance costs incurred,
489 but unpaid, are reflected as a liability when entitlement to payment occurs.

490
491 **Debt**

492 Long-term debt consists of financing that is not expected to be repaid within one year and is recorded on
493 the Statement of Financial Position as a long-term liability. All short-term and long-term debt is approved
494 by the Board of Trustees and may not exceed the duration of the charter, without consent of the Board of
495 Education. Loan agreements approved by the Board of Trustees should be in writing and should specify
496 all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule.

497
498 Per the Statement of Assurances signed in PCM's charter application, to the extent it issues secured and
499 unsecured debt, including pledging, assigning, or encumbering its assets to be used as collateral for
500 loans or extensions of credit to manage cash flow, improve operations, or finance the acquisition of real
501 property or equipment, PCM shall not pledge, assign, or encumber any public funds, such as student
502 enrollment reporting money or local levy money, received or to be received pursuant to RCW
503 28A.710.220.

504
505 Furthermore, PCM shall ensure that no debt incurred by PCM is a general, special, or moral obligation
506 of the state or any other political subdivision or agency of the state.

507
508 Finally, PCM shall not pledge either the full faith and credit or the taxing power of the state or any
509 political subdivision or agency of the state for the payment of the debt.

510
511 **Revenue**

512 **Private Contributions**

513 PCM receives contributions from individuals, foundations, and corporations in the following forms:

- 514 1. **Unrestricted Contributions:** No donor-imposed restrictions.
- 515 2. **Temporarily Restricted Contributions:** Donor-imposed restrictions such as passage of time or
516 specific use.
- 517 3. **Permanently Restricted Contributions:** Donor has placed permanent restrictions on the timing
518 of use of funds, purpose of use of funds, and/or the use of earnings and appreciation.

519
520 Upon receipt of donation, donations are classified as unrestricted, temporarily restricted or permanently
521 restricted.

522
523 For further information on the processing of donations, please see Chapter 2.

524
525 **Public**

526 **Public funds:** All public funds must be received, tracked, and expended in accordance with the rules

527 and regulations of the awarding entity.

528

529 **Expenses**

530 ***Types of Expenses***

531 Expenses are classified by functional classification and are matched with any donor-imposed restrictions.

532

533 **Functional Classifications:**

534 a. ***Program Service Expense***: the direct and indirect costs related to providing education and
535 other services consistent with PCM's mission.

536 b. ***Management & General Expenses***: expenses for other activities related to the purpose for
537 which the organization exists. These relate to the overall direction of the organization and
538 include expenses for the activities of the governing board, business management, general record
539 keeping, and budgeting.

540 c. ***Fundraising Expenses***: costs of all activities that constitute appeal for financial support and
541 include costs of personnel, professional consultants, rent, printing, postage, telephone, etc.

542

543 The cost of providing the various programs and other activities of PCM will be summarized as part of
544 PCM's annual OSPI reporting process.

3

PROCESSING CASH RECEIPTS AND REVENUE

Background

PCM records revenue on the accrual basis of accounting, consistent with generally accepted accounting principles.

PCM receives revenues from the following primary sources:

- Federal Government
- State Government
- City Government
- Corporations
- Foundations
- Individuals

If total federal support for the fiscal year should exceed \$750,000, an additional audit under the guidance of OMB Circular A-133 will be conducted.

The Laws

RCW Chapter 28A.710

Processing and Recording Cash Receipts

The Financial Consultant is responsible for recording cash receipts as well as various other functions.

The Office Manager sorts and delivers all mail. Any mail addressed to a specific staff member should be transferred, unopened, to the addressee. Any mail addressed generally to PCM may be opened by the Office Manager or Head of School. All documents contained within should be transferred to the most appropriate individual. Credit card or bank statements should be transferred immediately to the Financial Consultant for review, payment, and filing.

The Office Manager may open mail that appears to contain a check and is addressed generally to PCM. Once opened by the Office Manager, all checks must be stamped or written on immediately in the designated endorsement area with "For Deposit Only" and the appropriate bank account number and the name of PCM. The receipt of the check must be logged in the Cash Receipts Log, maintained as an ongoing worksheet. The check should then be copied and "copy" written on it. Any correspondence accompanying the check should also be retained. The check, check copy, and any accompanying documents should be electronically transferred in a secure manner to the Financial Consultant. Physical checks and any accompanying documents are scanned and sent to the Financial Consultant. Once completed, all documents are sequentially filed in a locked cabinet at the school or electronically. The

585 above tasks should not be completed by anyone who has direct use of the accounting system.

586

587 The Office Manager will staple the photocopy of the check and all correspondence (check copy on top)
588 together and will be retained and filed sequentially in an electronic tracking system, original copies
589 received in paper format may be kept in paper format in a folder or binder, sorted by bank account
590 number and in date order.

591

592 When a donation is received, a pre-numbered contribution acknowledgement letter will be drafted by
593 the Office Manager, signed by the Head of School, and sent to the donor by the Office Manager.

594

595 Whenever reasonably possible, the Office Manager or Head of School will deposit all checks on the day
596 received. At the latest, checks must be deposited no later than within 10 business days. Checks that
597 cannot be deposited immediately will be placed in a locked location. Before depositing a check, the
598 Office Manager or Head of School will prepare a deposit slip, copy it, and staple this to the copied
599 check. When deposited, a deposit receipt with bank-endorsed proof of deposit will be obtained for each
600 check. The office manager will scan and email the deposit slip and receipt to the Financial Consultant
601 after the deposit is made. Paper copies can be filed in the Cash Receipts Folder or Binder but the main
602 system of record is electronic.

603

604 Deposits may be recorded either as cash receipts, invoices, or as general ledger entries. After the check
605 has been deposited, the Financial Consultant records the receipt of funds in the accounting system,
606 organized by check number, date, and name. If an invoice has already been created, then the deposit
607 will be applied against the outstanding invoice(s). If not, a sales invoice is created, recognizing the
608 revenue in the correct month(s). If the cash is not yet earned, it will be applied against the deferred
609 revenues/unearned income general ledger account.

610

611 **Processing and Recording Revenue**

612 Typically, grants received will be accompanied by specific agreements that explicitly or implicitly restrict
613 their use and impose unique reporting requirements, which are typically financial as well as
614 performance related. PCM's accounting and documentation system must be such that it is capable of
615 meeting the individual requirements imposed by such grant agreements. Job codes and/or class codes
616 will be attached to applicable expenses and assets so that associated grant revenues may be earned on
617 an accrual basis.

618

619 Inasmuch as the quality of grant agreements impacts its financial strength, PCM is committed to
620 absolute adherence to this requirement in its reporting system. Accordingly, a reporting calendar shall
621 be established wherein grantor accountability deadlines are tracked for compliance purposes.

622

623 ***Processing Wire Transfers into School Accounts***

624 Government contracts which execute payments via wire transfer remit a wire transfer advice indicating
625 the date and amount of the funds to be deposited in PCM's account. This wire transfer advice is
626 processed in the same fashion as a deposit to the bank; with mail opened by the Office Manager or
627 Head of School and electronic delivery of wire transfer notices to the Financial Consultant. All relevant
628 documentation (wire transfer advice, wire transfer confirmation, Cash Receipts Journal, etc.) will be

retained and filed sequentially in an electronic tracking system, and original copies received in paper format will be kept in paper format in a folder or binder.

Processing and Recording Transfers within School Accounts

In order to maximize interest income, cash will be maintained in the escrow/savings account and transferred to the checking account, as necessary to meet OSPI's and the authorizer's funding requirements. PCM will also have two operating bank accounts, one meant for public funds and one meant for private funds. Typically the public account will be the operating account while the private account is the savings/escrow account.

Transfers between PCM bank accounts shall be made only when properly authorized. Only the Head of Schools, Board Chair, Vice-Chair, Finance Committee Chair, or the Treasurer can authorize transfers to and from the investment account – approval must be recorded by email. An email request is to be submitted directly to the authorized individuals listed above. A Cash Need/Wire Log will be up kept in order to record the transfers between the checking and investment accounts. In the event none of the individuals are available for approval, the Finance Committee of the Board of Directors will be able to approve transfers.

Once transfer is authorized by the proper individual(s) and executed, the Cash Need/Wire Log will be updated as such.

Pledges or Grants Receivable

To the extent that PCM solicits, accepts, and administers gifts, grants, and donations from individuals or public and private entities for the benefit of PCM and its students, PCM shall not solicit, accept, and administer any such gifts, grants, or donations from sectarian or religious organizations and shall not accept any gifts or donations the conditions of which violate Chapter 28A.710 RCW or any other state laws.

When revenues are earned yet the cash has not been received for all or a portion of the grant/pledge, a receivable is recorded in the accounting system. When PCM receives an Unconditional Pledge to Contribute, it will be acknowledged in a pre-numbered contribution acknowledgement letter drafted by the Office Manager, signed by the Head of School, and sent to the donor by the Office Manager. The Financial Consultant will enter the amount of the pledge into the general ledger, discounting to their present value any pledges that go beyond a year. The Financial Consultant will evaluate all Pledges to Contribute quarterly to verify that each item is still collectible.

Revenue Recognition for Per Capita funding

Per capita funding is paid by the state on the last business day of each month. In the instance that payment is not made in time, revenue will be accrued in the appropriate month.

Donated Goods and Services

Donated goods and services can include office space, professional services such as outside counsel's legal advice, food, clothing, furniture and equipment, or bargain purchases of materials at prices less than market value. In addition, volunteers can provide free services, including administrative services,

673 participation in fundraising events, and program services that are not accounted for. The Financial
674 Consultant records donated services in the system at fair value or avoided cost, as determined by the
675 donor and documented in writing. When a good or service is donated to PCM, a pre-numbered
676 contribution acknowledgement letter will be drafted by the Office Manager, signed by the Head of
677 School, and sent to the donor by the Office Manager. General Ledger entries are recorded to recognize
678 the in-kind revenues and in-kind expenses.

679 ***Donated Materials and Supplies***

681 Donated materials are recorded as contributions to inventory or expenses in the period received and are
682 recorded at their fair market value at the date of receipt. If materials are donated for a specific use, they
683 are considered to be temporarily restricted contributions. The Financial Consultant records donated
684 materials and supplies in the system at fair value or avoided cost, as determined by the donor and
685 documented in writing. When a material or supply is donated to PCM, a pre-numbered contribution
686 acknowledgement letter will be drafted by the Office Manager, signed by the Head of School, and sent
687 to the donor by the Office Manager. General Ledger entries are recorded to recognize the in-kind
688 revenues and in-kind expenses.

690 ***Donated Property and Equipment***

691 Property donations received without donor-imposed stipulations are recorded as unrestricted
692 contributions. When property or equipment is donated to PCM, a pre-numbered contribution
693 acknowledgement letter will be drafted by the Office Manager, signed by the Head of School, and sent
694 to the donor by the Office Manager. General Ledger entries are recorded to recognize the in-kind
695 revenues and in-kind expenses.

697 ***Donated Stocks***

698 In the event that PCM receives donated stocks from a donor, the Financial Consultant records and
699 values these stocks in the accounting system at the time of receipt. When stocks are donated to PCM,
700 a pre-numbered contribution acknowledgement letter stating the value of the donated stocks will be
701 drafted by the Office Manager, signed by the Head of School, and sent to the donor by the Office
702 Manager. General Ledger entries are recorded to recognize transactions related to the donation of
703 stocks.

705 ***Accounts Receivable Aging***

706 Accounts receivable outstanding are aged on a thirty, sixty, ninety, and over ninety-day basis. The
707 Financial Consultant should review the accounts receivable aging monthly, determine which invoices are
708 collectible, follow the necessary requirements based on the type of funding, and select which items to
709 collect.

4

PROCESSING PURCHASES

Background

PCM records expenses on the accrual basis of accounting, consistent with generally accepted accounting principles.

By the adoption of the operating budget by the Board of Trustees, the Head of School becomes both responsible for, and generally authorized to expend, the amounts budgeted. This authorization may, however, be qualified by Board action based upon availability of funds. Such a qualification may necessitate a prioritization of expenditures based upon an incremental implementation of the organization's priorities.

The Laws

RCW 28A.710.040

RCW 28A.400.330 Crimes against children — Contractor employees — Termination of contract

Chapter. 39.34 RCW Interlocal Cooperation Act

34 CFR 80.36: <http://federal.elaws.us/cfr/title34.part80.section80.36>

Increased thresholds:

<https://www.federalregister.gov/documents/2020/07/02/2020-12763/federal-acquisition-regulation-increased-micro-purchase-and-simplified-acquisition-thresholds>

<https://smallgovcon.com/statutes-and-regulations/far-final-rule-increased-micro-purchase-and-simplified-acquisition-thresholds/>

2 CFR Part 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

2 CFR 200.67 Micro-purchase

2 CFR 200.88 Simplified Acquisition Threshold

2 CFR §200.318 – General Procurement Standards

2 CFR 200.320 Methods of Procurement to be Followed

2 CFR 3485 Non-procurement Debarment and Suspension

2 CFR 200.520 Criteria for a low-risk auditee

Capital Budget Authority

While a capital budget may be approved, the authority of the Head of School to solely commit to individual expenditures under that budget is limited to \$40,000.00 per transaction. If a capital expenditure of over \$40,000 that is not in the original budget must be made, it needs Board approval. Capital expenditures included in the board-approved budget are considered to be approved by the board with their review and approval of the budget.

Commitments for capital expenditures exceeding that amount and not included in the approved

budget must have the co-signature of either the Board Treasurer, Chairperson of the Board, Vice-Chair of the Board, or the Chair of the Finance Committee. A capital expenditure is defined as an expenditure for fixed assets exceeding \$5,000.00.

Procurement, Bid, and Request for Proposal Requirements

The School recognizes the importance of:

- maximizing the use of school resources;
- the need for sound business practices in spending public money;
- the requirement of complying with state and federal laws governing purchasing and public works;
- the importance of standardized purchasing regulations; and
- the need for clear documentation.

Depending on the type of funds used, the School utilizes the guidelines below.

1) Procurement using Federal Funds

Procurement requirements for federal programs using federal funds are detailed in 34 CFR 80.36.

i. Types of Procurement & Thresholds

There are four types of procurement according to the Code of Federal Regulation section 80.36 of Title 34:

- Micro-purchases (\$40,000 or less)
- Small purchases (\$249,999 or less)
- Noncompetitive proposals
- Competitive proposals (\$250,000 or more)

ii. Procurement Processes

Based on the total amount of each purchase, the following rules are used when making purchases with Federal funds:

- Micro-purchase: purchases of \$40,000 or less do not require quotes. However, the School must consider the price to be reasonable, and, to the extent practical, distribute purchases equitably among suppliers.
- Small purchases: Purchases between \$40,000 and \$250,000 must be procured using price or rate quotations from a reasonable number (at least 3) of qualified sources.
 - Quotes can be solicited directly from a vendor by phone or email
 - Quotes should be filed electronically as needed, as well as an attempt made to document the reason why a vendor was chosen (price, quality, etc)
- Competitive proposals: must be publicly solicited using sealed bids or requests for proposals.
- Noncompetitive proposals: described below.

Competitive proposal procedures: the School will follow the format for competitive bidding process by:

- A. preparing clear and definite plans and specifications for such purchases;
- B. providing notice of the call for formal bids by publication in at least one newspaper

- 794 of general circulation at least once each week for two consecutive weeks;
- 795 C. ensuring that the School takes steps to assure that when possible, the School will use
- 796 small and minority businesses, women's business enterprises and labor surplus firms;
- 797 D. providing the clear and definite plans and specifications to those interested in
- 798 submitting a bid;
- 799 E. requiring that bids be in writing;
- 800 F. opening and reading bids in public on the date and in the place named in the notice;
- 801 and
- 802 G. filing all bids electronically and sequentially after opening.
- 803 H. the School will publicly open and read formal bids on the date, time, and place
- 804 named in the notice and then will file the bids. Any interested member of the public
- 805 may attend the bid opening. It will be the bidder's sole responsibility to see that the
- 806 School receives their bid prior to the time set for opening of bids. The School will
- 807 return any bid received after the time set for opening the bids to the bidder
- 808 unopened and without consideration. The School will accept proposals in the place
- 809 named and no later than the date and time named in the notice.
- 810 I. Formal bid or proposal tabulations may be presented at a meeting of the School for
- 811 study purposes;
- 812 J. The School will award formal contract to the winning bidder, based on a bid
- 813 evaluation matrix developed at the time, the matrix can include, but not limited to:
- 814 i. Price
- 815 ii. Quality, Experience, & Expertise
- 816 iii. Local, or in-state, vendor
- 817 iv. Prior experience with vendor
- 818 v. The winning bidder will be notified by email, phone, or written letter.
- 819

820 **Noncompetitive proposals**, also known as "sole source," are permitted only in the

821 following instances:

- 822 • Acquiring property or services that do not exceed \$40,000
- 823 • Emergency (such as a fire, flood, hurricane).
- 824 • Authorized by awarding agency (such as OSPI, US Department of Education).
- 825 • After solicitation of a number of sources, competition is inadequate (such as only
- 826 one reply).
- 827 • The public exigency or emergency for the requirement will not permit a delay
- 828 resulting from competitive solicitation;
- 829 • The awarding agency (e.g., OSPI) authorizes noncompetitive procurement in
- 830 response to a written request from the School; or
- 831 • The item is available only from one source

832 The School must maintain documentation supporting the applicable circumstance for

833 noncompetitive procurement.

834

835 **iii. Suspension and Debarment**

836 Before entering into federally funded vendor contracts for goods and services that equal or

837 exceed \$25,000 and any subcontract award, the school will ensure the vendor is not suspended

or debarred from participating in federal assistance programs.

iv. Conflict of Interest

No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by federal funds if he or she has a real or apparent conflict of interest. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization that employs or is about to employ any of the parties indicated herein has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

No employee, officer, or agent of the school may solicit or accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. Violation of these standards may result in disciplinary action including, but not limited to, suspension, dismissal, or removal.

2) Procurement using State Funds

State competitive bid law for traditional public schools (RCW 28A.335.190) do not apply to charter schools, as it is not one of the state laws that is specifically made applicable to charter schools in the charter law at RCW 28A.710.040. The School still understands the importance of competition in obtaining the best value, as such, the following procedures will be used when purchasing with State funds.

A. Types of Procurement & Thresholds

- Micro-purchases (\$40,000 or less)
- Small purchases (\$249,999 or less)
- Noncompetitive proposals
- Competitive proposals (\$250,000 or more)

B. Procurement Processes

The processes to be followed are the same as for Federal funds detailed above.

C. Interlocal Cooperation Act

The School reserves the right to enter into inter-local cooperative agreements for purchases and public works with other governmental agencies pursuant to the Interlocal Cooperation Act, Chapter 39.34 RCW.

D. Crimes Against Children

The School will include in any contract for services with an entity or individual other than an employee of the school a provision requiring the contractor to prohibit any employee of the contractor from working at a public school who has contact with children at a public school during the course of his or her employment and who has pled guilty to or been convicted of any felony crime specified under RCW 28A.400.322. The contract shall also contain a provision that any failure to comply with this section shall be grounds for the school immediately terminating the contract.

3) When using Private Funds

The School will follow the following procedures when purchasing with private funds.

A. Types of Procurement, Thresholds & Procedures

- Regular purchases (\$74,999 or less): one (1) quote required.
- Large purchases (\$75,000 or more): three (3) quotes required.
 - Quotes can be solicited directly from a vendor by phone or email
 - Quotes should be filed electronically as well as an attempt made to document the reason why a vendor was chosen (price, quality, etc)

Competitive proposals are not required when using private funds.

4) Blended Purchases

When using a mix of funds for a purchase (example: State and Federal), the most stringent procurement rules must be followed.

Purchase Approval

Approval to fulfill a purchase order is garnered by first filling out a Purchase Request form. Any staff member may fill out a Purchase Request form. Once complete, the form is submitted to the Head of School or, in the case of instructional staff submitting a request, to the Montessori Coach, for an approval signature. The Purchase Request form is reviewed by the proper individual, signed to indicate approval, and returned to the requesting employee. The employee is responsible for transferring the approved Purchase Request form to the Office Manager for processing.

In the event that an item must be purchased and the proper signatory is not available to provide an in-person signature, the signatory may send an email stating their name and granting permission to execute the purchase. All such correspondence must be retained and filed with the corresponding purchase documents.

Purchase orders are not required for the Head of School to place a purchase.

Reimbursable Expenses

If necessary, teachers may purchase supplies directly from vendors and apply for reimbursement. A detailed description of reimbursement policies can be found below.

Issuance and Monitoring of Purchase Orders

The Financial Consultant works closely with the Head of School to ensure that all necessary instructional and administrative purchases are made in a timely and cost-effective manner and, when applicable, in accordance with grant restrictions.

For all products and services that need to be ordered by any other employee than the Head of School, a Purchase Request form must be filled out and approved, as outlined above. The approved Purchase Request form is submitted to the Office Manager for processing. The Head of Schools, Office Manager, and Financial Consultant is responsible for ensuring adherence to PCM's procurement guidelines and determining whether the order exceeds the thresholds requiring competitive bidding. All purchasing thresholds apply to the entire order, not single items. For instance, although one computer may cost

\$1,500.00 (under the \$40,000 threshold requiring competitive bidding), if 27 computers are being requested, the order total will be \$40,500.00 (above the \$40,000 threshold), and as such, require bids from at least three vendors. The Head of Schools and Office Manager are responsible for conducting all competitive bidding procedures, when required. In these cases, all documentation of applicable bids and/or quotes obtained will be retained and filed in an electronic tracking system, and original copies received in paper format will be kept in paper format in a folder or binder.

The Head of Schools and Office Manager will coordinate with the Financial Consultant to create a Purchase Order (PO) when necessary. All Purchase Orders must be approved by the Head of Schools, either by an in-person signature or by email.

Once the Purchase Order is approved with the proper signatures, the Office Manager reviews the PO for accuracy of dates, account coding, quantities, and arithmetic extensions. The Office Manager of Head of Schools then sends the order to the vendor, accompanied by any required documentation. Once ordered, the Office Manager will retain and file them sequentially in an electronic tracking system, and original copies received in paper format will be kept in paper format in a folder or binder

Receipt of Goods

All goods purchased by PCM are delivered directly to PCM. It is the responsibility of the Office Manager to sign for delivery. The Office Manager is also responsible for opening the box(es) and obtaining the packing slip(s). The packing slip will be reviewed for accuracy, checked against the original PO and signed by the Office Manager. If everything is correct and the contents of the entire purchase were received and documented on the packing slip, the packing slip will be scanned electronically and filed appropriately.

If everything is not correct with the order, the Office Manager will contact the vendor for a return/credit to the account. When discrepancies occur, they are investigated and resolved by the Head of School.

Reimbursable Expenses

In situations where a purchase is required in short order and the total of the purchase is under \$1,000.00, staff may make the purchase with their own funds and apply for reimbursement. Please note, teachers may only acquire up to \$1,000.00 worth of materials under this policy per academic year. In the event that the Head of School requires reimbursement, the Treasurer of the Board must approve their expenses.

Receipts are required for all expenditures requiring reimbursement. Once expenses have been incurred, requests for reimbursement should be made within 30 days of expense via an Expense Reimbursement form. All receipts should be taped onto blank sheets of paper and attached to the form. These documents are submitted to the Head of School for review and approval.

Only expenses with an educational purpose will be considered for reimbursement.

If an employee is issued a credit card, their use of the card should be limited to business expenses, and they are responsible for ensuring that all receipts for purchases are turned in as purchases are made.

Credit Card Purchases

PCM's credit cards will be provided to the Head of School and Montessori Coach. Credit card use is to be generally restricted to the making of travel arrangements for trustees and staff and for making arrangements with hotels and conference facilities for approved travel and meetings. The credit card can also be used for accounts payable or other day-to-day transactions only if absolutely necessary. The credit card may be used for capital expenditures, but all approval and budgetary restrictions as outlined in this policy manual shall apply.

Credit card purchase requests may be approved solely with the signature of the Head of School via the Credit Card Purchase Request form. In the event that an item must be purchased and the Head of School is not available to provide an in-person signature, the signatory may send an email stating their name and granting permission to execute the credit card purchase. The purchase may then be executed. Any and all such correspondence must be retained and filed with the corresponding purchase documents, mainly electronically but paper copies can also be kept.

Once the form is returned to the requestor with proper approval, the cardholder may execute the purchase, making sure to retain all receipts.

The approved Credit Card Purchase Request form and receipt(s) are submitted to the Financial Consultant for processing. This includes the coding of each expense for the month, so that each can be properly recorded. If there is any question as to how to code a particular expense, the Head of School consults with the Consulting Financial Officer for clarification. If the Head of School is unavailable, the unclear expense is booked to the suspense account, which will be cleared when the month-end financials are produced or as the Head of School is able to respond. The Financial Consultant pays all monthly credit card bills in full. The charges are entered in the accounting software by the Financial Consultant and reconciled by the Financial Consultant. All bills and invoices will be retained and filed sequentially in an electronic tracking system, and original copies received in paper format will be kept in paper format in a folder or binder.

5

PROCESSING CASH DISBURSEMENTS

Processing Invoices

All invoices are mailed to PCM directly. The Office Manager is responsible for sorting, opening, signing and dating all invoices.

If an invoice is received prior to receipt of goods, the Office Manager scans and files the invoice in an electronic tracking system for unapproved invoices. The unapproved invoices file is to be reviewed weekly to ensure approval is eventually received and the invoice is paid on time.

Once the goods have been received (or in the case that the shipment had already been received at the time of invoice arrival), the Office Manager staples the invoice to the top of the corresponding packet composed of packing slip, purchase order, and Purchase Request form (if applicable). This expanded packet is now a complete Cash Disbursement packet (invoice or contract/packing slip/purchase order/purchase request).

In instances where invoices cannot be obtained and a payment is required, a Check Request form is filled out. In this case, any applicable documentation to back up payments requested should be attached. The Check Request form will document the payee, payment due date, amount of payment, etc.

Invoices shall be processed at least monthly by the Financial Consultant. The Financial Consultant establishes the vendor file in the accounting system and reviews the invoice for any purchase discounts dates and properly captures the discount period in the system. The Financial Consultant enters invoices into the accounting system with the correct general ledger codes.

In the event that a contract stipulates the exact amount due per month in a certain period (example: lease), an invoice is not required to process payment. The relevant section of the contract detailing the amounts due monthly will be sufficient for the cash disbursement packet.

Cutting Checks

The Head of School will maintain all blank check stock in a locked location. All checks will be pre-numbered, voucher style, containing one stub for the vendor (attached to all outgoing checks) and one to be filed by the Financial Consultant with all supporting disbursement documents.

Checks are run on a bi-weekly or monthly basis, and vendors are paid based on terms of the invoices or contracts, as recorded within the system. Check preparation and signatures (or approval) are prepared not later than the due date, consistent with available discounts if available.

1039 The Head of School, Treasurer of the Board of Trustees, and Chairperson of the Board of Trustees are
1040 signatories on the checking account. The Head of School's limit on approval is \$20,000 – if a check is
1041 for more than this amount, a second approval from the Treasurer or Chairperson of the Board is
1042 required.
1043
1044 The Financial Consultant must obtain one, or two if needed, of the individuals listed above's approval
1045 prior to processing any cash disbursement.
1046
1047 The Financial Consultant utilizes an online bill pay system that sends checks to vendors. The Financial
1048 Consultant processes payment for approved invoices or contract payments by creating a check
1049 payment listing for approval. The listing is sent electronically to the required signatories (see above) for
1050 approval, along with the corresponding Cash Disbursement packet (invoice or contract/packing
1051 slip/purchase order/purchase request/email approval). Approval may be in written form or by email. At
1052 the time the listing is approved, any required signatories should review the supporting documentation
1053 to ensure they are approving a check for the correct amount and to the correct payee. The check stub
1054 or copy of the check(s) will be retained and filed sequentially in an electronic tracking system, and
1055 original copies received in paper format will be kept in paper format in a folder or binder. The Financial
1056 Consultant utilizes the online bill payment system to send payment to the vendor awaiting payment.
1057 Electronic fund transfers may also be used, where the same authorizations as checks will be obtained.
1058
1059 In no event shall an authorized signatory approve an invoice, execute a check, or authorize a
1060 disbursement of any kind, payable to themselves.
1061
1062 Any and all voided checks should be stamped or written "void" with the date and filed in the Cash
1063 Disbursements Binder in check number order.
1064
1065 The school may write a manual check outside of the regular process only when necessary – the check
1066 must be signed by the Head of School and if over \$20,000, still requires the necessary second approver.
1067
1068 **Online/Phone/Fax/EFT Payments**
1069 Payments made online or by phone, fax, or electronic funds transfer (EFT) may be processed by the
1070 Financial Consultant if approved by the proper signatories (detailed above). Any such payment is
1071 documented by electronically filing a copy of the receipt. The Accounting software creates journal
1072 entries based on the vendor as cash is credited and the appropriate expense type is debited. Electronic
1073 payments will be recognized in the Accounting software just as if it were a check, by entering a unique
1074 transaction number in place of the check number. The Electronic Cash Disbursement packet, composed
1075 of proper approval, invoice or contract, and any other supporting documentation, will be retained and
1076 filed sequentially in an electronic tracking system, and original copies received in paper format will be
1077 kept in paper format in a folder or binder.
1078
1079 **Recurring Expenses**
1080 Recurring expenses do not require any sort of special treatment. Payments for goods and services that
1081 are required on a regular basis (e.g. equipment lease, insurance payments, rent) are handled in the same
1082 manner as non-recurring expenses, as described above.

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Automatic Payments

In the instance that a preferred or sole source vendor requires automatic payments, the following actions must occur: (1) the Board must approve the contract up front, including an estimated yearly total amount; (2) invoices or contracts must be reviewed, approved, and stored as normal; (3) the automatic debit cannot be over \$20,000 a month

De Minimis

The school will consider any purchase amount or prize, award, or incentive amount equal to or less than \$75.00 (seventy-five) dollars (including tax and shipping) to be de minimis, with the exception of any expenditures for lodging.

Accounts Payable Aging

Accounts payable outstanding are aged on a thirty, sixty, ninety, and over ninety-day basis. The Financial Consultant should review the accounts payable aging monthly, determine the available cash balances while taking into consideration other cash requirements in the near future, and select items to pay.

Petty Cash Account

It is the policy of PCM not to use petty cash and instead to reimburse employees for pre-approved expenses.

Insurance Coverage

Insurance coverage is maintained pursuant to applicable law.

The Board of Trustees and Head of School will conduct a semiannual review of coverage amounts. The purpose of this review will be to ensure there are adequate means by which to preserve PCM's assets and lower the risk of being underinsured. Any proposed changes must be approved by the Board of Trustees and recorded in board meeting minutes. New coverages will be executed by the Head of School. The Head of School is responsible for procuring annual renewals with PCM's insurance broker. Quotes for renewal will be procured at least one month in advance of a policy's expiration, and presented to the Head of School for review and approval. The Treasurer of the Board of Trustees participates in this review.

The Head of School maintains original, or electronic, copies of all insurance policies at PCM will be retained and filed sequentially in an electronic tracking system, and original copies received in paper format will be kept in paper format in a folder or binder. A new binder or folder is created for each fiscal year. When possible, copies of all current insurance policies are saved electronically on a server where the leadership team can view and access the information.

PCM requires proof of adequate insurance coverage from all prospective contractors, as deemed applicable by the Board of Trustees.

1126 **Political Contributions**
1127 No funds or assets by PCM may be contributed to any political party or organization or to any
1128 individual who either holds public office or is a candidate for public office. PCM also cannot be involved
1129 with any committee or other organization that raises funds for political purposes. Examples of
1130 prohibited activities are:
1131 • Political contributions by an employee that are reimbursed by PCM organization.
1132 • Purchase by the organization of tickets for political fundraising events.
1133 • Contributions in kind, such as lending employees to political parties or using school assets in
1134 political campaigns.

6

MANAGEMENT OF CASH

Accounts

PCM banks with Banner Bank and has a total of two bank accounts. Both will be checking accounts, with two accounts maintained to ensure the segregation of public and private funds (at the school's discretion, if desired). The PCM accounts have 3 Authorized Signers: the Head of School, Treasurer of the Board of Trustees, and Chairperson of the Board of Trustees.

In the event PCM wishes to open a new bank account, board approval is required. As part of the approval, the Board must describe the purpose of the account, signatories, and signatories' authority. The vote to approve and all associated determinations must be recorded in the board minutes. Should PCM wish to close a bank account, Board approval is also required and will be documented in board minutes. PCM recognizes that federal insurance on deposits with any bank is limited to a total of \$250,000.00, regardless of the number of accounts held. In the event the balance in a school account is anticipated to be in excess of the insurance coverage, a "re-positioning" agreement is to be negotiated with the financial institution in order to secure such deposits in excess of federal coverage.

Bank Statements

When bank statements are received at PCM each statement is submitted to the Financial Consultant to complete the bank reconciliation.

Bank Reconciliation

Reconciliations are prepared monthly for all bank accounts. This preparation is accomplished by the Financial Consultant, who identifies reconciling items to ensure that cash is being accounted for properly. Any irregularities shall immediately be reported to the Head of School and the Treasurer of the Board of Trustees. A bank reconciliation report from the accounting software showing the unreconciled amount as zero is printed and attached to the bank statement. The report is submitted to the CFO-consultant for review, initialed, and emailed to the Head of School for review. The Financial Consultant files the statement and reconciliation report in the Bank Reconciliation electronic folder in date order, sorted by bank account.

Related Party Transactions

There are instances where related parties may incur expenses of behalf of each other. For example, it is possible that PCM might incur expenses on behalf of Friends of PCM, and vice versa. On a quarterly basis, the accounting will be reconciled between the two entities to ensure that there are no funds owed from one entity to the other at the end of the fiscal year.

Investment of Funds

At present, PCM does not have any investment accounts. As such, this section does not currently apply

1175 to PCM. When PCM has funds available for investment, the following policies will apply.
1176
1177 The Board of Trustees sets the investment policy for PCM. The investment policy provides general
1178 guidelines regarding the type of investments deemed appropriate and the objectives of each
1179 investment (e.g., overnight deposits for excess cash, 90-day Treasury notes for excess working capital,
1180 etc.). The Treasurer of the Board of Trustees has been designated to implement the Board's investment
1181 policy. The Head of School, with support from the Financial Consultant, has been granted authority to:

- 1182 • Purchase and sell investments
- 1183 • Have access to investment certificates
- 1184 • Keep records of investments and investment earnings
- 1185 • Review and approve investment accounting, bank and broker statement reconciliations,
1186 adjustments to the carrying value of investments, and other decisions regarding investments
- 1187

1188 ***Authorization of Investment Vehicles***

1189 The organization's Board of Trustees authorizes use of specific depository and
1190 investment banks and brokerage firms. This authorization is documented in the minutes of the
1191 applicable board meeting and communicated to the Head of School. The Head of School, with support
1192 from the Financial Consultant, communicates the authorization and a list of those personnel designated
1193 as authorized agents for the agency to the appropriate banks and firms. As a part of the authorization
1194 process, the Board Treasurer in consultation with the Head of School and Financial Consultant evaluates
1195 the organization's prior relationship with banks and brokerage firms to determine suitability for renewal.
1196 Such evaluation considers service responsiveness, types of investments offered, quality of investment
1197 advice, service and transaction charges, and any other relevant criteria.
1198

1199 ***Authorization of Investments***

1200 All transactions regarding investments must be properly authorized by the Head of School. Such
1201 transactions include:

- 1202 • Purchases
- 1203 • Sales
- 1204 • Movement to and from safekeeping (the physical safeguarding of assets through use of a vault,
1205 safe deposit box, or independent custodian)
- 1206

1207 ***Investment Purchases***

1208 Investment purchases are made by check or bank transfer after compliance with the following
1209 procedures:

- 1210 • A determination that the purchase transaction is properly authorized in accordance with agency
1211 policy
- 1212 • Preparation of a check requisition or a bank transfer request to accompany the investment
1213 purchase/sale authorization form, if the bank has one.
- 1214

1215 ***Investment Sales***

1216 Investment sales are transacted after compliance with the following procedures:

- 1217 • A determination that the sale transaction is properly authorized
- 1218

1219 ***Investment Sales Gain or Loss***
1220 The Financial Consultant will calculate the expected gain or loss upon sale or other disposition of an
1221 investment, before a decision regarding the sale is finalized. The calculation is updated/finalized
1222 subsequent to the sale.
1223
1224 ***Investment Sales Proceeds***
1225 Proceeds from the sale of investments are received either by check or bank transfer, to the attention of
1226 the Head of School, and sent to the Financial Consultant for filing.
1227
1228
1229 ***Investment Results***
1230 Investment results are sent out by the bank, or agency, holding the investments. The results are
1231 recorded by the Financial consultant in the accounting software.
1232
1233 ***Reconciliation of Investment Accounts***
1234 Investment account balances are reconciled with the bank or agency statements, by the Financial
1235 Consultant on a monthly or quarterly basis. Such reconciliation is reviewed and approved by the Head
1236 of School.
1237
1238 ***Investment Account Balances Agreed to Third Party Statements***
1239 Amounts recorded on the general ledger and supporting schedules are reconciled to third-party
1240 statements at least quarterly and preferably monthly, if possible.

7

PAYROLL

Hiring

Requests for new employees are initiated by the Head of School and compared with the approved annual personnel budget. Any new hire will be subject to a full investigation, including a background check, fingerprinting, and references from former employers. Once hired, the Financial Consultant will collect all necessary payroll data and input it to the outside payroll service provider. New employees complete an Application for Employment and the IRS W-4 Form and I-9 Form.

If a situation arises where an employee must begin service before fingerprint clearance is obtained, the employee must receive an Emergency Conditional Appointment that has been approved by PCM's Board of Trustees. Under a conditional appointment, the staff person will be supervised on a regular basis to ensure the safety of students. Employees who have never been fingerprinted for OSPI and the Department of Justice must be fingerprinted at a regional ESD, any police precinct, or another entity arranged or approved by PCM.

Salary Determination

Salaries are based on experience, comparable local positions, and the specific needs and duties of the role.

Returning Instructional Staff, Administrators and Non-Instructional Staff

Returning instructional staff, administrators and non-instructional staff at PCM are paid their previous year's salary plus a discretionary raise set by the Head of School. The Head of School is not required to raise any salary from year to year.

The Board of Trustees determines the Head of School's salary. Any such decisions will be captured in the Board meeting minutes. Any changes to a staff member's salary will be approved by the Head of School in writing or electronically and documented. A copy of this documentation will be maintained in the employee file.

Compensation Accrual

Total compensation cost will be accrued and expensed over the twelve months of the fiscal year, as appropriate. Although each fiscal year starts on September 1 and ends on August 31, not every staff member's service start and end dates will mirror the fiscal year. In order to accurately record these expenses according to GAAP, wages may be accrued. For example, if a teacher works from August 16 through June 30, yet is paid from August 16 through August 15, 1.5 months of wages will be accrued to the prior fiscal year for the period of September 1 and ends on August 31. Wages will be accrued according to the start and end dates of pay in order to recognize expenses in the correct fiscal year.

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Employees vs. Independent Contractors

When PCM makes the choice to utilize an independent contractor, legal counsel will be consulted to ensure the appropriate designation is chosen.

The decision will be based on RCW 50.04.145 and the Employment Security Department of Washington’s Independent Contractor test.

Utilization of Independent Contractors/Consultants

Once the determination has been made that a worker is an independent contractor, PCM creates a written contract directly identifying the individual’s status as an independent contractor and detailing why the relationship is as such. Part of the contract should enumerate the rights and responsibilities on both sides of the independent contractor agreement. This includes clearly identifying the worker’s responsibility to pay estimated tax, self-employment tax, and so on. The utilization of all consultants and contract personnel are sufficiently evidenced by:

- a) Details of all agreements (e.g., work requirements, rate of compensation, and nature and amount of other expenses, if any) with the individuals or organizations providing the services and details of actual services performed.
- b) Invoices or billings submitted by consultants, including sufficient detail as to the time expended and nature of the actual services performed.
- c) The use of a management contract for educational and administrative services will clearly identify the contractor’s performance requirements, including students’ academic achievement, contractor’s compensation and PCM’S rights to educational curricula and intellectual property developed (if applicable).

In processing payment for any independent contractor, a W-9 form must be filled out prior to issuance of the first payment for services provided. In all cases where compensation exceeded \$600.00, a 1099-NEC will be issued, as required by law.

Obtaining Payroll Information

The Head of School, with support from the Financial Consultant, is responsible for the following:

Establishing a Personnel File for Each Employee

The personnel file serves as a chronological performance record throughout the employee’s tenure with the organization and, as such, is kept secure and confidential. Personnel records are kept for a minimum of 10 years. All personnel files must be kept in a locked file cabinet or in a secure online folder. Access to such personnel files is limited to the Financial Consultant, Montessori Coach, and the Head of School.

Employee files are the sole property of PCM and will be kept electronically. No employee can review or access their own personnel file without the written permission of the Head of School. The employee will be provided with the opportunity to rebut and respond to any document contained in the personnel file in writing. All materials associated with the rebuttal and response shall stay in the personnel file. Any employee may examine their personnel file in the presence of the Head of School or their designee. The employee may take written notes concerning the contents of the personnel file and may add comments for inclusion in the file. No personnel file is to be copied or deleted where it is kept unless expressly permitted in writing by the Head of School.

1325 Personnel files for employees will contain the following documents:

Form	Update Timeline	Month for Update (if applicable)
Offer Letter	Annually	
Fingerprint Check	Every 2 years	August
Federal Withholding Form W-4	As needed	
Federal Form I-9	As needed	
Benefits Enrollment – Medical	Annually, as needed	August
Benefits Enrollment – Dental / Vision	As needed	August
Benefits Enrollment – Life Insurance	As needed	
Retirement Account Application	As needed	
Certifications (if applicable)	As needed	
Resume	As needed	
Job description	As needed	
Annual Evaluation Documentation	Annually	
Direct Deposit	As needed	
Signed Acknowledgement of Receipt and Reading of Staff Handbook	As needed	
Signed Acknowledgement of Receipt and Reading of School Technology Policy	As needed	

1326
1327 I-9s, (including copies of Driver’s Licenses/State IDs and Social Security Cards or Passports), are kept
1328 electronically for each employee as required by the U.S. Department of Homeland Security. All
1329 information entered on the I-9 is verified by the Head of School or Montessori Coach-Director of
1330 Academic Programs, who signs off on the form after seeing original copies of all required
1331 documentation (copies are only made for the file, and are not acceptable forms of initial verification).
1332

1333 PCM complies with the laws and general principles of employee confidentiality as set forth in the Health
1334 Insurance Portability and Accountability Act (HIPAA) with regard to the dissemination of private health
1335 information (PHI) of school employees. In order to comply with all rules and regulations, including the
1336 Americans with Disabilities Act (ADA), PCM will keep all medical records and all other necessary
1337 documents separate from the personnel file. Employees should consult with the Head of School for
1338 further information concerning PCM’s privacy practices.

1339
1340 **Employee Information**

1341 In order to prepare a payroll, the Financial Consultant obtains and maintains the following information
1342 for each employee:

Information	Source of Data
Name and Address	W-4
Social Security Number (SSN)	W-4
Date of Birth	I-9
Job Title	Job Description
Wage Rate	Employee Agreement

Withholding Status	W-4
Direct Deposit Information	Direct Deposit Form
Other authorized deductions	Employer information sheet

Analyzing Job Information

The Fair Labor Standards Act (FLSA) sets employee minimum wage and overtime requirements. Job positions are classified as either exempt or non-exempt from the requirements. These requirements are linked as follows and are adhered to by PCM: [FLSA Exemption Rules](#)

NON-EXEMPT employees Covered nonexempt employees must receive overtime pay for hours worked over 40 per workweek (any fixed and regularly recurring period of 168 hours – seven consecutive 24-hour periods) at a rate not less than one and one-half times the regular rate of pay. There is no limit on the number of hours employees 16 years or older may work in any workweek. The FLSA does not require overtime pay for work on weekends, holidays, or regular days of rest, unless overtime is worked on such days.

EXEMPT employees are not entitled to overtime pay under the Fair Labor Standards Act.

In addition to the above categories, each employee will belong to one other employment category:

- **REGULAR FULL-TIME employees** are those who are regularly scheduled to work at least 40 hours per week. They receive all mandatory benefits and are generally eligible for all of PCM'S discretionary benefits, subject to the terms, conditions and limitations of each benefit program, as in effect from time to time.
 - **PART-TIME employees** are those employees who are regularly scheduled to work less than 40 hours per week. They receive all legally mandated benefits but are not generally eligible for PCM'S discretionary benefits.
- **TEMPORARY employees** are those that are hired for short-term periods, usually no longer than 6 months. They will receive all legally mandated benefits but are not eligible for PCM'S discretionary benefits.

All employees are paid on either 12 or 11-month schedule. A pay schedule will be available to employees annually. This determination is made at the time of hire and is indicated in the employee's hire letter or employment contract, if applicable.

Withholding Status

The completed W-4 form serves as a basis for employee withholding. If an employee needs to change their withholding, the employee must file an amended W-4 form within 10 days of an event that changes their withholding. An employee may amend their W-4 form to adjust their withholding at any time. In addition, employees are required to notify the Financial Consultant of any change in name, family status, address, telephone number, emergency contact or other information concerning personnel data held or used by PCM within two (2) weeks of any change.

When W-4 forms are received, PCM will comply with the new withholding instructions by the next payroll period. The withholding instructions will usually continue to apply unless and until the employee

1384 amends the W-4 form.

1385

1386 Although not obligated to evaluate an employee's withholding, PCM has three duties relating to the

1387 contents of the W-4 form:

1388 1. Disregard invalid W-4 forms. A form is rendered invalid if the employee changes or adds

1389 language to the form.

1390 2. Report full exemptions. The organization is required to send the IRS all claims for full

1391 exemptions from withholdings by employees with normal weekly wages of more than \$200.00.

1392

1393 Because of their importance to both the IRS and to employees, PCM retains signed originals of the W-4

1394 forms (no copies) for four years after the annual employment tax returns are filed.

1395

1396 **Time Reporting Procedures**

1397 Employees are instructed on the proper charging of time to assure the accuracy of recorded time to cost

1398 objectives.

1399

1400 PCM will keep track of all sick days, personal days, vacation days, professional development days, holidays,

1401 bereavement or any other days that exempt employees are not at work.

1402

1403 All non-exempt employees are responsible for recording the actual time they have worked. Federal and

1404 state laws require PCM to keep an accurate record of time worked in order to calculate pay and benefits.

1405 PCM complies with applicable federal, state, and local wage and hour laws. If an employee suspects that

1406 an error in pay has been made, the employee must immediately bring the issue to their supervisor's

1407 attention for prompt investigation and any necessary correction will be made. PCM will not tolerate any

1408 form of retaliation against an employee who reports a violation, files a complaint, or cooperates in an

1409 investigation concerning payment of wages. Violators of this policy will be subject to disciplinary action,

1410 up to and including termination of employment.

1411

1412 Time worked is solely the time actually spent on the job performing assigned duties and should not

1413 include any time that is spent not working or any time off that is taken during the workday. Non-

1414 exempt employees must accurately record the time they begin and end work, the time they begin and

1415 end each meal period, and the beginning and ending time of any breaks exceeding 15 minutes. All

1416 overtime work must be approved by the supervisor before it is performed. Violators of this policy will be

1417 subject to disciplinary action, up to and including termination of employment.

1418

1419 PCM requires non-exempt employees to regularly complete accurate timesheets. These timesheets are due

1420 at the end of every pay period and must be timely and accurately submitted. Failure to do so may result in

1421 disciplinary action, up to and including termination of employment. Labor hours are accurately recorded

1422 and any corrections to timekeeping records, including the appropriate authorizations and approvals, are

1423 documented. Employees may submit their time through the payroll provider.

1424

1425 Hours are submitted through the payroll provider and reviewed prior to payroll processing by the Head of

1426 School or Montessori Coach. Once approved, hours are saved in the payroll provider system and paid

1427 accordingly in the upcoming payroll run.

1428 Altering, falsifying, or tampering with time records or recording time on another employee's time record
1429 will result in disciplinary action, up to and including termination.

1430
1431 Salaried, exempt employees are paid their entire salary for every day in which they perform any work.
1432 Deductions from an exempt employee's pre-determined salary or charge against an exempt employee's
1433 accrued leave may be taken under one of the following circumstances, unless otherwise prohibited by
1434 law:

- 1435 1. the employee is absent from work for one or more full days for personal reasons (other than
1436 sickness or disability);
- 1437 2. the employee is absent for one or more full days due to sickness or disability and has exhausted
1438 their paid leave time under the sick leave policy;
- 1439 3. the deduction is made to offset any amounts received as payment for jury fees, witness fees, or
1440 military pay;
- 1441 4. the employee is on an unpaid disciplinary suspension imposed in good faith for violating
1442 published workplace conduct rules (e.g., rules against workplace harassment or safety rules of
1443 major significance);
- 1444 5. it is the employee's first or last week of employment and they are paid a proportionate part of
1445 their full salary.

1446
1447 PCM makes a good faith effort to comply with this salary policy. If, however, an employee believes an
1448 improper deduction has been taken from their salary, the employee should contact the Financial
1449 Consultant. The Financial Consultant will investigate the deduction and provide the employee with their
1450 findings. If the Financial Consultant determines that a deduction was improperly made, PCM will
1451 reimburse the employee for that deduction.

1452
1453 Overtime pay applies only to non-exempt employees. When operating requirements or other
1454 organizational needs cannot be met during regular working hours, employees may be required to work
1455 overtime. Whenever possible, employees will be given the opportunity to volunteer for overtime work
1456 assignments, and every effort will be made to distribute overtime opportunities as equitably as possible
1457 to all employees qualified to perform the required work. Overtime pay is provided to non-exempt
1458 employees in accordance with federal and state wage and hour laws that generally require time-and-
1459 one-half the employee's regular rate of pay for any hours worked beyond 40 hours in a workweek.
1460 Overtime pay is based on actual hours worked.

1461
1462 Time off for no-fault days, leaves of absence, and unpaid lunch hours will not be considered hours
1463 worked for purposes of calculating overtime pay. All overtime work must have the supervisor's prior
1464 authorization. Employees who work overtime without prior authorization will be subject to disciplinary
1465 action, up to and including termination of employment.

1466
1467 **Processing Payroll**
1468 The Financial Consultant enters payroll changes into the payroll provider as received from the Head of
1469 School. Once all changes are made, the Financial Consultant downloads a pre-process payroll register
1470 from the payroll provider. This register is reviewed by the Financial Consultant and provided to the
1471 Head of School for final approval. Once approved by all relevant parties, payroll is run.

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PCM uses an outside service to process its payroll. Please note, in processing payroll for any independent contractor, a W-9 form must be filled out prior to issuance of the first payment for services provided.

Payroll Processing is comprised of the following:

Responsibility	Performed by
Obtaining/Processing Payroll Information	Head of School and Financial Consultant
Computing Wages	Financial Consultant
Performing Pay Period Activities	Financial Consultant and Head of School
Preparing various annual payroll tax returns	Financial Consultant
Preparing 1099's*	Financial Consultant

*for independent contractors, LLPs and LLCs only

Pay periods are semi-monthly in length. Both salaried and hourly employees are paid on the same schedule. Employees will be paid on the 10th and 25th of each month. In the event that the 10th or 25th of the month falls on the weekend, or a holiday, the pay date will be the next nearest business day. In February, pay will be distributed on the 28th, or the next business day.

All employees are paid on a 12-month schedule, regardless of whether they are 12- month employees or 11-month employees. A pay schedule will be circulated during staff pre-service for PCM year.

Once payroll documents are received from the payroll vendor (e.g., calculations, payrolls and payroll summaries), they are compared with timesheets, pay rates, payroll deductions, compensated absences etc. by the Financial Consultant. The Financial Consultant verifies gross pay and payroll deductions and compares the total hours and number of employees with the totals in the Payroll Register. The Payroll Register is reviewed and approved by the Financial Consultant, who then forwards the payroll checks and the Payroll Register to the Head of School for approval. Once signed or approved by email, payroll payments by check, direct deposit, or cash are distributed to employees by the Payroll Vendor, and the Payroll Register is filed.

Direct deposit is the preferred method of payment. For any checks that are cut, the payroll provider helps monitor any uncashed payroll checks.

If an employee is given a paper paycheck and loses that check, they must submit a written request for a new check to be issued to the Head of School. The request must indicate the date on the check, the pay period it covered, and the amount. The employee must also certify that they believe the check to be lost and that if the employee finds the check, they will return it to the Financial Consultant. A new paycheck will be issued to the employee as soon as practicable after the request is submitted.

Payroll Tax Compliance

The payroll vendor is responsible for the preparation of the periodic payroll tax filings. The Financial Consultant is responsible for reviewing and approving all payroll tax documents and supporting

- 1508 schedules for accuracy and completeness.
- 1509
- 1510 PCM, with support from the Financial Consultant, maintains a schedule of required filing due dates for:
- 1511 a. IRS Form W-2 - Wage and Tax Statement.
- 1512 b. IRS Form W-3 - Transmittal of Income and Tax Statements.
- 1513 c. IRS Form 941 - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from
- 1514 Wages and FICA Taxes.
- 1515 d. IRS Form 1099-NEC and 1099-MISC
- 1516 e. Quarterly and annual state(s) unemployment tax return(s).
- 1517 f. WA State and Office of Superintendent of Public Instruction forms as required.
- 1518

1519 **Periodic Payroll Reconciliations**

1520 ***Reconciling Employee Payroll Deductions***

1521 On a monthly basis, the Financial Consultant reconciles deductions made from employees to the

1522 payments made to insurers, benefit plan providers, and other payees.

1523

1524 ***Quarterly Reconciliation of Payroll to Accounting Records***

1525 The Payroll Register, the Payroll Register Preview, time sheets for additional work by staff

1526 members and expense reimbursements (if any) are filed in electronic Payroll folders, according

1527 to each pay date by fiscal year. On a quarterly basis, the Financial Consultant performs a

1528 reconciliation of all salary accounts in the general ledger, as compared to the salary reported by

1529 the payroll processing company on the Form 941 and/or other Quarterly Payroll Return. Any

1530 variances are researched and cleared within the month following quarter end.

1531

1532 ***Annual Reconciliation of Payroll to Accounting Records***

1533 On an annual calendar basis, the Financial Consultant performs a reconciliation of the following:

- 1534 • Gross salaries per all Forms 941
- 1535 • Gross salaries per W-2 forms
- 1536 • Gross salaries per General Ledger
- 1537 • Variances are researched and cleared by January 31 of the following year
- 1538

1539 **Protecting Payroll Information**

1540 Salary information constitutes sensitive information. It is the responsibility of the Head of School and

1541 Financial Consultant to ensure that all payroll information is kept secure and confidential. The security of

1542 personnel files is described above. In addition, the School will maintain an electronic record of the

1543 Payroll Registers.

1544

1545 **Changes to Payroll Information**

1546 The payroll provider allows employees to change personal information (e.g. mailing address) directly.

1547 Such changes generate notices to the Financial Consultant and Head of School and are reviewed as part

1548 of monthly payroll processing. Any pay changes (e.g. pay rate, title, deductions, benefits) must be

1549 approved by the HOS and are then entered into the payroll provider by the Financial Consultant.

1550

Terminations and Resignations

The Financial Consultant ensures that any departing employee, whether terminated or resigned, is removed from the payroll immediately after their last payment is made.

Whether an employee has elected to resign or is being terminated, a Personnel Action form must be completed. An exit interview is held between the departing employee, Head of School, and one witness, usually a member of PCM leadership team. In the case of employee termination, a copy of the termination letter is presented to the departing employee at the exit interview. In the case of a resignation, this interview is used to document the departing employee's reasons for resignation. This information is critical when assessing staff turnover data.

Upon termination or effective resignation date, all employee belongings are removed immediately, and all employer belongings are returned immediately. The Personnel Action form is filed in the employee's personnel file.

PCM will pay employees who give proper notice through their last day of employment, unless they are on a leave of absence. Employees will not receive pay for any accrued but unused sick or personal leave (see section below). Employees will receive their final pay according to the normal payroll processing cycle, or in accordance with applicable wage laws.

In the event that a key staff member in finance or operations is incapacitated or terminated, PCM will hire a financial consultant to fill in until a permanent replacement is hired. When a replacement is identified, the financial consultant will professionally train the new hire to ensure a sound transition. In addition, PCM will continue to develop written desktop procedures for each of these key finance and operations staff positions so that they are not completely reliant on outside consultants.

Sick Leave and Paid Time Off

Salaried Employees

Salaried Employees - At the beginning of the year guides and administrative staff will be allotted the following annual leave amounts. All of the following information is assumed per 1.0 FTE. Any employee working less than full-time will receive a prorated amount per their contract.

- **Paid Time Off (PTO)** -
 1. 40 hours (5 days) to be used at the employee's discretion. This bank of time may be used for any purpose, but needs to be pre-approved by the Head of School or Montessori Coach prior to accessing these days.
 2. No PTO will be allowed to be rolled over to the following school year, nor will they be cashed out.
 3. Unused PTO days will not be paid to employees upon termination of employment.
- **Sick Leave (Illness, Injury, or Emergency)** -

Employees will accumulate the greater of:

 1. 48 hours (6 days) to be used when the employee is unable to perform their duties because of personal illness, injury, or disability.
 2. 40 hours (5 days) may be rolled over into the following school years for a total of 88 hours (11 days) to be banked at any one time.

Hourly Employees

Hourly Employees - At the beginning of the year hourly staff will be allotted the following annual leave amounts. All information following is assumed per 1.0 FTE. Any employee working less than full-time will receive a prorated amount per their contract.

- **Paid Time Off (PTO)** -
 1. 16 hours (2 days) to be used at the employee's discretion. This bank of time may be used for any purpose, but needs to be pre-approved by the Head of School prior to accessing these days.
 2. No PTO will be allowed to be rolled over to the following school year, nor will they be cashed out.
 3. Unused PTO days will not be paid to employees upon termination of employment.
- **Sick Leave (Illness, Injury or Emergency)**
 1. 43.2 hours (5.4 days) to be used when the employee is unable to perform their duties because of personal illness, injury, or disability.
 - a. This amount corresponds with WA states requirement for hourly employees that requires a rate of 1 hour of sick leave accrued per 40 hours worked. The sick leave total will be reconciled quarterly to align with hours worked using the 1 per 40 ration compared against hours actually worked and the total sick time granted at the beginning of the year (currently set at 5.4 hours for full-time hourly employees).
 2. 40 hours (5 days) may be rolled over into the following school years for a total of 83.2 hours (10.4 days) to be banked at any one time.

All Employees

All employees - Other leave: All eligible employees are entitled to the following PCM, Federal, and Washington State leave, details are provided below (pages 37-40):

- **Federal Family and Medical Leave (FMLA):** Federally protected unpaid leave for eligible employees.
- **Federal Military Caregiver Leave:** Federally protected unpaid leave for eligible employees.
- **Washington Family Leave Act (FLA):** State protected unpaid leave for eligible employees.
- **Washington Family Care Act:** State protections to uses of PTO for caring for family members.
- **Washington Pregnancy Disability Act:** State protection for using leave for pregnancy and childbirth.
- **Washington Paid Family and Medical Leave:** State provided leave for eligible employees related to medical leave.
- **Domestic Violence Leave:** State protection for using leave for reasons related to domestic violence, sexual assault, or stalking.
- **Bereavement:** 3 paid days provided for immediate family member death
- **Jury Duty:** 10 paid days provided for jury duty

1639 **Recording Absences**
1640 It is the responsibility of the employee to record their absence in Gusto on the day that it is taken. PCM
1641 staff will monitor and reconcile absences for payroll and accounting purposes.
1642
1643 **Further Details: Sick Leave**
1644 Unless otherwise provided for or as approved by the Head of School, sick leave is to be used by regular
1645 full-time employees in accordance with the following provisions:
1646

- 1646 • Sick leave is to be used only in the event of illness of the employee, the employee's immediate
1647 family, or someone dependent on them for care, and for no other purpose.
- 1648 • Misuse of sick leave is cause for termination of employment.
- 1649 • For the purposes of this section, "immediate family" is defined as a spouse, partner, parent,
1650 child, sibling, grandparent, any other relative permanently residing with the employee, or any
1651 other person as defined by the Head of School or the Board of Trustees.

1652
1653 Notice of absence from work due to illness should be provided to the Montessori Coach and the Head
1654 of School with as much advance notice as possible, and by 6:00 a.m. on the day of the absence,
1655 allowing reasonably enough time for the Montessori Coach to find a substitute teacher, in the instance
1656 of instructional employees, or temporary help, in the instance of administrative staff.
1657 Employees must provide notice of absence from work due to illness each day of their absence. If an
1658 employee is absent for three (3) or more consecutive days due to illness or injury, a physician's
1659 statement must be provided verifying the illness and its beginning and end dates.
1660
1661 When possible, such as in the event of foreseeable extended illnesses and planned medical procedures,
1662 advance notice of the use of sick leave should be given to the employee's supervisor at least five (5)
1663 days in advance.
1664
1665 Excessive tardiness, absenteeism, or an unauthorized absence may result in disciplinary action, up to
1666 and including termination of employment.
1667
1668 Notice of total sick leave used should be provided to the Montessori Coach upon an employee's return
1669 to work. Sick leave shall be used in increments of one-half workday.
1670
1671 Unused sick leave benefits of 40 hours or less must carry over to the next year. Unused sick leave days
1672 will not be paid to employees upon termination of employment.
1673
1674 **Shared Sick Leave**
1675 The shared paid sick leave program provides employees the opportunity to receive and use donated
1676 paid sick leave, and to donate their paid sick leave to other employees.
1677
1678 To Apply
1679 Employees must apply to receive/donate shared paid sick leave through the Head of School or their
1680 designated representative. An employee is eligible to apply for and use shared paid sick leave 90
1681 calendar days after the start of employment.
1682

1683 If an employee wishes to participate in the shared paid sick leave program, the employee must
1684 complete the Employee Request to Receive Shared Paid Sick Leave form or complete the Employee
1685 Request to Donate Paid Sick Leave form and provide the form to the Head of School or their
1686 designated representative.
1687
1688

1689 Head of School or their designated representative is responsible for:
1690 o Ensuring employees meet the eligibility criteria for receiving and donating shared paid sick
1691 leave;
1692 o Approving requests to receive/donate shared paid sick leave; and
1693 Monitoring the use of shared paid sick leave.
1694

1695 Donated Paid Sick Leave

1696 Donated paid sick leave will be recorded as if the donating employee had used the time and will reduce
1697 the donating employee's available balance of paid sick leave.
1698

1699 **Key Guidelines to Using Paid Time Off (PTO):**

- 1700 1. You must receive approval from the PCM Administrative Team prior to taking Paid Time Off.
1701 2. You may not schedule your last paid workday as a vacation day. Unused leave will not be paid
1702 out should you end employment with PCM.
1703

1704 When possible, a minimum of one week's notice should be given to your supervisor, in order to
1705 schedule and accommodate substitutions. When advanced notice is not possible, as in the case of
1706 emergency or illness, **email BOTH the office AND Montessori Coach AS SOON AS POSSIBLE** with
1707 notification of your absence and day's plans for a substitute. Should a substitute be required, time
1708 must be taken in 4-hour increments

8

PROPERTY AND EQUIPMENT

Background

The Head of School and Montessori Coach are responsible for ensuring that accurate inventories are maintained so that all assets are safeguarded.

PCM's Head of School is responsible for maintaining the equipment and all necessary asset inventories. All assets must be recorded both in the accounting system's general ledger under the fixed asset category and in a separate fixed asset inventory spreadsheet, created in Excel or Google Sheets. All property and equipment subject to PCM's Capitalization Policy must be tagged in the manner described below and depreciated according to PCM's Depreciation Policy.

Upon receiving any property that qualifies as a fixed asset, the Head of School, Office Manager, and Montessori Coach are responsible for recording the following into the fixed asset inventory spreadsheet. The Head of School will review the spreadsheet periodically for accuracy.

- Inventory number as designated by PCM (use sequential numbers, no lettering)
- Asset name and description
- Classification (i.e. land, building, equipment, betterment, leasehold improvements, furniture, computer hardware and software)
- Serial number, model number, or other identification
- Whether title vests with PCM or a governmental agency
- Vendor name and acquisition date
- Location of the equipment
- Purchase date
- Purchase value
- Disposal date
- Disposal reason

In addition, the following data must be entered in the accounting system's general ledger under the fixed asset category:

- Asset name
- Current value

Each item is also physically tagged in a visible area if necessary.

All government-furnished property and equipment is also recorded and tagged, with identification information indicating it has been acquired through a government contract. For example, when assets are purchased using funds from the Department of Youth and Community Development (DYCD), that

1749 item is tracked and physically tagged as property of DYCD. Because DYCD owns the item, it is
1750 recognized as an expense (not an asset) on the Statement of Financial Position. In the event of charter
1751 revocation, the item is returned as property of DYCD.
1752

1753 No employee may use any of PCM property, equipment, material or supplies for personal use without the
1754 prior approval of the Head of School.
1755

1756 No item of property or equipment shall be removed from the premises without prior approval Head of
1757 School.
1758

1759 All lease agreements on real property will be evidenced by a lease or sublease signed by the Head of
1760 School. The agreement will identify all the terms and conditions of the lease. Any real estate agreement
1761 to rent or sell will require a beneficial interest disclosure.
1762

1763 **Capitalization Policy**

1764 The cost threshold for items purchased by PCM to capitalize is \$5,000.00 per item. This allows items to
1765 carry value over time, and not simply be expensed in Year 1. Items with an acquisition cost of less than
1766 \$5,000.00 or a useful life of less than one year can be expensed in the year purchased. Items with an
1767 acquisition cost of more than \$5,000.00 are subject to PCM's depreciation policy, outlined below.
1768

1769 In instances where a large quantity of one single item is purchased, if the total value exceeds the
1770 \$5,000.00 threshold, the items may be capitalized. For example, if a school buys 100 desks at \$250.00
1771 per desk, each single item would not meet the threshold. Together, however, these 100 desks have a
1772 combined value of \$25,000.00, which should be capitalized over a 7-year period, as outlined in the
1773 Depreciation Policy table below.
1774

1775 The Head of School performs annual inventory audits, verifying and updating the data contained in the
1776 Excel fixed asset inventory spreadsheet. Once complete, this inventory is compared to the fixed assets
1777 listed in the general ledger to ensure the value of the assets per the accounting system matches the
1778 value of the assets per the spreadsheet. Differences are investigated and reconciled by the Head of
1779 School.
1780

1781 **Depreciation Policy**

1782 Any items subject to the Capitalization Policy described above are subject to depreciation. The Head of
1783 School and Financial Consultant will account for depreciation based on PCM's inventories. Depreciation
1784 associated with the fixed assets will be calculated based on its useful life and straight-line depreciation
1785 method. Depreciation is based on the month the item was actually purchased. For instance, if PCM
1786 purchased a computer in July, it would be depreciated for a full fiscal year (12 months out of 12) and
1787 recorded as such. But if PCM purchased the computer in April, then it would be depreciated for just one-
1788 fourth of the fiscal year (3 months out of 12) because it would only be in service for April, May and June.
1789

1790 Any item that is damaged beyond use will be taken out of service and fully depreciated off the
1791 accounting records.
1792

1793 **Estimating Useful Life**
1794 The following guidelines from the Washington Office of Financial Management are used in setting
1795 estimated useful lives for asset reporting:
1796
1797 "Agencies are required to use the useful life shown in Schedule A, Capital Asset Class Codes and Useful
1798 Life Schedule (Subsection 30.50.10.a) for capital assets acquired in new condition. For energy efficiency
1799 equipment and products, refer to the Addendum to Schedule A (Subsection 30.50.10.b). However, a
1800 shorter or longer estimated life may be used depending on factual circumstances, replacement policies,
1801 or industry practices. Proposed deviation in useful life from Schedule A requires prior written approval
1802 from the OFM Accounting Division."
1803
1804 The OFM Capital Asset Useful Life Schedule can be found online.
1805
1806 **Disposal of Property and Equipment Policy**
1807 PCM has adopted standard disposition procedures for staff to follow whenever an asset with an original
1808 cost of over \$1,000 is disposed of:
1809 The requester fills out and signs the Asset Disposal Form, which identifies the asset and the reason for
1810 disposition. This form is submitted to the Head of School, who takes photos of the asset, determines the
1811 asset's book value and documents the condition of the asset. Disposal of any asset requires the approval
1812 of both the Head of School and Montessori Coach.
1813
1814 Once approved for disposal, the dollar value of the disposed asset is recorded as a reduction in the
1815 general ledger. The disposed asset is also removed from the Excel fixed asset inventory spreadsheet. The
1816 treatment of any proceeds from the disposition, and the recognition of any gain or loss on sale of the
1817 disposed asset, is also recorded in the general ledger by the Head of School.
1818
1819 **Small and Attractive Assets:**
1820 Are defined as assets that are (1) usable outside of the school, (2) cost at least \$300, and (3) would have
1821 value if taken from the school. Every effort will be made to safeguard these assets from being stolen,
1822 including safe storage, and reviewing inventory levels at least annually.

9

RECORDS RETENTION

The Laws

RCW 40.14.070

Records Retention Policy

All confidential paper records shall be maintained in locked facilities on school premises.

In the event of a major system malfunction, all financial records would be safely maintained in third party internet space via their cloud storage services. In the event of any other major system malfunction, any transactions since the last available backup would be re-recorded based on the cash disbursement records and cash receipts records.

PCM has an established Disaster Recovery Policy. Please reference the School Safety Plan for details.

The following table provides the minimum requirements for records retention, as mandated by the Washington state statute RCW 40.14.070.

Item	Retention Period
Bank Statements & Reconciliations	7 Years
Cancelled Checks (Ordinary)	7 Years
Cash Books	7 Years
Cash Receipts and Disbursements	7 Years
Construction Documents	7 Years
Contracts and Leases (Current)	7 Years
Contracts and Leases (Expired)	7 Years
Corporate - Articles of Incorporation & By Laws	Permanent
Corporate - Certificate of Incorporation and Related Legal or Government Documents	Permanent
Corporate - Minutes of Board & Committee Meetings, etc.	Permanent
Correspondence (General)	3 Years
Correspondence (Legal / Important)	7 Years
Duplicate Bank Deposit Slips	3 Years
Employee Assignments and Garnishments	7 Years after term
Employee Benefit Plan Documents	7 Years after term
Employee Payroll Records	7 Years after term
Employee Payroll Reports (Federal, State or City Government)	7 Years after term
Employee Personnel Records (After Termination)	7 Years after term
Employee Personnel Records (Current)	7 Years after term

Item	Retention Period
Employee Retirement & Pension Records	Permanent
Employee Timesheets	7 Years after term
Employee Workman's Compensation Documents	11 years
Employment Applications (Current Employees)	7 Years after term
Employment Applications (Other)	1 Year
Finance - Accounts Payable Ledgers and Schedules	7 Years
Finance - Accounts Receivable Ledgers and Schedules	7 Years
Finance - Audit Reports of Independent Accountants	7 Years
Finance - Depreciation Schedules	7 Years
Finance - Expense Analyses & Distribution Schedules	7 Years
Finance - Financial Statements (including Trial Balances)	7 Years
Finance - Fixed Asset Records & Appraisals	7 Years
Finance - General Ledgers	7 Years
Finance - Subsidiary Ledgers	7 Years
Finance - Tax Return Worksheets	7 Years
Finance - Tax Returns	5 years
Finance - Uncollectible Accounts & Write-Offs	7 Years
Finance - W-2 / W-4 / 1099 Forms, etc.	7 Years
Grant Inquiries	7 Years
Insurance - Accident Reports and Claims (Current Cases)	Permanent
Insurance - Accident Reports and Claims (Settled Cases)	Permanent
Insurance - Policies (Current)	Permanent
Insurance - Policies (Expired)	Permanent
Inventories	7 Years
Invoices from Vendors	7 Years
Invoices to Customers	7 Years
Notes Receivable Ledgers	7 Years
Paid Bills & Vouchers	7 Years
Patents & Related Papers	Permanent
Property Documents - Deeds, Mortgages, etc.	10 years
Stock and Bond Certificates (Cancelled)	7 Years
Stock and Bond Records	7 years
Vendor Payment Request Forms & Supporting Documents	7 Years
Voucher Registers & Schedules	7 Years

Originals of the following corporate documents are maintained either electronically or in paper form, depending on the original document:

- a. Charter and all related amendments
- b. Minutes of the Board of Trustees and subcommittees
- c. Banking agreements
- d. Leases
- e. Insurance policies

- 1849 f. Vendor invoices or contracts
- 1850 g. Grant and contract agreements
- 1851 h. Fixed asset inventory list

1852

1853 **Records Access Policy**

1854 The Financial Consultant will provide access to the organization's records and provide supporting records,
1855 as requested by government auditors to facilitate the completion of such audits or reviews, in a timely
1856 manner.

1857

1858 **Records Destruction Policy**

1859 The destruction of confidential school records will be authorized by the Head of School. Should the
1860 Head of School be unable to provide authorization, destruction will be stayed pending review and final
1861 determination.

1862

1863 If any litigation, claim, or audit is started before the expiration of the designated retention period, the records
1864 shall be retained until all litigation, claims, or audit findings involving the records have been resolved and
1865 final action taken.

1866

1867 Once school records have reached the conclusion of their retention period according to the Records
1868 Retention Policy, the office of origin will request authorization from the Head of School for their
1869 destruction.

1870

1871 PCM will arrange for the safe and secure destruction of confidential records. Destruction methods will not
1872 permit recovery, reconstruction and/or future use of confidential information. An overview of these
1873 methods follows.

1874

1875 Paper records containing confidential information should be shredded and/or pulped, not simply
1876 thrown out with other classes of records or with miscellaneous trash.

1877

1878 Electronic or machine-readable records containing confidential information require a two-step process
1879 for assured, confidential destruction. Deletion of the contents of digital files and emptying of the
1880 desktop "trash" or "waste basket" is the first step. It must be kept in mind, however, that reconstruction
1881 and restoration of "deleted" files are quite possible in the hands of computer specialists. With regard to
1882 records stored on a "hard drive," it is recommended that commercially available software applications be
1883 utilized to remove all data from the storage device. When properly applied, these tools prevent the
1884 reconstruction of any data formerly stored on the hard drive. With regard to floppy disks and back-up
1885 tapes, it is recommended that these storage devices be physically destroyed.

1886

1887 A destruction record exists to track the destruction of any and all documents. This inventory describes
1888 and documents those records, in all formats, authorized for destruction, as well as the date, agent, and
1889 method of destruction. The destruction record itself shall not contain confidential information. The
1890 destruction record may be retained in paper, electronic, or other format.

10

FRAUD AND MISAPPROPRIATION

PCM has implemented internal controls and segregation of duties possible based on the staffing structure and available resources. PCM recognizes that some instances can occur where fraud appears to have occurred while in reality there was none. Thus while PCM will not tolerate any fraud or suspected fraud involving employees, officers or trustees, as well as members, vendors, consultants, contractors, funding sources and/or any other parties with a business relationship with PCM – the possibility of the appearance of fraud will be considered to protect innocent employees. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with PCM.

The Head of School and Board of Trustees are responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to their injury. The Head of School and each board member will be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indication of irregularity.

Any fraud that is detected or suspected must be reported immediately to the Board of Trustees and they will take necessary actions.

Actions Constituting Fraud

The terms fraud, defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account belonging to PCM
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, supplies, equipment, or other assets of PCM
- Impropriety in the handling or reporting of money or financial transactions
- Disclosing confidential and proprietary information to outside parties
- Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services PCM
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any similar or related irregularity

Investigation Responsibilities

The Board Chairperson has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The Board of Trustees may utilize whatever internal and/or external resources it considers necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the Board of Trustees will issue reports to appropriate designated

1931 personnel.

1932

1933 Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or

1934 regulatory agencies for independent investigation will be made in conjunction with legal counsel and

1935 senior management, as will final dispositions of the case.

1936

1937 ***Confidentiality***

1938 The Board of Trustees will treat all information received confidentially. Any employee who suspects

1939 dishonest or fraudulent activity will notify the Board Chair immediately and should not attempt to

1940 personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

1941

1942 Investigation results will not be disclosed or discussed with anyone other than those who have a

1943 legitimate need to know. This is important in order to avoid damaging the reputations of persons

1944 suspected but subsequently found innocent of wrongful conduct and to protect PCM from potential

1945 civil liability.

1946

1947 ***Authority for Investigation of Suspected Fraud***

1948 Members of the Board of Trustees will have:

- 1949 1. Free and unrestricted access to all PCM's records and premises; and
- 1950 2. The authority to examine, copy, and/or remove all or any portion of the contents of files, desks,
- 1951 cabinets, and other storage facilities on the premises without prior knowledge or consent of any
- 1952 individual who may use or have custody of any such items or facilities when it is within the scope
- 1953 of their investigations.
- 1954

1955 ***Reporting Procedures***

1956 An employee who discovers or suspects fraudulent activity will contact the Chairperson of the Board of

1957 Trustees immediately. The employee or other complainant may remain anonymous. All inquiries

1958 concerning the activity under investigation from the suspected individual(s), their attorney or

1959 representative(s), or any other inquirer should be directed to the Finance Committee or legal counsel.

1960 No information concerning the status of an investigation will be given out. The proper response to any

1961 inquiry is, "I am not a liberty to discuss this matter." Under no circumstances should any reference be

1962 made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other

1963 specific reference.

1964

1965 The reporting individual should be informed of the following:

- 1966 1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
- 1967 2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to
- 1968 do so by the appointed legal counsel or the Board of Trust.
- 1969
- 1970
- 1971
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- 1973

11

GENERAL FUNDRAISING

It is the policy of the Pinnacles Prep Charter School Board to authorize fundraising activities where such activities:

1. Further promote education and provide educational experiences for students;
2. Provide educational experiences for students
3. Address local funding needs or obligations to support the educational mission of the district, extracurricular programs and activities; and/or
4. Promote the effective, efficient, or safe management and operation of the District.

Fundraising activities shall comply with cash handling, procurement, fixed assets, and gifts and donations policies. Fundraising activities shall not interfere with the operation of school programs and functions. Fundraising activities shall not conflict with any applicable law, state or federal constitutional provisions including the separation of church and state, or violate School policies and procedures

This policy governs the establishment and administration of fundraising for the general fund and for particular programs in the district. It does not address fundraising programs conducted by the Parent Teacher Student Association, the Associated Student Body, or other non-profit or citizens organizations.

Legal References:

RCW 28A.320.015 School boards of directors – Powers – Notice of adoption of policy.
RCW 28A.320.030 Gifts, conveyances, etc., for scholarship and student aid purposes, receipt and administration
RCW 28A.320.035 Contracting out – Board's powers and duties – Goods and services.
RCW 28A.335.060 Surplus school property, rental, lease or use of – disposition of moneys received from
RCW 28A.335.090 Conveyance and acquisition of property – management.
RCW 28A.335.180 Surplus texts and other educational aids, notice of availability – Student priority as to texts.
RCW 39.33.070 School districts and libraries – Disposal of obsolete or surplus reading materials – Procedures.

STUDENT FUNDRAISING

Student groups may conduct fundraising activities, including but not limited to soliciting donations, in their private capacities for the purpose of generating nonassociated student body funds. If these funds are generated and received by students to use for scholarship, student exchange, and/or charitable purposes, they will not be considered public money and will be held by the school and tracked as belonging to the school's nonassociated student body fund and disbursed for such purposes as

2013 the student group conducting the fundraising activity determines, provided that the school district will
2014 either withhold an amount from the funds as will pay the district for its direct costs in providing the
2015 service or otherwise be compensated for its cost for such service. "Charitable purpose" under this
2016 section does not include any activity related to assisting a campaign for election of a person to an
2017 office or for the promotion or opposition to a ballot proposition.
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12

TIME AND EFFORT POLICY

All employees charged to federal grants must document the time they spend working on the grant's objectives to demonstrate that the amounts charged to federal programs are true and accurate pursuant to Office of Management and Budget's (OMB) Uniform Grant Guidance (UGG), 2CFR Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards".

Time and effort reports will be prepared for all certificated and classified staff with salary and benefits that are charged:

- Directly to a federal award.
- Directly to multiple federal awards.
- Directly to any combination of a federal award and other federal, state or local fund sources.

At the beginning of the school year, administration will determine the budgeted allocation of employee time to restricted funding sources and record these in the school's restricted fund matrix. The method used to establish the estimates should produce reasonable approximations of the actual employee time distributions.

Semi-annual certifications will be used for employees working on a "single cost objective." Monthly PARs will be used for employees working on "multiple cost objectives," unless the school obtains permission for a substitute system from OSPI.

A "cost objective" is a function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.

A "single cost objective" occurs based on either of the following determinations:

- Fiscal: If the employee's salary and wages can be supported in full from each of the federal awards on which the employee is working, or from the federal award alone if the employee's salary is also paid with non-federal funds.
- Program intent: If the employee is working on a combination of cost objectives that have the same intent and purpose. The specific allowable combinations are: Title I & Learning Assistance Program (LAP), State Special Education (State SPED) & Federal Special Education (Federal SPED), and Title III & Transitional Bilingual Instruction Program (TBIP).

A "multiple cost objective" occurs when an employee works on more than one function, grant or activity. With the exception of the combinations identified above, in general, an employee is considered to work on multiple cost objectives if the employee works on:

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- More than one federal award
 - A federal award and a non-federal award
 - A federal award with specific earmarking or matching requirements; or
 - An unallowable activity and an allowable activity
- Semi-annual certifications and PARs will meet the following standards.
- Semi-annual certifications (single cost objective or activity) will:
- Certify the employee worked solely on activities related to a particular cost objective for a specified period of time, identify the cost objective, and specify the reporting period covered.
 - Be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed.
 - Be completed timely and at least semi-annually, after the work has been completed.
- PARs (multiple cost objectives or activities) will:
- Certify the employee worked on multiple activities related to more than one cost objective for a specified period of time, identify the cost objectives, and specify the reporting period covered (generally from beginning to end of month).
 - Be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed.
 - Be completed timely and at least monthly, after the work has been completed.
 - Reflect the actual work done by the employee with all cost objectives clearly identified.
 - Account for the total activity for which the employee is compensated, including both federal and nonfederal activities.
- Paid time off (PTO) will be charged to federal awards in the same proportion as the actual hours worked during the month in which the PTO occurred.

13

Extracurricular & Core Program Policy

The Board recognizes the many benefits students receive from participating in certain extracurricular activities. Skills developed during participation in extracurricular activities can include but are not limited to: problem solving, teamwork, determination, and personal responsibility, all of which are considered critical components of the basic education offered by our school.

As such, the Board adds the following extracurricular activities to the school's educational program to help foster participation in said activities:

- Outdoor Science School
- Enrichment Half-Days (Wednesday YMCA Programming)

With the adoption of this policy, the school can spend general operating funds on these activities, including supplies, equipment, rentals, contractors, meals and lodging, etc. Any funds raised on behalf of such organizations must be deposited into the general fund.

This policy only applies to the activities listed above; any optional, extracurricular, non-educational activities not listed above may not be paid for with general funds and are not part of the school's educational program.

Legal Reference:

AGO 1974 No. 21 - Oct 23 1974: www.atg.wa.gov/ago-opinions/districts-schools-funds-participation-interscholastic-athletic-events

14

Federal Programs

Federal Programs - Cash Management

Generally, PCM receives payment from the Office of the Superintendent of Public Instruction (OSPI) on a reimbursement basis. In some circumstances, PCM may receive an advance of federal grant funds. This attachment addresses responsibilities of PCM under those alternative payment methods. In either case, PCM shall maintain accounting methods and internal controls and procedures that assure those responsibilities are met.

Payment Methods

Reimbursements – PCM will initially charge federal grant expenditures to non-federal funds.

The third-party back office provider shall request reimbursement for actual expenditures incurred under the federal grants at least semi-annually.

Consistent with state and federal requirements, PCM will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for review upon request.

All reimbursements are based on actual disbursements, not on obligations. Reimbursements of actual expenditures do not involve interest calculations.

Advances – When PCM receives advance payments of federal grant funds, it must minimize the time elapsing between the transfer of funds to PCM and the expenditure of those funds on allowable costs of the applicable federal program (2 CFR Sec. 200.305(b)). PCM shall attempt to expend all advances of federal funds within seventy-two (72) hours of receipt.

When applicable, PCM shall use existing resources available within a program before requesting additional advances (2 CFR Sec. 305(b)(5)).

PCM shall hold federal advance payments in insured, interest-bearing accounts.

PCM is permitted to retain for administrative expenses up to \$500 per year of interest earned on federal grant cash balances. Interest earnings exceeding \$500 per year shall be remitted annually to the awarding federal agency (2 CFR Sec. 200.305(b)(9)).

Pursuant to federal guidelines, interest earnings shall be calculated from the date that the federal funds are drawn down from the G5 system until the date on which those funds are disbursed by the district.

Consistent with state guidelines, interest accruing on total federal grant cash balances shall be calculated on cash balances per grant and applying the actual or average interest rate earned.

2191 Remittance of interest shall be the responsibility of the third-party back office provider.

2192 **Federal Programs - Allowability of Costs**

2193 Expenditures must be aligned with approved budgeted items. Deviations from the budget approved
2194 through the grant award must be reported to the federal agency, and the agency's approval may be
2195 required before some budget changes can occur.

2196 A. Delegation of Responsibility

2197 When determining how PCM will spend its grant funds, the HOS or designee will review the proposed cost
2198 to determine whether it is an allowable use of federal grant funds before obligating and spending those
2199 funds on the proposed good or service.

2200 B. Allowability Determinations

2201 All costs supported by federal funds must meet the standards outlined in 2 CFR Part 200, Subpart E. The
2202 HOS or designee must consider these factors when making an allowability determination.

2203 Part 200 sets forth general cost guidelines that must be considered, as well as rules for specific types of
2204 items, both of which must be considered when determining whether a cost is an allowable expenditure of
2205 federal funds. The expenditure must also be allowable under the applicable program statute along with
2206 accompanying program regulations, non-regulatory guidance and award terms and conditions. Whichever
2207 allowability requirements are stricter will govern whether a cost is allowable.

2208 Generally, costs must meet the following general criteria to be allowable:

2209 1. Must be necessary and reasonable for the performance of the federal award.

2210 A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a
2211 prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For
2212 example, reasonable means that sound business practices were followed and purchases were comparable
2213 to market prices. When determining reasonableness of a cost, consideration must be given to the following:

2214 Whether the cost is a type generally recognized as ordinary and necessary for the operation of PCM or the
2215 proper and efficient performance of the federal award.

2216 The restraints or requirements imposed by such factors as: sound business practices; arm's-length
2217 bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.

2218 Market prices for comparable goods or services for the geographic area.

2219 Whether the individual incurring the cost acted with prudence in the circumstances considering
2220 responsibilities to PCM, its employees the public at large, and the federal government.

2221 Whether PCM significantly deviates from its established practices and policies regarding the incurrence of
2222 costs, which may unjustifiably increase the federal award's cost.

2223 The determination of whether a cost is necessary will be based on the needs of the program. Specifically,

2224 the expenditure must be necessary to achieve an important program objective. A key aspect in determining
2225 whether a cost is necessary is whether PCM can demonstrate that the cost addresses an existing need and
2226 can prove it. When determining whether a cost is necessary, consideration may be given to:

2227 Whether the cost is needed for the proper and efficient performance of the federal award program.

2228 Whether the cost is identified in the approved budget or application.

2229 Whether there is a community service or infrastructure benefit associated with the cost.

2230 Whether the cost aligns with identified needs based on results and findings from a needs assessment.

2231 Whether the cost addresses program goals and objectives and is based on program data.

2232 2. Must be allocable to the federal award. A cost is allocable to the federal award if the goods or services
2233 involved are chargeable or assignable to the federal award in accordance with the relative benefit received.
2234 This means that the federal grant program derived a benefit in proportion to the funds charged to the
2235 program.

2236 3. Must be consistent with PCM policies and procedures that apply uniformly to both federally-financed and
2237 other activities of PCM.

2238 4. Must conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and
2239 conditions of the federal award as to the types or amount of cost items.

2240 5. Must be consistent in treatment. A cost cannot be assigned to a federal award as a direct cost if any other
2241 cost incurred for the same purpose in like circumstances has been allocated to the federal award as an
2242 indirect cost or assigned under another award as an indirect cost.

2243 6. Must be adequately documented. All expenditures must be properly documented.

2244 7. Must be calculated in accordance with generally accepted accounting principles (GAAP), unless provided
2245 otherwise in Part 200.

2246 8. Must not be included as a match or cost-share, unless the specific federal program authorizes federal
2247 funds to be treated as such. Some federal program statutes require the nonfederal entity to contribute a
2248 certain amount of nonfederal resources to be eligible for the federal program.

2249 9. Must be the net of all applicable credits. The term “applicable credits” refers to those receipts or
2250 reduction of expenditures that operate to offset or reduce expense items allocable to the federal award.
2251 Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or
2252 indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such
2253 credits accruing to or received by the state relate to the federal award, they shall be credited to the federal
2254 award, either as a cost reduction or a cash refund, as appropriate.

2255 C. Selected Items of Cost

2256 Subpart E of Part 200 sets forth principles to be applied in establishing the allowability of 55 specific cost

2257 items (commonly referred to as Selected Items of Cost), at 2 CFR Sec. 200.420- 200.475. These principles
2258 are in addition to the other general allowability standards and apply whether or not a particular item of
2259 cost is properly treated as direct cost or indirect cost. Meeting the specific criteria for a listed item does not
2260 by itself mean the cost is allowable, as it may be unallowable under other standards or for other reasons,
2261 such as restrictions contained in the terms and conditions of a particular grant or restrictions established
2262 by the state or in City policy. If an item is unallowable for any of these reasons, federal funds cannot be used
2263 to purchase it.

2264 The HOS or designee responsible for spending federal grant funds and for determining allowability must be
2265 familiar with and refer to the Part 200 selected items of cost section. These rules must be followed when
2266 charging these specific expenditures to a federal grant. When applicable, employees must check costs
2267 against the selected items of cost requirements to ensure the cost is allowable, and also check state and
2268 program-specific rules.

2269 D. Helpful Questions for Determining Whether Costs are Allowable –

2270 In addition to applying the cost principles and standards described above, PCM staff involved in expending
2271 federal funds should ask the following questions when assessing the allowability of a particular cost:

2272 1. Is the proposed cost allowable under the relevant program?

2273 2. Is the proposed cost consistent with an approved program plan and budget?

2274 3. Is the proposed cost consistent with program-specific fiscal rules? For example, PCM may be required to
2275 use federal funds only to supplement the amount of funds available from nonfederal (and possibly other
2276 federal) sources, or only as a match for funds from nonfederal sources.

2277 4. Is the proposed cost consistent with EDGAR?

2278 5. Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

2279 6. Is the proposed cost consistent with the underlying needs of the program? For example, program funds
2280 must benefit the appropriate population of students for which they are allocated.

2281 7. Will the cost be targeted at addressing specific areas of weakness that are the focus of the program, as
2282 indicated by available data?