



Financial Policies and Procedures Manual

***February
2022***

This document will describe the policies and procedures for the accounting and administrative functions conducted by Spokane International Academy. Management may amend this manual as needed to align with SIA District Accounting Manual for Washington State. The Board of Directors is to review the manual every year. SIA 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 SIA policies and procedures ensure SIA meets this goal.

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INTRODUCTION

Spokane International Academy (SIA) is committed to developing and maintaining financial policies and procedures that ensure sound internal controls, fiscal responsibility, and accountability 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). SIA will follow all the relevant laws and regulations that govern charter schools within the state of Washington. As a nonprofit organization, SIA is entrusted with funds granted by government agencies, private foundations, and individual contributors, and it will adhere to the highest standards of accounting. Clear financial policies and procedures will enable PCM to meet its financial needs and obligations, ensure long-term financial stability and viability, and protect its tangible assets and reputation.

Financial Policies

1. SIA shall comply with applicable laws, rules, and regulations in regard to financial matters and according to the terms of the contract by which it is bound.
2. Control procedures shall be in place to ensure the security of the organization's assets.
3. Timely and accurate financial information shall be produced to fulfill all reporting requirements and management needs.

Financial Leadership and Management

The financial management team of SIA consists of:

- Board of Directors
 - Treasurer of the Board of Directors
 - Board Finance Committee
- Home Office
 - Chief Financial Officer
 - Accounting support via Joule Growth Partners

The day-to-day fiscal responsibilities of SIA are assigned to its fiscal staff. However, ultimate fiduciary responsibility for the overall management of the organization lies with the Board of Directors.

The Board of Directors will meet monthly to ensure that its fiduciary duty is maintained. This committee will be responsible for selecting an audit firm on an annual basis, reviewing the financial policies and procedures manual on an annual basis, approving the annual budget, and working with SIA's finance team to review the monthly financial statements.

The Finance Committee of the Board of Directors shall be responsible for the primary Board-level oversight of school financial matters, as defined by the Board. Chief Financial Officer, supported by Financial Consultant, will have the primary responsibility of executing all financial matters. All members of the fiscal management team will work together to make certain that all financial matters of the organization are addressed with care, integrity, and in the best interest of SIA.

The Chief Financial Officer is responsible for administering SIA's adopted policies and ensuring compliance with procedures that have been approved by the Board of Directors. Exceptions to written policies may

only be made with the prior approval of the Finance Committee. Changes or amendments to these policies shall be conducted by the Finance Committee and approved by the Board of Directors every year.

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

INTERNAL CONTROL STRUCTURE

Background

This manual describes the policies and procedures of SIA. The policies are designed to safeguard the assets of SIA, 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 SIA'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.

Internal Control Environment

The internal control environment reflects the importance SIA 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.

Accounting System

SIA 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.

Fiscal Year

The fiscal year is from September 1 to August 31.

Audits

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

Internal Control Procedures

SIA has adopted a number of internal financial controls. These procedures are set up to strengthen SIA 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 SIA 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 created at SIA. This protects SIA from potential fraud or misappropriation of funds.

- Compensating controls currently include, but not limited to:
 - Review and approval of monthly bills and payroll by Board and Finance committee
 - Monthly completion of bank reconciliations assigned to the CFO, then reviewed by the CEO.
 - Vendor payments processed by the Business Manager.
 - Initial approval of cash disbursements assigned to the CEO.
 - All statements and records are readily available for review by the Board, including bank statements, credit card statements, and accounting records.

Organizational Chart

- CEO Reviews and approves all budgets; approves major capital expenses; approves and coordinates staffing changes and hires; approves compensation changes; approves all purchase orders and disbursement.
- School Office: Orders school supplies for teachers and procures other items for the school as necessary; sends all invoices to the Business Manager, with the proper approvals
- The School Office collects and prepares deposits for funds from students/parents. The Business Manager collects the deposit from the school and takes it to the bank.
- 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.
- CFO: ensures fiscal policies and procedures are being followed; enters journal entries as needed; completes bank reconciliations; prepares all financial reports; and approves various EFT payments.
- Business Manager: creates purchase orders; enters all invoices; processes and mails checks.

Restricted Access

Physical access to valuable and moveable assets is restricted to authorized personnel. Authorized personnel include: CEO, COO, Director of Operations and other designated staff.

Document Control

In order to ensure that all necessary documents are captured by the accounting system, financial related documents must be kept in storage filed sequentially by number or date. This can include, but is not limited to invoices, packing slips, contracts, etc. If these items are not available in storage an electronic will be available.

Records Retention

To provide an accurate and auditable record of all financial transactions, SIA'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. SIA'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 CFO and approved by SIA's CEO.

Annual Independent Audit

SIA's financial statements are audited annually by an independent audit firm selected by the Board of Directors 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

SIA's accounting software is accessible only to the CEO, COO, CFO and the Business Manager. Individual ID codes and passwords are in place for every user and limit their access and functionality depending on their role within SIA. All other hard copies of financial data, when not in use, will be secured in a closet or cabinet at SIA.

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 SIA'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 SIA. SIA 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
- Recording and Tracking accounts receivable

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

Key tasks in this area include:

- Obtaining and gathering payroll information
- Preparing payroll checks and depositing payroll taxes
- Performing monthly reconciliation
- Preparing quarterly payroll tax returns
- Preparing W-2s, the W-3, and other annual payroll tax returns
- Preparing 1094-C and 1095-C documents

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 the accounting software, which produces the financial statements. The CFO will reconcile bank accounts, enter payroll, review the general ledger and prepare for the annual audit. The Business Manager will reconcile credit card accounts.

The Chief Financial Officer presents monthly statements to the Board of Directors at each board meeting. The required statements are outlined in the following section.

The CFO is responsible for creating and updating 5-year budget projections for SIA. In addition, the CFO will prepare the annual operating budget of income and expenses for SIA. This budget and the 5-year projection are reviewed and approved annually, first by the CEO, then by the Finance Committee of the Board and finally by SIA's Board of Directors 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

SIA'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 is an iterative process led by the CFO but requires input from the CEO and the Financial Committee. 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.

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 district's state-funded allocations for each fiscal year

Upon completion of the budget, school districts shall publish a notice in accordance with RCW 28A.505.050 stating: That SIA 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 SIA 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 SIA. Additionally, each fiscal year, SIA's adopted official budget document (Form F-195 and F195F), shall be submitted in the format prescribed by OSPi

Once complete, the CFO 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 CEO.

This budget is then used to run monthly budget vs. actual expense reports that are shared with the CEO, Finance Committee and Board. The CFO is responsible for making sure that significant differences are thoroughly researched and ultimately identified as either permanent or temporary variances.

From a monthly operational standpoint, the CFO may work with the Treasurer of the Board of Directors or the Chairperson of the Board of Directors to resolve questions or issues related to the budget.

Budget Extensions

As expenses are reviewed during the monthly budget to actual reporting, SIA 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

Four days before each Board meeting, the following will be sent to the Finance Committee for review: (1) the budget vs. actual report for the operating budget; (2) the cash flow report (3) the enrollment budget vs. actual report per grade for General Education and Special Education students. The CFO and Treasurer of the Board of Directors will present these reports to the entire Board at each meeting.

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

- 1) Statement of Financial Position
- 2) Statement of Activity
- 3) Statement of Cash Flows

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

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

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

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

Cash and Cash Equivalents

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

Grants Receivable

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

Property and Equipment

Property and equipment include the assets used by SIA for activities and programs that have an estimated useful life longer than one year. For SIA, 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 and are recorded at the invoice 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.

Capital Lease Obligation

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

Accrued Liabilities

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

Debt

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

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

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

Finally, SIA shall not pledge either the full faith and credit or the taxing power of the state or any political

subdivision or agency of the state for the payment of the debt.

Revenue

Private Contributions

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

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

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

For further information on the processing of donations, please see Chapter 3.

Expenses

Types of Expenses

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

Functional Classifications

- a. **Program Service Expense:** the direct and indirect costs related to providing education and other services consistent with SIA's mission.
- b. **Management & General Expenses:** expenses for other activities related to the purpose for which the organization exists. These relate to the overall direction of the organization and include expenses for the activities of the governing board, business management, general record keeping, and budgeting.
- c. **Fundraising Expenses:** costs of all activities that constitute appeal for financial support and include costs of personnel, professional consultants, rent, printing, postage, telephone, etc.

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

PROCESSING CASH RECEIPTS AND REVENUE

Background

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

SIA 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 school office and Home office are responsible for recording cash receipts as well as various other functions.

The school office sorts and delivers all mail. Any mail addressed generally to SIA may be opened by the school office or Director of Operations and Finance. Credit card or bank statements should be transferred immediately to the Home Office for review, payment, and filing.

The school office may open mail that appears to contain a check and is addressed generally to SIA. Once opened by the school office, all checks must be stamped immediately in the designated endorsement area with "For Deposit Only" and the appropriate bank account number and the name of SIA. The receipt of the check must be logged in the Cash Receipts book, then entered into the deposit worksheet. Any correspondence accompanying the check should also be retained. Once completed, all documents are sent to the Home office and filed in a locked room. The above tasks should not be completed by two separate Office Assistants. Any money received directly by the Home office will be receipted into an ongoing spreadsheet by the CFO and given to the Business Manager for deposit.

Whenever reasonably possible, the school Office Assistant or Business Manager will deposit all checks on the day received. At the latest, checks must be deposited no later than within 5 business days. Checks that cannot be deposited immediately will be placed in a locked location. The Office Assistant will place the money in a deposit bag recording the from, to, breakout of money, prepared by and date. Then the bag will be sealed and the tear off bag receipt will be removed and stapled to the backup documentation that is sent to the Home office. The school office will then contact the Business Manager who will pick up the sealed deposit bag and take it to the bank for deposit. The Business Manager will attach the bank-endorsed proof of deposit with the backup documentation.

Deposits may be recorded either as cash receipts, invoices, or as general ledger entries. After the money has been deposited, the Business Manager records the receipt of funds in the accounting system, organized by check number, date, and name. If an invoice has already been created, then the deposit will be applied against the outstanding invoice(s). If not, a sales invoice is created, recognizing the revenue in

the correct month(s). If the cash is not yet earned, it will be applied against the deferred revenues/unearned income general ledger account.

Processing and Recording Revenue

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

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

Processing Wire Transfers into School Accounts

Government contracts and other sources which execute payments via wire transfer will have all relevant documentation (wire transfer advice, wire transfer confirmation, Cash Receipts Journal, etc.) 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

SIA will also have three operating bank accounts, one meant for public funds, one meant for private funds, and one meant for debt payments. Typically, the public account will be the operating account while the private account is the savings/escrow account, and the debt account is for lease payments.

Transfers between SIA bank accounts shall be made only when properly authorized. Only the CEO, Board Chair, or the Treasurer can authorize transfers to and from the investment account – approval must be recorded by email or documented on paper. A request is to be submitted directly to the authorized individuals listed above. Back-up will be kept in order to record the transfers between the 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.

Revenue Recognition for Grants

In instances where grant funds are received in advance of SIA expending money applicable to the grant, the grant funds are recorded in the accounting system as deferred revenue or a liability until the applicable expenses have been incurred. If the grant funds are received after SIA has already expended money on goods or services that are covered under the grant, the grant funds can be recorded as revenue.

Pledges or Grants Receivable

To the extent that SIA solicits, accepts, and administers gifts, grants, and donations from individuals or public and private entities for the benefit of SIA and its students, SIA 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.

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.

Government Cost-Reimbursement Contracts

When an expense is incurred that is eligible for reimbursement through a government contract, the Financial Consultant attaches the appropriate Job/Class Code to the expense in the accounting system. The Financial Consultant compiles a monthly report of expenses with Job/Class Codes so that revenue can be recognized accordingly in that 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, participation in fundraising events, and program services that are not accounted for. The CFO records donated services in the system at fair value or avoided cost, as determined by the donor and documented in writing. General Ledger entries are recorded to recognize the in-kind revenues and in-kind expenses.

Donated Materials and Supplies

Donated materials are recorded as contributions to inventory or expenses and are recorded at their fair market value at the date of receipt. If materials are donated for a specific use, they are considered to be temporarily restricted contributions. The CFO records donated materials and supplies in the system at fair value or avoided cost, as determined by the donor and documented in writing. General Ledger entries are recorded to recognize the in-kind revenues and in-kind expenses.

Donated Property and Equipment

Property donations received without donor-imposed stipulations are recorded as unrestricted contributions. General Ledger entries are recorded to recognize the in-kind revenues and in-kind expenses.

Donated Stocks

In the event that SIA receives donated stocks from a donor, the Financial Consultant records and values these stocks in the accounting system at the time of receipt. General Ledger entries are recorded to recognize transactions related to the donation of stocks.

Accounts Receivable Aging

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

PROCESSING PURCHASES

Background

SIA 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 Directors, the CEO 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.335.190

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

RCW 39.04.155 Small works roster contract procedures — Limited public works process Definition

RCW 39.04.280 Competitive bidding requirements — Exemptions

RCW 39.26.160 Bid Awards - Considerations - Requirements and criteria to be set forth - Negotiations - Use of enterprise vendor registrations and bid notification system

RCW 39.30.060 Bids on public works — Identification, substitution of contractors

Chapter. 39.34 RCW Interlocal Cooperation Act

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 Nonprocurement Debarment and Suspension

Capital Budget Authority

While a capital budget may be approved, the authority of the CEO to solely commit to individual expenditures under that budget is limited to \$50,000.00 per transaction. Commitments for capital expenditures exceeding that amount must have the co-signature of either the Board Treasurer or the Chair of the Board. A capital expenditure is defined as an expenditure for fixed assets exceeding \$5,000.00.

Procurement

The board recognizes the importance of:

- maximizing the use of SIA's 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.

As such, the Board authorizes the CEO to proceed with the procurement policy and procedures detailed below.

Procurement and Public Works Using State Funds

A. Furniture, Supplies, or Equipment

Whenever the estimated cost of furniture, supplies or equipment (except books) will cost:

- less than \$40,000, requires at least two quotes, no competitive bidding process is required to make the purchase.
- between \$40,001 and \$75,000, requires at least three quotes from three different sources to be obtained in writing or by telephone, no competitive bidding process is required to make the purchase;
- over \$75,001, requires that formal competitive bidding process by:
 1. preparing clear and definite plans and specifications for such purchases.
 2. providing notice of the call for formal bids by publication in at least one newspaper of general circulation least once each week for two consecutive weeks.
 3. ensuring that SIA takes steps to assure that, when possible, SIA will use small and minority businesses, women's business enterprises and labor surplus firms;
 4. providing the clear and definite plans and specifications to those interested in submitting a bid.
 5. requiring that bids be in writing.
 6. opening and reading bids in public on the date and in the place named in the notice; and
 7. filing all bids for public inspection after opening.

B. Exemptions

The bid requirements may be waived for purchases:

- clearly and legitimately limited to a single source of supply;
- in the event of a public emergency.
- Expressly authorized by awarding or pass-through agency in response to written request from district
- After soliciting a number of sources, competition is deemed inadequate

"Emergency" means unforeseen circumstances beyond SIA's control that present a real, immediate threat to the proper performance of essential functions or will likely result in material loss or damage to property, bodily injury, or loss of life if immediate action is not taken.

Whenever the bid requirements are waived, the purchaser will issue a document explaining the factual basis for the exception and record the contract for open public inspection.

C. Rejection of Bids

The Head of School may reject any and all bids and make further calls for bids in the same manner as the original call.

D. Interlocal Cooperation Act

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

E. Crimes Against Children

The CEO will include in any contract for services with an entity or individual other than an employee of SIA 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 SIA immediately terminating the contract.

F. Use of State Funds for Improvements or Repairs

The CEO may make improvements or repairs to district property through a SIA department without following the competitive bidding process if the total cost of improvements or repairs does not exceed \$75,000. If the CEO estimates that the total cost of a building, improvement, repair, or other public works project is \$100,000 or more, the CEO will follow the formal competitive bidding process outlined above, unless the contract is using the small works roster process authorized by RCW 39.04.155 or under any other procedure authorized for school districts. There are no statutory bidding requirements for public works projects involving improvements or repairs that are within the \$75,000 to \$100,000 range. For projects in this range, SIA may consider using its small works roster process, under RCW 39.04.155; using an inter-local agreement or contract with a vendor of SIA's choice, without any competitive process, under RCW 28A.335.190; or choosing to require quotes for the work to make the process more competitive.

Procurement Using Federal Funds

A. Goods

When SIA uses federal funds for procurement of goods (furniture, supplies, equipment, and textbooks):

- Purchases of \$10,000 or less do not require quotes. However, SIA must consider price to be reasonable, and, to the extent practical, distribute purchases equitably among suppliers.
- Purchases between \$10,000 and \$75,000 must be procured using price or rate quotations from three or more qualified sources.
- Purchases of \$75,000 or more must be publicly solicited using sealed bids or requests for proposals.

B. Services

When SIA uses federal funds for procurement of services:

- Purchases of \$10,000 or less do not require quotes. However, SIA must consider price to be reasonable, and, to the extent practical, distribute purchases equitably among suppliers.
- Purchases between \$10,000 and \$250,000 must be procured using price or rate quotations from a reasonable number of qualified sources.
- Purchases of \$250,000 or more must be publicly solicited using sealed bids or requests for proposals.

C. Noncompetitive Procurement

Noncompetitive procurement may be used only when one of the following four circumstances applies:

- The item is only available from a single source.
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation.
- The awarding agency (e.g., OSPI) authorizes noncompetitive procurement in response to a written request from SIA; or
- After solicitation of a number of sources, competition is determined inadequate.

SIA must maintain documentation supporting the applicable circumstance for noncompetitive procurement.

D. Suspension and Debarment

Before entering into federally funded vendor contracts for goods and services that equal or exceed \$25,000 and any subcontract award, SIA will ensure the vendor is not suspended or debarred from participating in federal assistance programs.

E. 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 SIA 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.

Bid and Procurements Procedures:

The following procedures will be in effect for purchasing and public works through the bidding or request for proposal process:

1. SIA will publicly open and read formal bids on the date, time, and place named in the notice and then will file the bids for public inspection. Any interested member of the public may attend the bid opening. It will be the bidder's sole responsibility to see that SIA receives his/her bid prior to the time set for opening of bids. SIA will return any bid received after the time set for opening the bids to the bidder unopened and without consideration. SIA will accept proposals in the place named and no later than the date and time named in the notice.
2. Formal bid or proposal tabulations may be presented at a meeting of the board for study purposes;
3. The CEO will award formal contract on the basis of staff recommendations;
4. Specifications using brand names and manufacturers' catalog numbers are for identifying and establishing a quality standard. The CEO may consider bids or proposals on equal items providing the bidder or proposer specifies brand and model and furnishes descriptive literature. The CEO will condition its acceptance of alternative "equal" items upon its inspection and testing after receipt. If the CEO does not find the items to be equal, the CEO will return the items at the seller's expense and cancel the contract;
5. SIA will reserve the right to reject any or all bids or proposals, waive any formalities, and/or irregularities, and cancel the solicitation, if a reason exists;
6. On construction projects, the bidder will include a notarized statement, agreeing to comply with affirmative action requirements. The bidder will also provide payment and performance bonds;
7. The COO or Director of Operation and Finance may solicit bids or proposals by telephone and/or written quotation for purchases of furniture, equipment, and supplies that have an estimated cost in excess of \$40,000 up to \$75,000. At least three telephone or written quotations will be secured prior to the date established by the superintendent or designee. All telephone quotations must be confirmed promptly in writing to constitute a valid quotation;

The following will be in effect for purchasing :

- A. The contract for the work or purchase shall be awarded to the lowest responsible bidder as described in RCW 39.26.160(2), but the CEO may by resolution reject any and all bids and make further calls for bids in the same manner as the original call. In determining whether the bidder is a responsible bidder under RCW 39.26.160(2), SIA must consider the following elements:
 1. The ability, capacity, and skill of the bidder to perform the contract or provide the service required;
 2. The character, integrity, reputation, judgment, experience, and efficiency of the bidder;
 3. Whether the bidder can perform the contract within the time specified;

4. The quality of performance of previous contracts or services;
 5. The previous and existing compliance by the bidder with laws relating to the contract or services;
1. Whether, within the three-year period immediately preceding the date of the bid solicitation, the bidder has been determined by a final and binding citation and notice of assessment issued by the department of labor and industries or through a civil judgment entered by a court of limited or general jurisdiction to have willfully violated any provision of chapter 49.46, 49.48, or 49.52 RCW, as defined in RCW 49.48.082. Before awarded a contract, a bidder shall submit to SIA a signed statement in accordance with RCW 9A.72.085, verifying under penalty of perjury that the bidder is in compliance with the responsible bidder criteria requirement of this subsection of RCW;
 2. SIA may secure such other information as may have bearing on the decision to award the contract.
 - B. Before award of a public works contract, a bidder must meet the following responsibility criteria to be a responsible bidder and qualified for award of a public works project. The bidder must:
 1. At the time of bid submittal, have a certificate of registration in compliance with chapter 18.27 RCW;
 2. Have a current state unified business identifier number;
 3. If applicable, have industrial insurance coverage for the bidder's employees working in Washington as required in Title 51 RCW; an employment security department number, as required in Title 50 RCW; and a state excise tax registration number, as required in Title 82 RCW;
 4. Not be disqualified from bidding on any public works contract under RCW 39.06.010 or 39.12.065(3);
 5. If bidding on a public works project subject to the apprenticeship utilization requirements in RCW 39.04.320, not have been found out of compliance by the Washington state apprenticeship and training council for working apprentices out of ratio, without appropriate supervision, or outside their approved work processes, as outlined in their standards of apprenticeship under chapter 49.04 RCW for the one-year period immediately preceding the date of the bid solicitation;
 6. Until December 31, 2013, not have violated RCW 39.04.370 more than one time as determined by the department of labor and industries; and
 7. Within the three-year period immediately preceding the date of the bid solicitation, not have been determined by a final and binding citation and notice of assessment issued by the department of labor and industries or through a civil judgment entered by a court of limited or general jurisdiction to have willfully violated, as defined in RCW 49.48.082, any provision of chapter 49.46, 49.48, or 49.52 RCW (before award of a contract, a bidder shall submit to SIA a signed statement in accordance with RCW 9A.72.085 verifying under penalty of perjury that the bidder is in compliance with the responsible bidder criteria requirement of this subsection).

In addition to the bidder responsibility criteria, SIA may adopt relevant supplemental criteria in accordance with RCW 39.04.350(3) for determining bidder responsibility, applicable to a particular project with which the bidder must meet.

- I. Formal written contracts will be prepared for all major construction and repair projects. After the CEO approves a contract, they will sign the contract on behalf of SIA. All contracts will provide that, in the event that SIA files suit to enforce the terms of the contract, the venue will be the county where SIA is located. All contracts will also provide that if SIA is successful in the suit, the court may

order reimbursement of SIA's attorney fees and court costs, as the court deems reasonable. Any contract for services with an entity or individual other than an employee of SIA shall include a provision requiring the contractor to prohibit any of its employees who has pled guilty to or been convicted of any felony crime specified under RCW 28A.400.322 and who would have contact with children at a public school during the course of his or her employment from working at a public school. The contract shall also contain a provision that any failure to comply with this section shall be grounds for SIA immediately terminating the contract.

Purchase Approval

Approval to fulfill a purchase order is garnered by first submitting a Purchase Requisition thru the accounting system. Once completed the electronic form is submitted and is reviewed by the proper individuals, e-signed to indicate approvals, and returned to the school office for ordering and receiving process.

Reimbursable Expenses

If necessary, staff 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 Home office works closely with the school office 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.

The COO, CFO, Business Manager, and school office are responsible for ensuring adherence to SIA'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 COO is 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 Business Manager and school office will coordinate to create a Purchase Order (PO) when necessary. All Purchase Orders must be approved by the CEO or Head of School thru the accounting system.

The school office will place orders for school materials and procure other items for the school as necessary through the requisition or credit card process. Once the requisition has been approved through all levels it becomes a Purchase Order. The Business Manager will send a copy to the school office for ordering. The school office will send all invoices, packing slips and POs to the Business Manager once all items have been received. The Business Manager will keep all back-up documentation filed.

Receipt of Goods

All goods purchased by SIA are delivered directly to SIA (unless it is for the Home office). It is the responsibility of the office staff to sign for delivery. The office staff is also responsible for opening the box(es) and obtaining the packing slip(s). The packing slip will be reviewed for accuracy and checked against the original PO if everything is correct and the contents of the entire purchase were received and documented on the packing slip, the PO and documentation will be sent to the Home Office for payment and filed appropriately. If a packing slip is not available and all contents have been received the office staff will verify this by signing the PO and then sending it to the Home office for payment.

If something is not correct with the order, the school office will contact the vendor for a return/credit to the account. When discrepancies occur, they are investigated and resolved by the Director of Operations and Finance. The Director of Operations and Finance will communicate with the Business Manager that the transaction is pending.

Reimbursable Expenses

In situations where a purchase is required in short order and the total of the purchase is under \$300.00, staff may make the purchase with their own funds if they have written approval from their supervisor. Once the purchase is made, they may apply for reimbursement. In the event that the CEO requires reimbursement, the CFO 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 must be attached to the Expense Reimbursement form and these documents are submitted to the employee's supervisor for review and approval.

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 to the Business Manager for processing.

Travel Expenses

Travel arrangements will be purchased using SIA's credit card when possible. In situations where expenses are incurred during the course of business travel, staff may apply for expense reimbursement. No single purchase made while traveling may exceed \$300.00. Expectations for daily expenses or per diem allowances will be determined prior to the employee's trip. Employees should file for reimbursement in the manner described in the above section. Receipts are required for all expenditures requiring reimbursement, and requests for reimbursement must be made within 30 days of expense. In the event that the CEO requires travel reimbursement; the CFO must approve their expenses.

Mileage Reimbursement

All employees are reimbursed at the standard mileage rate per mile as determined by the Internal Revenue Service for use of their own vehicle for business-related travel. Parking fees and tolls paid are reimbursable if supported by receipts.

All employees requesting mileage reimbursement are required to furnish an Employee Reimbursement Form containing the destination of each trip, its purpose and the miles driven, parking fees, and tolls. All corresponding receipts must be attached Employee Reimbursement Form. This packet must be submitted to their supervisor for approval within 30 days of the travel date in order for the employee to receive reimbursement.

Credit Card Purchases

SIA's credit cards will be provided to the school employees that are authorized by the Head of School, or designee. The credit card can be used for school purchases, acquisitions, and expenses for authorized travel. Card use for personal purchases is strictly prohibited. Credit cards will not be used for purchases that would circumvent bidding required by law or SIA policy.

The Head of School, or designee, is responsible for the authorization and control of the use of charge cards. Billing statements, invoices and/or receipt entries shall be verified for accuracy. Statements should be reconciled in a timely manner to avoid late fees.

PROCESSING CASH DISBURSEMENTS

Processing Invoices

Invoices are emailed to the home office or are mailed to SIA directly. If the school office receives invoices in the mail, they will forward them to Business Manager.

Once the goods have been received the school office staples the packing slips to the purchase order and sends them to the Business Manager for payment. The Business Manager then attaches the invoice to complete the Cash Disbursement packet (invoice/packing slip/purchase order). In some instances, the Business Manager will process partial payments if they have rec'd packing slips or documentation confirming from the school that part of the order has been received. If for any reason a packing slip is not received the school office will send over the PO with a signature verifying they have received the order.

Invoices shall be processed monthly by the Business Manager. The Business Manager enters invoices into the accounting system with the correct general ledger codes. Before checks are issued the CFO will run reports verifying and approving accounts payable.

Cutting Checks

All checks will be numbered, containing one stub for the vendor (attached to all outgoing checks) and one voucher to be filed by the Business Manager with all supporting disbursement documents.

Checks are run twice a month and vendors are paid based on the terms of the invoices.

The CEO, Treasurer of the Board of Directors, and Chairperson of the Board of Directors are signatories on the checking account. The CEO's limit on approval is \$50,000 – if a check is for more than this amount, a second approval from the Treasurer or Chairperson of the Board is required.

The Business Manager must obtain one, or two if needed, of the individuals listed above approval prior to processing any cash disbursement.

The Home Office uses an accounting system that generates checks that are printed at the ESD 101. The Business Manager processes payment for approved invoices by creating a check payment listing for approval. This listing is discussed at both the Finance Committee meeting and the Board meeting once all concerns are addressed the listing is approved by signatories. The listing is sent electronically to the required signatories (see above) for approval. Electronic fund transfers may also be used, where the same authorizations as checks will be obtained.

In no event shall an authorized signatory approve an invoice, execute a check, or authorize a disbursement of any kind, payable to themselves.

All voided checks should have "void" written on them and will be filed with the Cash Disbursements packet.

Online/Phone/Fax/EFT Payments

Payments made online or by phone, fax, or electronic funds transfer (EFT) may be processed by the Business Manager if approved by the proper signatories (detailed above). Any such payment is documented by a printed confirmation and stapled to the invoice. The Accounting software creates journal entries based on the vendor as cash is credited and the appropriate expense type is debited. Electronic payments will be recognized in the Accounting software just as if it were a check, by entering a unique transaction number in place of the check number. The Electronic Cash Disbursement packet, composed of proper approval, invoice, and any other supporting documentation, 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.

Recurring Expenses

Recurring expenses do not require any sort of special treatment. Payments for goods and services that are required on a regular basis (e.g., equipment lease, insurance payments, rent) are handled in the same manner as non-recurring expenses, as described above.

Accounts Payable Aging

Accounts payable outstanding are aged on a thirty, sixty, ninety, and over ninety-day basis. The CFO will

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 SIA 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 Directors and CEO 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 SIA's assets and lower the risk of being underinsured. Any proposed changes must be approved by the Board of Directors and recorded in board meeting minutes. New coverages will be executed by the CEO. The CEO is responsible for procuring annual renewals with SIA's insurance broker. Quotes for renewal will be procured at least one month in advance of a policy's expiration and presented to the CEO for review and approval. The Treasurer of the Board of Directors participates in this review.

The CEO maintains original, or electronic, copies of all insurance policies at SIA 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. When possible, copies of all current insurance policies are saved electronically on a server where the leadership team can view and access the information.

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

Political Contributions

No funds or assets by SIA may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office. SIA also cannot be involved with any committee or other organization that raises funds for political purposes. Examples of prohibited activities are:

- Political contributions by an employee that are reimbursed by SIA organization.
- Purchase by the organization of tickets for political fundraising events.
- Contributions in kind, such as lending employees to political parties or using school assets in political campaigns.

MANAGEMENT OF CASH

Accounts

SIA banks with Umpqua Bank and has a total of three bank accounts. These accounts are all checking accounts, with three accounts maintained to ensure the segregation of public, private and debt service funds (at the school's discretion, if desired). The SIA accounts have 3 Authorized Signers: the CEO, Treasurer of the Board of Directors, and Chairperson of the Board of Directors.

In the event SIA 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 SIA wish to close a bank account, Board approval is also required and will be documented in board minutes.

Bank Statements

When bank statements are received at SIA each statement is submitted to the CFO to complete the bank reconciliation.

Bank Reconciliation

Reconciliations are prepared monthly for all bank accounts. This preparation is accomplished by the CFO, who identifies reconciling items to ensure that cash is being accounted for properly. Any irregularities shall immediately be reported to the CEO and the Treasurer of the Board of Directors. A bank reconciliation report is printed and attached to the bank statements. The report is submitted to the CEO for review, initiated and returned to the CFO. The CFO files the statement and reconciliation report as appropriate.

Investment of Funds

At present, SIA does not have any investment accounts. As such, this section does not currently apply to SIA. When SIA has funds available for investment, the following policies will apply.

The Board of Directors sets the investment policy for SIA. The investment policy provides general guidelines regarding the type of investments deemed appropriate and the objectives of each investment (e.g., overnight deposits for excess cash, 90 day Treasury notes for excess working capital, etc.). The Treasurer of the Board of Directors has been designated to implement the Board's investment policy. The CEO, with support from the Financial Consultant, has been granted authority to:

- Purchase and sell investments
- Have access to investment certificates
- Keep records of investments and investment earnings
- Review and approve investment accounting, bank and broker statement reconciliations,

adjustments to the carrying value of investments, and other decisions regarding investments

Authorization of Investments

All transactions regarding investments must be properly authorized by the CEO. Such transactions include:

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

Investment Purchases

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

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

Investment Sales

Investment sales are transacted after compliance with the following procedures:

- A determination that the sale transaction is properly authorized

Investment Sales Gain or Loss

The Financial Consultant will calculate the expected gain or loss upon sale or other disposition of an investment, before a decision regarding the sale is finalized. The calculation is updated/finalized subsequent to the sale.

Investment Sales Proceeds

Proceeds from the sale of investments are received either by check or bank transfer, to the attention of the CEO, and sent to the Financial Consultant for filing.

Investment Results

Investment results are sent out by the bank, or agency, holding the investments. The results are recorded by the Financial consultant in the accounting software.

Reconciliation of Investment Accounts

Investment account balances are reconciled with the bank or agency statements, by the Financial Consultant on a monthly or quarterly basis. Such reconciliation is reviewed and approved by the CEO.

Investment Account Balances Agreed to Third Party Statements

Amounts recorded on the general ledger and supporting schedules are reconciled to third-party statements at least quarterly and preferably monthly, if possible.

PAYROLL

Hiring

Requests for new employees are initiated by the CEO or 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 Home office will collect all necessary payroll data and input it to accounting/human resource system. New employees complete an Application for Employment and the IRS W-4 Form and I-9 Form.

Salary Determination

Salaries are based on experience and 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 SIA are paid their previous year's salary plus a discretionary raise set by the CEO. The CEO is not required to raise any salary from year to year.

The Board of Directors determines the CEO'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 CEO, Head of School or Director of Operations and Finance 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.

Employees vs. Independent Contractors

When SIA 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, SIA 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 SIA'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 CFO, with support from the Home office, 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 electronically in a secure area. Access to such personnel files is limited to the Business Manager, CFO and the CEO.

Employee files are the sole property of SIA and will be kept in a secure area. No employee can review or

access their own personnel file without the written permission of the CEO. 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 CEO 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 CEO.

Personnel files for employees will contain the following documents:

Form	Update Timeline	Month for Update (if applicable)
Offer Letter	Hired	
Fingerprint Check	Every 2 years	on going
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	
Retirement Beneficiary Information	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	

I-9s, (including copies of Driver’s Licenses/State IDs and Social Security Cards or Passports), are kept for each employee as required by the U.S. Department of Homeland Security. All information entered on the I-9 is verified by the CFO, who signs off on the form after seeing original copies of all required documentation.

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

Employee Information

In order to prepare a payroll, the CFO obtains and maintains the following information 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 below and are adhered to by SIA:

[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

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 SIA'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 SIA'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 SIA'S discretionary benefits.

All employees are paid on a 12 month schedule. A pay schedule will be available to employees annually. A preliminary determination is made at the time of hire and is indicated in the employee's offer letter. Once new hire paperwork is received and processed an employment contract or duty roster is issued.

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 CFO of any change in name, family status, address, telephone number, emergency contact or other information concerning personnel data held or used by SIA.

When W-4 forms are received, SIA 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 amends the W-4 form.

Although not obligated to evaluate an employee's withholding, SIA has two duties relating to the contents of the W-4 form:

1. Disregard invalid W-4 forms. A form is rendered invalid if the employee changes or adds language to the form.
2. Report full exemptions. The organization is required to send the IRS all claims for full exemptions from withholdings by employees with normal weekly wages of more than \$200.00.

Because of their importance to both the IRS and to employees, SIA retains signed originals of the W-4 forms (no copies) for four years after the annual employment tax returns are filed.

Time Reporting Procedures

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

SIA will keep track of all sick days, personal days, professional development days, bereavement or any other days that exempt employees are not at work.

All non-exempt employees are responsible for recording the actual time they have worked. Federal and state laws require SIA to keep an accurate record of time worked in order to calculate pay and benefits. SIA complies with applicable federal, state, and local wage and hour laws. If an employee suspects that an error in pay has been made, the employee must immediately bring the issue to their supervisor's attention for prompt investigation and any necessary correction will be made. SIA will not tolerate any form of retaliation against an employee who reports a violation, files a complaint, or cooperates in an investigation concerning payment of wages. Violators of this policy will be subject to disciplinary action, up to and including termination of employment.

Time worked is solely the time actually spent on the job performing assigned duties and should not include any time that is spent not working or any time off that is taken during the workday. Non-exempt employees must accurately record their work each day. All overtime work must be approved by the supervisor before it is performed. Violators of this policy will be subject to disciplinary action, up to and including termination of employment.

SIA requires non-exempt employees to regularly complete accurate timesheets. These timesheets are due at the end of every pay period and must be timely and accurately submitted. Failure to do so may result in disciplinary action, up to and including termination of employment. Labor hours are accurately recorded and any corrections to timekeeping records, including the appropriate authorizations and approvals, are documented.

Hours are submitted through a timesheet and reviewed by the school office then approved by the employee's supervisor. Once approved, timesheets are submitted to the Business Manager for processing.

Altering, falsifying, or tampering with time records or recording time on another employee's time record will result in disciplinary action, up to and including termination. In instances where the Business Manager has to make changes when processing payroll this is accepted as long as there is written confirmation from the employee and their supervisor.

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

1. the employee is absent for one or more full days due to sickness, disability or personal reasons and has exhausted their paid leave time under the leave policy;
2. the deduction is made to offset any amounts received as payment for jury fees, witness fees, or military pay;
3. the deduction is made to offset any amount owed due to lose, not returned or damaged school issued property
4. the employee is on an unpaid disciplinary suspension imposed in good faith for violating published workplace conduct rules (e.g., rules against workplace harassment or safety rules of major significance);
5. it is the employee's first or last week of employment and they are paid a proportionate part of their full salary.

SIA makes a good faith effort to comply with this salary policy. If, however, an employee believes an improper deduction has been taken from their salary, the employee should contact the CFO. The CFO will investigate the deduction and provide the employee with their findings. If the CFO determines that a deduction was improperly made, SIA will reimburse the employee for that deduction.

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

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

Processing Payroll

The Business Manager and CFO enter payroll timesheets, contract changes and other misc. items into the accounting system. Once this information is entered ,the Business Manager runs a calculation in the accounting system and balances the gross pay amounts by employee on a separate spreadsheet. Then CFO balances all payroll vendor payments and runs reports verifying the balanced pay amounts. Once these processes are complete and there are no issues a board report is issued. This Report is reviewed by the Financial committee and the Board of Directors. Once approved by all relevant parties, payroll is completed.

Payroll Processing is comprised of the following:

Responsibility	Performed by
Obtaining/Processing Payroll Information	CFO and Business Manager
Computing Wages	CFO and Business Manager
Performing Pay Period Activities	CFO and Business Manager
Preparing various annual payroll tax returns	CFO
Preparing 1099's*	Business Manager

Pay periods are monthly. Both salaried and hourly employees are paid on the same schedule. Employees will be paid on the last business day of each month.

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 SIA year.

Direct deposit is the preferred method of payment. For any checks that are cut, the Business Manager monitors 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 CEO. 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 Home office. A new paycheck will be issued to the employee as soon as practicable after the request is submitted.

Payroll Tax Compliance

The CFO is responsible for reviewing and approving all payroll tax documents and supporting schedules for accuracy and completeness.

The Home office maintains a schedule of required filing due dates for:

- a. IRS Form W-2 - Wage and Tax Statement.
- b. IRS Form W-3 - Transmittal of Income and Tax Statements.
- c. IRS Form 941 - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes.
- d. IRS Form 1099-NEC and 1099-MISC
- e. Quarterly and annual state(s) unemployment tax return(s).

- g. WA State and Office of Superintendent of Public Instruction forms as required.

Periodic Payroll Reconciliations

Reconciling Employee Payroll Deductions

On a monthly basis, the CFO reconciles deductions made from employees to the payments made to insurers, benefit plan providers, and other payees.

Quarterly Reconciliation of Payroll to Accounting Records

On a quarterly basis, the CFO performs a reconciliation of all salary accounts in the general ledger, as compared to the salary reported by the payroll processing company on the Form 941 and/or other Quarterly Payroll Return. Any variances are researched and cleared within the month following quarter end.

Annual Reconciliation of Payroll to Accounting Records

On an annual calendar basis, the CFO performs a reconciliation of the following:

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

Protecting Payroll Information

Salary information constitutes sensitive information. It is the responsibility of the CFO and Business Manager to ensure that all payroll information is kept secure and confidential. The security of personnel files is described above.

Changes to Payroll Information

The employees are allowed to change personal information (e.g. mailing address) directly. Such changes generate notices to the CFO and are reviewed as part of monthly payroll processing. Any pay changes (e.g. pay rate, title, deductions, benefits) must be approved by a supervisor and are then entered into the payroll provider by the Home office.

Terminations and Resignations

The CFO ensures that any departing employee, whether terminated or resigned, is processed appropriately through their final payroll and all access is immediately taken away as soon as possible after their last payment is made.

In the case of employee termination, a copy of the termination letter is presented to the departing

employee at the exit meeting. In the case of a resignation, this meeting 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 letter of termination or notice of resignation is filed in the employee's personnel file.

SIA 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, SIA 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, SIA 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 Personal Leave

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 or duty roster.

Sick Leave

Employees are entitled to the greater of:

1. 7 sick days, or
2. One (1) hour of sick leave accrued for every 40 hours worked

Unless otherwise provided for or as approved by the CEO, sick leave is to be used by employees in accordance with the following provisions:

- Sick leave is to be used only in the event of illness of the employee, the employee's immediate family, or someone dependent on them for care, and for no other purpose.
- Misuse of sick leave is cause for termination of employment.
- For the purposes of this section, "immediate family" is defined as a spouse, partner, parent, child, sibling, grandparent or any other relatives permanently residing with the employee.

All leave should be entered into Frontline/AESOP and it is the staff members responsibility to enter the request for leave. When possible, a minimum of one week's notice should be given to your supervisor, in order to schedule and accommodate substitutions. When advanced notice is not possible, as in the case of emergency or illness, the staff should email BOTH the office AND Head of School AS SOON AS POSSIBLE with notification of their absence and day's plans for a substitute.

Employees must provide notice of absence from work due to illness each day of their absence. If an employee is absent for three (3) or more consecutive days due to illness or injury, a physician's statement

must be provided verifying the illness and its beginning and end dates. When possible, such as in the event of foreseeable extended illnesses and planned medical procedures, advance notice of the use of sick leave should be given to the employee's supervisor at least five (5) days in advance.

Excessive tardiness, absenteeism, or an unauthorized absence may result in disciplinary action, up to and including termination of employment.

Notice of leave used will be provided to the Head of School on a weekly report generated by the Business Manager.

Unused sick leave may be rolled into an employee's emergency sick leave bank for the following school year. Employees may bank up to 180 days of emergency sick leave. An employee's emergency paid sick leave bank will also include any sick leave time transferred from the employee's last place of employment. This leave can only be cashed out if the employee meets all requirements under WAC 392-136-020. This leave balance is eligible for transfer as sick leave when employment ends. .

Personal Leave

Unless otherwise provided for or as approved by the Head of School, CEO or the Director of Operations and Finance, personal leave for regular employees shall be accrued as follows:

- Each employee is granted 5 days of personal leave (salaried positions) and 3 days of personal leave (hourly positions) per school year beginning September 1 to be available for use over the following twelve (12) months.
- Up to 32 hours (4 days) may be cashed out at the end of August for all salaried employees who remain active as of the last day of the school year at the current pay rate for a substitute teacher. No personal leave will be allowed to be rolled over for any employees to the following school year.

PROPERTY AND EQUIPMENT

Background

The COO and Director of Finance and Operations are responsible for ensuring that accurate inventories are maintained so that all assets are safeguarded.

SIA's Director of Operations and Finance is responsible for maintaining the equipment and all necessary asset inventories. All assets must be recorded both in the general ledger and in the inventory program. All property and equipment subject to SIA's Capitalization Policy must be tagged in the manner described

below.

Upon receiving any property that qualifies as a fixed asset, the Director of Operations and Finance is responsible for recording the following into the inventory spreadsheet. The COO will review the spreadsheet periodically for accuracy.

- Inventory number as designated by SIA (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 SIA or a governmental agency
- Vendor name and acquisition date
- Location of the equipment
- Purchase date
- Purchase value
- Disposal date
- Disposal reason

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.

No employee may use any of SIA property, equipment, material or supplies for personal use without the prior approval of the CEO or Head of School.

No item of property or equipment shall be removed from the premises without prior approval of the CEO, Head of School, COO, or Director of Operations.

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

Capitalization Policy

The cost threshold for items purchased by SIA to capitalize is \$5,000.00. This allows items over this cost threshold to carry value over time, and not simply be expensed in Year 1. Items with an acquisition cost of less than \$5,000.00 or a useful life of less than one year are expensed in the year purchased.

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

Disposal of Property and Equipment Policy

SIA has adopted standard disposition procedures for staff to follow. The requester fills out and signs the Asset Disposal Form, which identifies the asset and the reason for disposition. This form is submitted to the Director of Operations, who takes photos of the asset, determines the asset's book value and documents the condition of the asset. Disposal of any asset requires the approval of both the Director of Operations and Head of School.

Once approved for disposal, the dollar value of the disposed asset is recorded as a reduction in the general ledger. The disposed asset is also removed from the Excel fixed asset inventory spreadsheet. The treatment of any proceeds from the disposition, and the recognition of any gain or loss on sale of the disposed asset, is also recorded in the general ledger by the Director of Operations.

Small and Attractive Assets:

Are defined as assets that are (1) usable outside of the school, (2) cost at least \$300, and (3) would have value if taken from the school. Every effort will be made to safeguard these assets from being stolen, including safe storage, and reviewing inventory levels at least annually.

RECORDS RETENTION

The Laws

RCW 40.14.070

Records Retention Policy

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

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 (Important Payments - purchases of property, tax payments, large or significant contracts)	Permanent
Cancelled Checks (Ordinary)	7 Years

Item	Retention Period
Cash Books	Permanent
Cash Receipts and Disbursements	7 Years
Construction Documents	Permanent
Contracts and Leases (Current)	Permanent
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)	Permanent
Duplicate Bank Deposit Slips	3 Years
Email	5 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)	Permanent
Employee Retirement & Pension Records	Permanent
Employee Timesheets	7 Years after term
Employee Workman's Compensation Documents	11 years
Employment Applications (Current Employees)	Permanent
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	Permanent
Finance - Chart of Accounts	Permanent
Finance - Depreciation Schedules	Permanent
Finance - Expense Analyses & Distribution Schedules	7 Years
Finance - Financial Statements (including Trial Balances)	Permanent
Finance - Fixed Asset Records & Appraisals	Permanent
Finance - General Ledgers	Permanent
Finance - Subsidiary Ledgers	Permanent
Finance - Tax Return Worksheets	7 Years
Finance - Tax Returns	Permanent
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

Item	Retention Period
Invoices to Customers	7 Years
Notes Receivable Ledgers	7 Years
Paid Bills & Vouchers	7 Years
Patents & Related Papers	Permanent
Physical Inventory Tags	7 Years
Property Appraisals	Permanent
Property Documents - Deeds, Mortgages, etc.	Permanent
Stock and Bond Certificates (Cancelled)	7 Years
Stock and Bond Records	Permanent
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:

- b. Charter and all related amendments
- c. Minutes of the Board of Directors and subcommittees
- d. Banking agreements
- e. Leases
- f. Insurance policies
- g. Vendor invoices
- h. Grant and contract agreements
- a. Fixed asset inventory list

Records Destruction Policy

The destruction of confidential school records will be authorized by the CEO, CFO or COO. Should the CEO, CFO or COO be unable to provide authorization, destruction will be stayed pending review and final determination.

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

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

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

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

Electronic or machine-readable records containing confidential information require a two-step process for assured, confidential destruction. Deletion of the contents of digital files and emptying of the desktop

"trash" or "waste basket" is the first step. It must be kept in mind, however, that reconstruction and restoration of "deleted" files are quite possible in the hands of computer specialists. With regard to records stored on a "hard drive," it is recommended that commercially available software applications be utilized to remove all data from the storage device. When properly applied, these tools prevent the reconstruction of any data formerly stored on the hard drive. With regard to floppy disks and back-up tapes, it is recommended that these storage devices be physically destroyed.

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

FRAUD AND MISAPPROPRIATION

SIA has implemented internal controls and segregation of duties possible based on the staffing structure and available resources. SIA recognizes that some instances can occur where fraud appears to have occurred while in reality there was none. Thus while SIA will not tolerate any fraud or suspected fraud involving employees, officers or Directors, as well as members, vendors, consultants, contractors, funding sources and/or any other parties with a business relationship with SIA – 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 SIA.

The CEO and Board of Directors 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 CEO 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 Directors 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 SIA
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, supplies, equipment, or other assets of SIA
- 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 SIA
- 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 Directors 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 Directors will issue reports to appropriate designated personnel.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final dispositions of the case.

Confidentiality

The Board of Directors will treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Board Chair immediately and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect SIA from potential civil liability.

Authority for Investigation of Suspected Fraud

Members of the Board of Directors will have:

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

Reporting Procedures

An employee who discovers or suspects fraudulent activity will contact the Chairperson of the Board of Directors immediately. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), their attorney or representative(s), or any other inquirer should be directed to the Finance Committee or legal counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is, "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific

reference.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the appointed legal counsel or the Board of Directors.

WHISTLEBLOWER POLICY

SIA requires employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Employees and representatives of SIA are expected to practice honesty and integrity in fulfilling their responsibilities and are expected to comply with all applicable laws and regulations.

It is the responsibility of all employees to report violations of ethics or conduct or suspected violations in accordance with this Whistleblower Policy.

All whistleblower complaints will be reported to the Board.

No employee who in good faith reports a violation shall suffer harassment, retaliation, or adverse employment consequences. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within SIA prior to seeking resolution outside SIA.

Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

The CEO will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.