

ISANA ACADEMIES
FISCAL AND OPERATING POLICIES

100 INTERNAL CONTROL POLICIES

101 Introduction

Internal control policies provide ISANA and its Charter Academies with the foundation to properly safeguard their assets, implement management's internal policies, provide compliance with state and federal laws and regulations and produce timely and accurate financial information. Additionally, as publicly supported entities, the ISANA Academies have additional responsibilities to ensure the public's confidence and the integrity of the Academies' activities.

102 COMPLIANCE WITH LAWS

The ISANA Academies will follow all the relevant laws and regulations that govern charter schools. Additionally, any Federal Government laws and regulations that relate to grant funding will be adopted as the grant funding is received. The following are specific policies of the Academies:

A. Political Contributions

No funds or assets of the ISANA Academies 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. The direct or indirect use of any funds or other assets of the ISANA Academies for political contributions in any form, whether in cash or other property, services, or the use of facilities, is strictly prohibited. The ISANA Academies also cannot be involved with any committee or other organization that raises funds for political purposes.

Following are examples of prohibited activities

1. Contributions by an employee that are reimbursed through expense accounts or in other ways.
2. Purchase by the organization of tickets for political fundraising events.
3. Contributions in kind, such as lending employees to political parties or using the Academies' assets in political campaigns.

B. Record Keeping

To provide an accurate and auditable record of all financial transactions, the Academies' books, records, and accounts are maintained in conformity with generally accepted accounting principles as applicable to charter schools.

Further, the Academies specifically require that:

1. No funds or accounts may be established or maintained for purposes that are not fully and accurately described within the books and records of the Academies.
2. Receipts and disbursements must be fully and accurately described in the books

and records.

3. No false entries may be made on the books or records nor any false or misleading reports issued.
4. Payments may be made only to the contracting party and only for the actual services rendered or products delivered. No false or fictitious invoices may be paid.

C. Anonymous Reporting

Employees are responsible for immediately reporting questionable or suspicious activity to their supervisor, the Chief Financial Officer (“CFO”), or the Chief Executive Officer (“CEO”). Employees may also anonymously report questionable or suspicious activity directly to the Audit and Compliance Committee through ISANA’s Google Form. The ISANA Google Form shall be distributed and made available to all employees via a direct URL (web address), Windows desktop shortcut, ISANA Intranet, or other accessible means. The Form, once filled out by an employee, will be submitted directly to an email address set up for the Audit and Compliance Committee members.

200 Organizational Conflict Of Interest Or Self-Dealing (Related Parties)

ISANA recognizes that it is important for board members and key employees to understand the conflict of interest laws and rules that apply to the schools, in order to identify and avoid conflicts of interest. The ISANA board shall receive annual mandatory training, and ISANA’s management personnel (including its executives, officers, and the principals and administrators in training for the ISANA Academies within Los Angeles County) shall receive semi-annual mandatory training, to be conducted by legal counsel, on ISANA’s policies and procedures, including its policies regarding conflicts of interest, and an overview of significant, applicable federal and state statutes, rules, and/or regulations regarding the use of public funds. Such training may be provided at the time the board receives the mandatory Ralph M. Brown Act training required by the schools’ charters and may also cover specific topics including procedures for hiring, contractual arrangements, purchasing, bidding and expenditure approvals that help to prevent conflicts of interest.

The Academies will not be operated for the benefit of an affiliated or unaffiliated organization or an individual in his or her own private capacity or individuals related to the Academies or members of its management, unless the private benefit is considered merely incidental. This private benefit preclusion will extend to:

- A. Sale or exchange, or leasing, of property between the agencies and an affiliated or unaffiliated organization or a private or related individual.
- B. Lending of money or other extension of credit between an agency and an affiliated or unaffiliated organization or a private or related individual.
- C. Furnishing of goods, services or facilities between the agencies and an affiliated or unaffiliated organization or a private or related individual.

- D. Payment of compensation, unless authorized by the Board of Directors or its governing body, by the Academies to an affiliated or unaffiliated organization or a private or related individual.
- E. Transfer to, use by, or for the benefit of a private or related individual of the income or assets of the Academies.

ISANA hereby adopts the charter school policy regarding ethics and conflicts of interest promulgated as part of the Administrative Procedures for Charter School Authorizing by the Los Angeles Unified School District (“LAUSD”), as revised on September 10, 2013. To the extent the policy is inconsistent with the requirements of the authorizing agency for any of ISANA’s Charter Academies, such Academies will be exempt from LAUSD’s policy.

201 *Organizational Conflict Of Interest Or Self-Dealing (Related Parties) - continued*

Thus, the ISANA Academies will be guided by the principle of arms-length standards with all affiliated or unaffiliated organizations or with a private or related individual(s).

Related party transactions shall include transactions between a school and members of the board, management, contracted management organization, employees, related individuals and affiliated companies. Related individuals within the scope of this definition include spouses, parents, children, spouses of children, grandchildren, siblings, father in law, mother in law, sister in law and brother in law of a board member or school employee.

202 *Board Of Directors Authorities*

The Board of Directors shall have, among other responsibilities and authority, the sole authority to approve and will incorporate into its own minutes such matters as (i) change of the organization’s or the Academies’ names, (ii) adoption of the annual operating and capital budgets, (iii) selection or termination of key employees (iv) key employees salary and salary changes, (v) incurrence of debt, mortgages or other encumbrances and their covenants and restrictions, within the terms of the charter (vi) investment policies, (vii) depository banks, (viii) purchase or sale of capital assets (ix) opening up or closing checking or savings accounts, and (x) selection of the Academies’ certified public accountants and (xi) other activities associated with the operations of the Academies and required by law, ISANA’s bylaws, or the charters.

The Board of Directors will meet at least three (3) times per year to ensure that its fiduciary duties are maintained. The Board will review the following: prior meeting minutes, business items, educational items, and subcommittee reports.

203 *Signature Authorities*

To properly segregate duties within ISANA, CEO, Chief Operations Officer and an additional director as approved by the Board of Directors are the only individuals with signatory authority and are responsible for authorizing all cash transactions. Individual checks greater than \$10,000 will require two signatures prior to check issuance.

Any checks made payable to the CEO will be reviewed and, when possible, signed by an authorized signatory other than the CEO. In the event it is not reasonably practical for another authorized signatory to sign a check payable to the CEO, the CEO shall obtain written approval from another authorized signatory for the CEO to sign.

204 *Government Access to Records*

The CFO or contracted business back office services provider will provide access to the organization's records to ISANA's charter authorizers upon reasonable request, and provide supporting records, as requested, in a timely manner.

205 *Security of Financial Data*

- A. The system's accounting data must be backed up daily by the business back office services provider to ensure the recoverability of financial information in case of hardware failure. The backup will be stored in a fire safe area and properly secured.
- B. All other financial data, unused checks and unclaimed checks will be secured by the Director of Operations or the business back office services provider from unauthorized access.

206 *Security of School Documents*

Originals of the following corporate documents are maintained and their presence is verified on a periodic basis:

- A. Charters and all related amendments
- B. Minutes of the Board of Directors and subcommittees
- C. Banking agreements
- D. Leases
- E. Insurance policies
- F. Vendor invoices
- G. Grant and contract agreements
- H. Fixed asset inventory list

207 *Use and Inventory of School Assets*

- A. No employee may use any of the Academies property, equipment, material or supplies for personal use.
- B. ISANA shall establish and maintain an inventory of all non-consumable goods and equipment that have a cost basis of over \$1000, as determined by the CEO. ISANA may include other non-consumable goods and equipment in the inventory as deemed appropriate by the CEO. The inventory shall include enough information appropriate for

documenting and safeguarding ISANA's assets. When new items are purchased that must be included in the inventory, the items shall be added within thirty calendar days from the date of delivery or as soon as reasonably practicable. ISANA shall review and reconcile its inventory from time to time as deemed necessary by the CEO.

208 *Use of School Credit Cards*

1. PURPOSE: The Board of Directors of ISANA recognizes the efficiency and convenience afforded the day-to-day operation of the Academies, for payments and recordkeeping for certain expenses, through the use of school credit cards. However, the Board recognizes the need to establish control measures for the use of these cards. The Board agrees that it has a responsibility to ensure that credit card expenses incurred by the Academies must clearly be linked to the business of the Academies. This policy addresses and establishes the proper use and assignment of school credit cards. The Board has agreed on the fundamental principles of this policy, and has delegated responsibility for the implementation and monitoring of the policy to the CEO.

2. DEFINITIONS:

2.01 Cardholder/User: The person for which the school credit card has been issued.

2.02 School credit card: The physical card and number associated with the card issued to the cardholder.

2.03 Administrator: The accounts payable staff member assigned to perform the online accounting process, follow up as required and file completed statement reconciliations.

3. SCHOOL CREDIT CARD USERS:

3.01 The following positions are authorized credit Cardholders/Users: the CEO, Chief Operations Officer, Directors, Coordinators (including Operations Coordinator, Creative Media Coordinator, Academic Services Coordinator, and Facilities Coordinator), the Internal Compliance Specialist, and the Principals of each Academy.

3.02 A list of those individuals issued a school credit card will be maintained by the CFO and the back office services provider and reported to the Board of Directors annually.

3.03 A Cardholder/User employee who is no longer employed by ISANA shall return his or her school credit card upon termination or resignation to the CFO or CFO's designee.

3.04 Credit cards will be disabled immediately upon the termination or resignation of a Cardholder/User employee by the card administrator. Accounting for credit cards and settlement of credit card billings shall be part of employee separation checklists.

4. USER RESPONSIBILITIES:

4.01 Credit Cardholders/Users must take proper care of their school credit card(s) and take all reasonable precautions against damage, loss or theft by adherence to the following

provisions:

4.01.1 All Cardholders/Users must keep secure and confidential all school credit card numbers and information.

4.01.2 Cardholders/Users shall not store sensitive school credit card data, including full account number, type, expiration and track data, in any method on computers or networks.

4.01.3 Cardholders/Users shall not transmit in an insecure manner, such as by email, unsecured fax or via mail, school credit card information.

4.01.4 Cardholders/Users shall restrict access to credit card data and processing to the Administrator or other authorized individuals.

4.01.5 Cardholders/Users shall maintain card information in a secure environment accessed only by the issued Cardholder/User.

4.02 Except for the CEO, Cardholders/Users shall not be allowed to authorize payment of their own travel expenses. Travel expenses for any Cardholder/ User other than the CEO must be pre-approved by the CEO and the CFO.

4.03 Cardholders/Users are responsible for retaining detailed receipts and/or supplier documentation for all purchases made with their school credit card, without which the Cardholder/User is responsible for the purchase.

4.04 Cardholders/Users shall submit detailed documentation, such as itemized detailed receipts and/or supplier documentation for services, travel and/or other actual and necessary expenses which have been incurred in connection with school- related business for which the school credit card has been used.

4.05 Failure to take proper care of school credit card(s) or failure to report damage, loss or theft may subject to the Cardholder/User to financial liability and discipline.

5. USAGE: School credit cards may only be used for legitimate Academy business expenses and in accordance with ISANA policies, as defined below.

5.01 Credit cards shall only be used for transactions for which payment of check disbursement is not accepted or is not practicable, such as if the transaction would cause undue hardship to the Academies or the Cardholder/User.

5.02 School credit card usage is limited to the following types of expenses. Any deviations from this usage policy must have prior written approval from the CFO. The CEO may also approve expenses.

5.02.1 Business services, including catering or advertising.

5.02.2 Business supplies, including office supplies, educational supplies, operation and maintenance supplies.

5.02.3 Travel, including transportation services, airfare, car rental expenses, or payments to a travel agency.

5.02.4 Payments to educational and charitable organizations, including schools, colleges, vocational schools and membership organizations.

5.03 EXCLUSIONS: School credit cards shall not be used for cash advances, ATM, money orders, gift cards, jewelry or clothing, medical expenses, or payment of fines or penalties, unless prior written approval is received from the CFO. In no event shall a school credit card be used for a Cardholder/User's personal expenses.

5.04 This policy and the schools' use of the school credit cards shall not circumvent ISANA's purchasing policies and procedures. A school credit card shall be used as a method of payment only after all required purchasing forms have been completed, including but not limited to check request, purchase orders, travel vouchers and purchase requisitions.

5.05 School credit card transactions are hereby authorized using the following methods:

5.05.1 Card present (Point-of-sale) transactions: The Cardholder/User shall present the school credit card for purchase of goods and services. The transaction with a purchase order number and check request number as required, and attach those approved documents for submission to the Administrator.

5.05.2 Via telephone or mail order: The Cardholder/User shall provide the vendor or merchant the school credit card number, expiration date and other pertinent data necessary to complete the transaction. The Cardholder/User shall take reasonable precautions to ensure that the transaction is valid prior to providing school credit card data. The Cardholder/User shall note and record confirmation data or other supplier documentation, as available, shall note the transaction with a purchase order number and check request number as required, and shall attach those approved documents for submission to the Administrator.

5.05.3 Via internet: The Cardholder/User shall provide the vendor or merchant with the school credit card number, expiration date and other pertinent data necessary to complete the transaction. The Cardholder/User shall take reasonable precautions to ensure that the transaction is valid and the website is secure prior to providing pertinent school credit card data. The Cardholder/User shall obtain a screen printout of the receipt, confirmation data or other supplier documentation, as available, shall note the transaction with a purchase order number and check request number as required, and shall attach those approved documents for submission to the Administrator.

5.06 Purchases shall not exceed the card limits per billing cycle set for school credit card use, or the overall financial credit limit of ISANA. Current limits per billing cycle by class of Cardholder/User are: C-suite Officers and Director of Media and Technology (\$10,000), Directors and Coordinators (\$5,000), the Internal Compliance Specialist (\$5,000) and the Principals of each Academy (\$1,000). The CFO shall monitor and may recommend changes to these limits. The CEO's limit may be changed only by the Board of Directors. The list of limits by class of Cardholder/User will be maintained by the CFO and reviewed annually to ensure adherence to procurement policy thresholds.

5.07 Any benefits of the school credit card such as membership awards programs are only to be used for the benefit of ISANA, and shall not be redeemed for personal use.

5.08 Purchases that are unauthorized, illegal, representative of a conflict of interest, are personal in nature or otherwise violate the intent of this policy may result in credit card revocation and discipline of the Cardholder/User.

6. DOCUMENTATION:

6.01 The Administrator shall ensure ISANA maintains detailed documentation that all expenses charged to school credit cards are supported by: a credit card slip; a detailed invoice or receipt, and any other supporting detailed documentation, from the Cardholder/User as evidence of the validity of expenses; and a check request and any other necessary detailed documentation as outlined by ISANA's purchasing policies and procedures.

6.02 The Administrator is responsible for accounting for all purchases within five (5) working days of receiving a credit card statement.

6.03 The Accounts Payable Clerk shall ensure that all school credit card statements are reconciled prior to ISANA's payment and recording of expenses in the general ledger.

6.04 ISANA will retain detailed receipts and documentation for no less than five (5) years following the purchase date. An itemized receipt must be submitted along with a credit card receipt. In the case that a vendor does not print itemized receipts, for example in the purchase of food for professional development other accompanying documentation (i.e. menu, copy of order) must be submitted with receipt. The credit card receipt alone is not sufficient. The receipt and documentation for meals must include the following details:

- * Date of meal

- * Name, title and company of attendees (agendas if applicable)

- * Business reason for meal including description of meal (for example lunch, dinner)

- * Cost of meal

In the rare instance where a receipt cannot be located, it is required that a Missing Receipt

Affidavit be completed and submitted with the expense report or credit card supporting documentation. This form may be used for expenses not exceeding \$50; proof of payment must also accompany form, such as a bank or credit card statement as proof of payment.

7. PAYMENTS: School credit card statements will be paid in their entirety on a monthly basis or otherwise in accordance with the cardholder agreement with issuing financial institution.

C. FINANCIAL MANAGEMENT POLICIES

300 *Basis Of Accounting*

The ISANA Academies will maintain their accounting records and related financial reports on the accrual basis of accounting.

302 *Accounting Policies*

The accounting policies and financial reporting adopted are consistent with the non-profit requirements of the Financial Accounting Standards Board (FASB), FASB is the recognized standard setting body for establishing non-profit accounting and financial reporting principles.

303 *Basis of Presentation*

The accounts of the ISANA Academies are organized on a basis of the charter school required elements of the Standardized Account Code Structure or SACS. The operations of the fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, net assets, revenues and expenditures. The Academies use the following fund:

Main Fund - This fund of the ISANA Academies is used to account for all financial resources associated with the operation of the schools. In addition, all activities relating to Student Activities should be separately identified and recorded within this fund.

304 *Revenues*

Under the accrual basis of accounting, revenues recognized when earned.

305 *Expenditures*

Under the accrual basis of accounting, expenses are recognized when services are incurred or goods are received.

306 *Incurred Costs*

For the purpose of invoicing funding sources for allowable costs under cost reimbursement contracts, the term "costs incurred" is defined as follows:

A. Costs related to items or services incurred directly for the contract and received at the

time of the request for reimbursement and is not specifically disallowed by the funding source.

307 *Cash Management*

- A. The School maintains cash accounts at the following banks:
 - 1. Pacific Western Bank
- B. A schedule of aged accounts and grants receivable is prepared monthly and reviewed by the CFO for collection. Appropriate collection procedures are initiated, if necessary.

308 *Grants Receivable Aging Criteria*

Accounts receivables outstanding are aged on a thirty, sixty, ninety, and over-ninety day basis.

309 *Grant/Contract Invoicing*

- A. All invoices are submitted to the funding sources by dates specified in the grant or contract agreement.
- B. The invoicing format is that specified by the funding source.

310 *Budgets*

- A. The ISANA Academies prepare an annual operating budget of revenues and expenses, a cash flow projection, and a capital budget. These budgets and projections are reviewed and approved by the Board of Directors, prior to June 30th each year and modified, as necessary.
- B. Financial statements displaying budget vs. actual results are prepared by the back office services provider and reviewed by the CFO and presented to the Board of Directors at each regularly scheduled board meeting.

311 *Insurance And Bonding*

- A. The Schools maintain minimum levels of coverage, as deemed appropriate by the CEO, for the follow policies:
 - 1. General liability
 - 2. Business & personal property (including auto/bus)
 - 3. Computer equipment
 - 4. Workers' compensation
 - 5. Personal injury liability
- D. The Schools require proof of adequate insurance coverage from all prospective contractors, as deemed applicable by the CEO.

312 Record Retention And Disposal

- A. Records are maintained for the following indicated minimum periods:
 - 1. Books, records, documents and other supporting evidence including paid, cancelled or voided checks, accounts payable records, vendors' invoices, payroll sheets and registers of salaries and wages, tax withholding statements, employees' timesheets and other public documents are retained for seven years after the original entry date.
- B. All records not supporting government grants or otherwise covered by rules of the Internal Revenue Service are retained for three years from the end of the fiscal year in which the records were originally prepared.

312 Record Retention And Disposal - continued

- E. All financial records are maintained in chronological order, organized by fiscal year.
- F. In connection with the disposal of any records, a memorandum of record disposal is prepared by the Chief Operations Officer listing the record or the class of records disposed of. The Board of Directors certifies this memorandum of records disposal.

313 Financial Reporting

The back office services provider maintains supporting records in sufficient detail to prepare the Academies' financial reports, including:

- A. Annually:
 - 1. Financial statements for audit
 - 2. Annual budget
- B. Monthly:
 - 1. Trial balance
 - 2. Internally generated budget vs. actual financial statements
 - 3. Billing invoices to funding sources
 - 4. Updating the cash flow projection
- C. Periodically:
 - 1. IRS Forms 941 and payroll tax returns and comparable state taxing authority returns
 - 2. Other reports upon request

314 Audit

The Board of Directors arranges annually for a qualified certified public accounting firm to conduct an audit of the ISANA Academies' financial statements in accordance with

Government Auditing Standards and the Governmental Accounting Standards Board.

The audit reports will be submitted to the granting agency, (starting 2002) California Department of Education, (starting 2003) County Superintendent of Schools, and State Controller's Office by December 15 of each year. (Education Code 47605(m))

315 Full Board as Audit/Finance Committee

The Audit and Compliance Committee shall assist the Board of Directors in fulfilling its responsibility to provide oversight of management regarding: (1) the Organization's systems of internal controls, policies and risk management; (2) the integrity of the Organization's financial statements; (3) the Organization's compliance with legal and regulatory requirements and ethical standards; and (4) the engagement, independence and performance of the Organization's independent auditors.

Staff will review and present an analysis of independent auditor proposals and make a recommendation to the Committee and to the Board for selection of an independent auditor. The Board will select the independent auditor. The Committee will review the scope and results of the audit and will receive notice of any consequential irregularities and management letter comments that the auditor noted during the engagement. Additionally, the Committee and the Board will develop a corrective action plan to address all relevant weaknesses noted by the auditor. The Committee and the Board will also review all financial information of the ISANA Academies.

400 POLICIES RELATED TO ASSETS, LIABILITIES AND FUND EQUITY

401 ASSETS

402 Bank Accounts

- A. Bank accounts for the indicated purpose and limitation(s) have been authorized by the Board of Directors of the Academies at the indicated Federal Deposit Insurance Corporation (FDIC)-insured banks: Pacific Western Bank

403 Petty Cash Checks Payments

- A. Account has been closed.

404 LIABILITIES AND FUND EQUITY

405 Accounts Payable

Only valid accounts payable transactions based on documented vendor invoices, receiving report or other approved documentation are recorded as accounts payable.

406 Accounts Payable Payment Policy

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.

407 *Accrued Liabilities*

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

408 *Liability For Compensated Absences*

- A. Compensated absences arise from employees' absences from employment due to vacation leave. When the Academies expect to pay an employee for such compensated absences, a liability for the estimated probable future payments is accrued if all of the following conditions are met:
 - 1. The employee's right to receive compensation for the future absences is attributable to services already performed by the employee.
 - 2. The employee's right to receive the compensation for the future absences is vested or accumulates.
 - 3. It is probable that the compensation will be paid.
 - 4. The amount of compensation is reasonably estimable.
- B. Compensated absences not required to be paid upon employee termination is only recorded when paid.

409 *Debt*

- A. 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.
- B. 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.
- C. Loans, lines of credit, and other debt incurred on behalf of ISANA must be approved by the Board of Directors. ISANA shall not make any loans to third parties, except in connection with the financing of facilities for ISANA's Charter Academies within Los Angeles.

410 *Intra-Company Transactions*

An interfund transaction occurs when a fund has a financial transaction with another fund within ISANA.

When cash is received for each school, cash will be transferred to the operating account. The transfer of cash will create interfund transactions between the respective school and ISANA.

When an expense is paid, an interfund transaction will be created between the respective school and ISANA. As transactions are recorded in the accounting software, interfund transfers will be automatically recorded. Interfund transactions shall net to zero across all funds as a balancing mechanism.

Interfund transactions that constitute reimbursement of a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as:

- Expenditures or expenses of the reimbursing fund, and
- Reductions of the expenditure or expense originally charged in the fund that is reimbursed.
- A transaction would be reported as a reimbursement when:
- An accounting error has been made (e.g., an expenditure was charged to an incorrect fund)
- When a single fund, usually the general fund, pays an invoice or payroll for other funds (i.e., as a convenience), and then charges back the expenditure/expense to the appropriate individual fund where the cost should be reported.
- The caption “reimbursements” never should appear as an account caption on an operating statement.

Interfund transactions will be presented on the financial statements as Interfund receivables or Interfund payables based on the net account balance.

411 Standardized Reports to the Audit and Compliance Committee

A standardized report shall be presented to the Audit and Compliance Committee, at least once per quarter, identifying the total of ISANA’s accounts payable, accounts receivable, and any debt instruments.

500 REVENUE

501 Revenue Recognition

The Academies record revenue on the accrual basis of accounting, consistent with generally accepted accounting principles applicable to special purpose governmental units.

600 FACILITIES

601 Disposal Of Property And Equipment

- A. No item of property or equipment shall be removed from the premises without prior approval from the Chief Operations Officer.
- B. ISANA has adopted standard disposition procedures for staff to follow, which include an *Asset Disposal Form*, which identifies the asset, the reason for disposition, and signature of the requester. The form also allows for an identification of the asset’s book value, condition of the asset, and supervisory approval or denial.

- C. When property is retired, the appropriate asset in the fixed asset subsidiary will be adjusted and properly reflected in the Enterprise Fund.

700 PROCUREMENT POLICIES

701 Objectives

ISANA adhere to the following objectives:

1. Procurements will be completely impartial based strictly on the merits of supplier and contractor proposals and applicable related considerations such as delivery, quantity, etc.
2. Make all purchases in the best interests of the Academies and their funding sources.
3. Obtain quality supplies/services needed for delivery at the time and place required.
4. Buy from responsible sources of supply.
5. Obtain maximum value for all expenditures.
6. Deal fairly and impartially with all vendors.
7. Maintain dependable sources of supply.
8. Be above suspicion of unethical behavior at all times; avoid any conflict of interest, related parties or even the appearance of a conflict of interest in the Academies supplier relationships.

702 Authority to Approve Services and Others Contracts

- A. The Academies will execute a *Purchase Order* for any services contracts once approved through the requisition system, except when it is in the best interest of ISANA to not use a *Purchase Order* to obtain maximum value. When staff receives a lower price from companies that do not accept purchase orders, the decision will be made to utilize either a check or a credit card to make the payment.
- B. The person with authority to approve contracts for services in an amount up to \$100,000, or contracts for services provided directly to students regardless of the amount, is the CEO or designee. For contracts exceeding \$100,000, approval by the Board of Directors is required, except contracts for services provided directly to students. Requisitions submitted through ExpenseWatch may also require additional approvals, as described in Section 704, below.
- C. Any purchase, sale, lease, or transfer of real property on behalf of ISANA will be evidenced by a written agreement approved by the Board of Directors and signed by the CEO or designee. The agreement will identify all the material terms and conditions of the transaction. ISANA shall not purchase any land outside of the County of Los Angeles.

703 Procedures for Vendor Bidding/Estimates

The ISANA Board of Directors is committed to safeguarding the Academies' funds and to

promoting transparency and accountability when it comes to the use of its funds. The purpose of these procedures is to ensure ISANA receives high quality and cost effective equipment, materials, supplies, and services in an efficient manner from reputable vendors. Although cost is an important factor, ISANA is not required to select the vendor with the lowest price. ISANA will not engage in any contracting or purchasing activities intended to circumvent the bidding/estimate thresholds described below.

For one-time purchases, the applicable bidding/estimates procedure depends on the total purchase amount, including all taxes, shipping charges, and fees. For contracts with a fixed price, whether it is a single-year or multi-year contract, the applicable bidding/estimates procedure depends on the total amount to be paid under the contract (*e.g.*, for a three-year contract for \$20,000/year, the total amount to be paid is \$60,000 so subsection D. applies). For contracts where the total amount to be paid cannot be determined upfront (*e.g.*, contracts for certain ongoing services), the applicable bidding/estimates procedure depends on, in the judgment of the CEO or CFO, how much ISANA reasonably expects to pay under the contract each year.

The following procedures will be followed for all contracts for the purchase of equipment, materials, supplies, or services (excluding certain contracts as indicated below).

- A. For contracts or purchases up to \$1,000, bids or estimates are not required.
- B. For contracts or purchases between \$1,000.01 and \$5,000, multiple bids or estimates are not required but ISANA must obtain a written price quote from the vendor and submit it with the purchase requisition in ExpenseWatch.
- C. For contracts or purchases between \$5,000.01 and \$25,000, at least two informal bids/estimates are required and must be submitted with the purchase requisition. An “informal” bid/estimate means one received in person, over the phone, by email, by fax, or on the vendor’s website. If a bid/estimate is received in person over the phone, the appropriate form shall be filled out and submitted. In the event a vendor is the only vendor that can reasonably supply a certain product or service, it is permissible for ISANA to solicit and accept one bid/estimate. The CEO or designee shall retain a written explanation of why the vendor is the only vendor that can reasonably supply the particular product or service.
- D. For contracts for services between \$25,000.01 and \$100,000 and for any purchase of equipment, materials, or supplies exceeding \$25,000, at least two formal quotes on the vendor’s letterhead are required, and each quote must include enough relevant information about the contract or purchase allowing the CEO to make an informed decision. In the event a vendor is the only vendor that can reasonably supply a certain product or service, it is permissible for ISANA to solicit and accept one bid/estimate. The employee requesting the contract or purchase shall submit along with the purchase requisition a written explanation of why the vendor is the only vendor that can reasonably supply the particular product or service.
- E. Contracts for services exceeding \$100,000 must go through a Request for Proposal (“RFP”) process. ISANA will post a public RFP on its website and solicit proposals for

at least five business days. Once the deadline in the RFP has passed, the CEO or designee will present to the Board of Directors its analysis of and recommendations regarding any proposals received in response to the RFP. The contract for services must be approved by the Board of Directors.

Notwithstanding the foregoing, these procedures for vendor bidding/estimates do not apply to the following:

- Contracts for services provided directly to students, including but not limited to contracts for special education and disability-related services.
- Contracts or purchases approved or mandated by an authorizing agency.
- Purchases of software up to \$100,000.
- Software and hardware maintenance under \$100,000.
- Publication and/or copyright materials purchased directly from the publisher or copyright holder.
- Any purchases when a proprietary specification can be justified (*i.e.*, reasons why no other brand or model can be used) and the manufacturer confirms in writing that the vendor is a “Sole-Source.” However, a “Proprietary Vendor Form” and/or “Sole Source Form” must be attached to the purchase requisition and approved by the CFO.
- Repairs and/or parts associated with repairs to equipment obtained from an “Authorized Dealer” (*i.e.*, a dealer certified by the manufacturer to sell and/or perform maintenance on their equipment). However, for amounts greater than \$10,000, any quotes must be attached.
- Purchases or contracts for advertising; however, the CEO must certify that specific media is required to reach the targeted audience.
- Bulk purchases of ordinary supplies and materials purchased from approved vendors in ExpenseWatch.
- Catering, photography, audio visual, or other services from a facility rented for a meeting or conference if the facility has a policy requiring use of their in-house services or services from a pre-determined list of vendors.
- Contracts or purchases in an “emergency” situation. “Emergency” is defined as work stoppage, threat of financial loss, or other situations that impair the health, welfare, and safety of students, staff, or public property. These contracts/purchases must be accompanied by a memo noting the urgency of the contract/purchase, justification, and a cost and price analysis of the amount of the transaction, and must be approved by the Chief Operating Officer (“COO”) and CEO.
- Contracts for food service management company services; provided, however, that ISANA shall comply with all applicable state and federal procurement laws and regulations for food service management company contracts and the annual contract must be approved by the Board of Directors.

704 *ExpenseWatch Process*

PURPOSE: To establish when and how a purchase will be made.

DEFINITIONS:

Purchase Requisition. Request submitted into ExpenseWatch for the initiation of purchases by the requesting school or department (PR Form).

Purchase Requisition List. A summary may be used to supplement the purchase requisition form when more than six (6) items are being ordered an attachment of the list must be included.

Purchase Order. The agreement to pay issued by ISANA that authorizes a vendor to furnish the goods or services specified in the order. No purchase is an obligation of ISANA unless this document has been issued.

RATIONALE: The purchase requisition form is used by the requesting Academy or Department to communicate its needs to the CEO or designee.

PROCEDURE: A purchase requisition shall be used for the purchase of any item or group of similar items, except when it is in the best interest of ISANA to not use a purchase requisition to obtain maximum value. Please refer to ExpenseWatch. Information should be included as follows:

Academy or department submits purchase requisitions prior to submitting them for review and approval and purchasing.

All purchase requisitions must be typed or printed ExpenseWatch.

Date – Date will be automatically included in system. For requisitions processed near the end of the fiscal year, please indicate below the date which fiscal year is to be charged.

Purchase Order # - Numeric number issued automatically through ExpenseWatch. All required authorized approvers must be secured before a purchase order can be issued.

Buyer - the buyer or business analyst assigned to process your requisition.

Delivery to – Type the name and complete street address of the Academy or department you would like the goods or services ship to. Include the name of the person that will receive the item on the attention line. All purchases must be shipped to an ISANA authorized site.

Suggested Vendor – If you have a suggested source for this purchase, enter the vendor name and address here and contact information (the vendor's contact person that is familiar

with your purchase).

If you know the vendor's fax number or email, please include it because ISANA automatically faxes all purchase orders, if the fax number or email is known.

Justification/Funding Source – You may enter your Justification for your purchase as well as your funding source. i.e. instructional supplies purchase to support school improvement plan in the comment section. Also, you may add in this section, any additional information or instructions you wish to provide for processing your order.

Item – Number each item on the requisition consecutively beginning with item number. If there are more than six (6) items, you may list in summary, in the Description area of the purchase requisition for any reference quotes, and submit both forms. You may attach as many "Purchase Requisition Continuation" forms as necessary for your order.

Description – Input a complete description of the items requested. If additional space is needed, you may add an attachment to the requisition. Include as much information as is available, such as brand, model number, features, color, package size, etc. Similar items should be combined on the same requisition. If the requisition is for printed forms, envelopes, stationery, etc., a sample must be included with the requisition.

Cat. Number – also input the vendor's catalog number, if known.

Quantity Ord. – Type the quantity needed or required.

Unit – Type the unit of measure for the item, such as "each", "case", "doz.", etc. The unit of measure relates to the quantity, so for example; enter either "12 each" or "1 doz.", not both. An entry of "12 doz." will result in an order of 144 each.

Unit Price – Input the price per unit of measure.

Price – the extended prices or amount which is calculated by multiplying the amount in the "Quantity Ordered" column by the amount in the "Unit Price" column, and type the result in the amount column.

Extended – even if you have attached a quote or price sheet to our requisition, you must enter the total amount of the requisition in this space.

Fund/Source of Funds, etc. Codes – this area of the requisition will be used to apply the correct budget or funding source from which this purchase is to be paid and approve the requisition for available funding. Refer to the CFO or designee if you are not sure of the proper funding source when submitting your requisition. It is your responsibility to verify that funds are available before the requisition is submitted. Sending a requisition with incorrect funding source or insufficient funds will result in delay of your order.

Grant Funds – grant funded programs are subject to the constraints of program and budget restrictions. These funds must be checked for compliance with federal, state, and local laws, regulations and grant agreements; failure to comply may subject the organization to recapture of these funds. Requisitions requesting purchases utilizing these funds must be submitted to the CFO or designee for approval.

Approvers – In addition to approval by the person requesting the purchase, all purchase requisitions require the following approvals before a purchase order can be issued depending on the origin of the request:

Executive Team

- CFO for purchases greater than \$50,000 regardless of their origin as well as any requisition originating from the CEO.
- CEO for purchases greater than \$10,000 regardless of their origin as well as any requisition originating from the CFO, COO, or Chief Academic Officer (“CAO”).
- CAO for purchases greater than \$1,000 regardless of their origin.
- COO for all purchases related to public relations and facilities.
- In the event that any Executive Team member is unavailable to approve purchase requisitions (e.g. on medical leave) or if the position is vacant, the Board Chair may designate another staff member to temporarily perform those duties.

Management Team

- Principals for all requisitions originating from a school-based faculty or staff member regardless of the amount.
- Director of Information Technology for all non-capitalized equipment purchase requisitions originating from a school or department.
- Director of Expanded Learning for all requisitions related to expanded learning programming from a school or department.
- Performing Arts Coordinator for all requisitions related to performing arts activities from a school or department
- The approval of the CEO or CFO may be substituted for any Management Staff Member.

705 Single Source Requirements for Federal Funds

The following requirements apply only to contracts or purchases paid for with restricted federal funds. Purchases that meet the single source requirements do not require competitive bids/estimates. A single source contract/purchase is only permitted if one of the following applies:

- Only one product meets the specifications and/ or capabilities necessary for the intended use and the requested goods/services are only available from one vendor.
- Using goods/services other than those requested would cause existing ISANA equipment or software to function improperly or would cause ISANA to lose warranty coverage for existing equipment or software that could only be replaced at a significant cost, and the requested goods/services are only available from one vendor.

- Only one supplier can meet the delivery requirement to fulfill an established commitment to the federal funding agency and supporting documentation of required dates is provided.
- The federal funding agency has expressly authorized the non-competitive procurement of this good/service after written request by ISANA.
- Previous procurement attempts from multiple sources did not result in a successful, competent vendor/supplier. Supporting documentation of previous procurement solicitation must be submitted with the purchase requisition.

800 TRAVEL POLICIES

Business Travel

All official travel of ISANA must have a valid business purpose. The travel must be a necessary, reasonable and appropriate expense incurred for the benefit of ISANA. This travel will be an expense that is ordinary and reflects a prudent decision to incur the expense on the behalf of ISANA. It shall not be extreme or excessive. Travel planning should be completed as far in advance as possible, ideally 14 days or more. Advance travel planning is key to obtaining the lowest airfares and securing first choice flight times and room accommodations.

Travel for the purposes of professional development must be accompanied by a Professional Development Request for external training, which shall include approval by a supervisor and must include a plan for redelivery of learned content for the benefit of ISANA.

The traveler is responsible for ensuring that they have the necessary approval from their supervisor to take the trip, work duties during their absence are covered, and for coordinating with the finance department to ensure that funds are available.

The traveler should consider videoconferencing or web-conferencing as an alternative to travel. ISANA may provide a variety of options, including desktop videoconferencing, designated space, and appropriate time for completion in lieu of travel.

All out-of-state travel must be approved by the CEO or an officer designee.

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. All employees requesting such mileage reimbursement are required to identify the origin and destination of each trip and total miles driven. Unless there is a valid reason for taking an alternative route, employees are expected to take the shortest route to the destination. Please attach a map to the reimbursement request indicating the route taken to expedite reimbursement.. If a map is not attached to the reimbursement request, mileage will be computed by online mileage calculators (such as MapQuest or Google Maps) or odometer readings.

Mileage Reimbursement covers all costs associated with operating a vehicle for business purposes, including, but not limited to:

- Gasoline
- The cost of maintenance (oil, lube, routine maintenance)
- Insurance (liability, damage, comprehensive and collision coverage)
- Licensing and registration
- Depreciation and all other costs associated with operation of the vehicle

Exception: You will not be reimbursed for mileage to go to or from your assigned work site (i.e., commuting to work).

In addition, parking fees and tolls paid are reimbursable if supported by invoices.

Per Diem

Employees in travel status (travel requiring an overnight stay) on official ISANA business are reimbursed up to the per diem rate as determined by the GSA rate for travel related meal expenses to their travel destination. Receipts are not required for reimbursement of travel meals using per diem rates. If applicable, the meeting agenda or conference schedule is required documentation for the report of travel expenditures. Meals provided in a meeting or conference fee or by third parties will be subtracted from the per diem claimed. Per diem will be reimbursed for business days only.

The M&IE rates include:

- Meals, non-alcoholic drinks, tax & tip
- Incidentals – e.g., baggage carries, bellhops and hotel maids

Travelers will not be reimbursed for:

- Meal expenses exceeding the maximum meal rate for their destination city;
- Any portion of the per diem that covers meals which are also provided as part of a meeting or conference fee, unless there is a business or health reason for an alternate meal; or
- Any portion of the per diem that is being reimbursed as a part of a hospitality meal.

ISANA will include the daily incidental amount when determining the maximum M&IE rates.

Gratuities for baggage carries, hotel staff (bellhops and house cleaners), and all other incidentals are included in the daily incidental amount. Travelers should not request reimbursement for any of these items.

"Extended Day Travel" is travel that is at least 12 hours and does not require an overnight stay. In these circumstances, the traveler may receive the dinner per diem only (no breakfast or lunch).

Reasonableness of Travel Costs

Airfare: Travel by air is limited to the lowest, non-refundable, coach/economy class fare located at time

of booking. Travelers may only accept complimentary upgrades. Costs associated with upgrades are

not an allowable business expense.

When the total flight time, excluding layovers, from departure to arrival is 8 or more hours (including connecting domestic legs), travelers may, with preapproval from the CEO, upgrade from coach to the next most economical class of travel over coach (business class in most cases, first class in cases where business class is not offered).

When a medical condition requires an upgrade above economy the traveler is responsible for securing written documentation from the physician stating that the upgrade is required due to a medical condition.

For a Saturday stay-over the traveler is responsible for documenting fare savings. Additional lodging charges, per diem and other expenses will be reimbursed only up to the amount of the savings on the airfare.

Lodging: Travelers are expected to choose lodging that is economical and meets the traveler's schedule and business needs. Receipts are required for all lodging.

Ground Transportation: Travelers should use the least expensive method of ground transportation that meets the traveler's schedule and business needs (e.g., airport shuttles, taxis, car rentals, train or bus travel, etc.). If using a non-contracted car service (e.g., Uber or Lyft), 15-20% is appropriate for tip. Sharing of vehicles is encouraged if multiple travelers from ISANA are traveling to the same destination. Fee for waiver of physical damage to rental vehicle is an allowable cost. No other insurance charges will be reimbursed. When renting a vehicle, two types of insurance are required:

- Physical Damage: Covers damage to the rental vehicle.
- Liability: Covers damages to other parties arising from the use of the vehicle.

Baggage Handling: Reasonable airline charges for checked bags are reimbursed. Physically disabled travelers may claim reimbursement for special assistance such as gratuities to baggage handlers. Cost of transporting equipment and supplies directly related to project activities is reimbursed if valid business purpose is documented. Tips are not allowed except when required for a disabled traveler or exceptional circumstances.

Communication: Internet access (e.g., hotel, airport, hotspot, etc.) is an allowable expense provided that the access is necessary for business purposes and not personal use. Phone calls that are reasonable and necessary for conducting business are an allowable expense. The itemized hotel bill or an original phone bill with itemized calls must be attached to the expense report. This includes personal telephone calls allowing the traveler to stay in reasonable contact with their family. Use of air phones is not an allowable expense, except in emergencies or extenuating circumstances. An explanation must be noted on the expense report.

Tips: As a guideline for employees while traveling, the following would be considered reasonable and appropriate:

- Skycap: \$2 per bag
- Porters/bell person, etc.: \$2 per bag upon check-in/check-out
- Maid service: up to \$2 per day
- Meals: 15% – 20% (if not included in the charge).

Individuals traveling on official ISANA business are expected to choose the least costly method of transportation that meets the traveler's scheduling and business needs. There may be unique and valid business needs which require exception to the travel policy. Exceptions must meet a valid business need and not simply a traveler preference and must be requested prior to incurring the expense. Exceptions must be properly documented

Travel Reimbursements

Travelers must remove (i.e., strikeout) and subtract non-business-related expenses from the backup documentation before submitting a reimbursement request, when they combine personal and business travel. If the traveler uses an indirect route or interrupts travel for personal convenience, any additional expenses incurred are the sole responsibility of the traveler and should be documented.

Not reimbursable:

- In-room movies and room service are personal expenses, which are covered by per diem.
- "No show" charges will not be reimbursed except for emergency situations not controlled by the traveler.
- Expenses incurred by a spouse or personal guest are not reimbursable expenses.

Repayment of Unsubstantiated/Unallowable Travel Expenses

In rare cases where ISANA pre-pays for travel expenses (via credit card, advances, or otherwise) and then discovers that the expenses are not allowable according to this travel policy or are not appropriately substantiated, the funds will be recovered by one of the following methods:.

The traveler pays ISANA via personal check or money order (not cash). The traveler must include the payment with the related Expense Report or credit card transaction documentation and justification. All payments and documentation due to the finance department must be submitted within 60 days of the determination that the expenses are unallowable or when submitting credit card documentation in accordance with processing guidelines.

In cases where the employee does not submit payment as required above, the employee and ISANA may establish a payment plan under which the ISANA may deduct the amount owed from the employee's paycheck, with the employee's prior written authorization.

For amounts deemed uncollectable (i.e., the traveler is no longer an ISANA employee), ISANA may seek legal remedies against individuals who do not repay improper charges and reimbursements, and/or report the amount due to Payroll as taxable compensation to the individual.

801 Employee Mileage Reimbursement

- A. All employees are reimbursed either at the standard mileage rate per mile as determined by the Internal Revenue Service for use of their own vehicle for business related travel. In addition, parking fees and tolls paid are reimbursable if supported by invoices.
- B. All employees requesting such mileage reimbursement are required to furnish a *Travel Report* containing the destination of each trip, its purpose and the miles driven, parking fees and tolls, within one month after the travel date, supported by invoices, if applicable.

900 CONSULTANTS AND CONTRACTORS

901 *Consultant Utilization*

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 the Academies' rights to educational curricula and intellectual property developed.

902 *Independent Contractors*

The use of consultants is closely monitored so as not to vary from the rules of the Internal Revenue Code. In particular, consultants will:

- A. Not be controlled as to what services will be performed and how these services will be performed. Consultants will not have set hours of work.
- B. Adhere to a precise contract scope of services, recomputed or at least adjusted annually. This consultant agreement will specify the obligation of the consultant to pay his or her own self-employment taxes, if applicable.
- C. Not receive any fringe benefits as such, although their fee may include provision for fringe benefits.
- D. Not be assigned a permanent workstation.
- E. Make their services available or work for a number of firms or persons at the same time.
- F. Will use his or her own stationery or time sheet in billing for services.

1000 - GENERAL ACCOUNTING PROCEDURES

In this section, procedures are described for the overall accounting system design, General Ledger

activity and General Ledger closeout for the Academies.

GENERAL LEDGER ACTIVITY

Control Objective

To ensure that all General Ledger entries are current, accurate and complete.

Major Controls

A. Timeliness of Entries

All entries are made soon after the underlying accounting event to ensure the financial records and reporting is current.

B. Support Documentation

All entries are supported by adequate documentation that clearly shows the justification and authorization for the transaction.

C. Audit Trail

A complete audit trail is maintained by the use of reference codes from source documentation through the books of original entry and General Ledger, to periodic reporting statements.

Procedures

1. Financial data on source documentation is verified against original documents (e.g., invoice, purchase order, etc.) before entering into the accounting system.
2. Each entry in the accounting system is reviewed and approved.
3. Provision is made for using recurring General Journal entries for certain transactions, such as recording the monthly portion of prepaid insurance.
4. Non-recurring entries, such as for correcting entries, recording accruals and recording non-cash transactions, are prepared as circumstances warrant and on a monthly basis.
5. All entries in the books of original entry (e.g., cash receipts journal and checkbook) are made soon after the accounting event from authorized forms, and are prepared and reviewed by qualified accounting personnel.
6. All General Journal entries are supported by General Journal Vouchers that have supporting documentation attached, and are approved by the CEO.

GENERAL LEDGER CLOSE-OUT

Control Objective

To ensure the accuracy of financial records and reports.

Major Controls

A. Trial Balance

Monthly, a trial balance is prepared to ensure the accuracy of the General Ledger account balances.

B. Reconciliation of General Ledger Control Accounts with Subsidiary Ledgers

Reconciliations are prepared on a monthly basis.

Procedures

1. At the end of each month, a trial balance of all General Ledger accounts is prepared by the back office business services provider to the CEO.
1. Reconciliation between the General Ledger control accounts and the subsidiary ledgers are completed by the back office business services provider.
2. At fiscal year end and after the annual audit, all income and expense accounts are closed out, and the general ledger balances are agreed to the audited financial statements.

1100 - CASH MANAGEMENT PROCEDURES

In this section, procedures are described for cash receipts, cash disbursements and prepaid items.

CASH RECEIPTS

Control Objective

To record cash receipts completely and accurately and to prevent the diversion of cash assets.

Major Controls

A. Cash Flow Projection

The Academies annually prepare and update monthly a cash flow projection for operations and capital cash needs to monitor and ensure adequate cash flow.

B. Cash Receipts Policies

The Academies have internal control systems in place to monitor cash receipts, and ensure that deposits are made in a timely manner. The Academies also use electronic fund transfers to accelerate deposits.

C. Internal Accounting Controls

- (i) Opening of mail assigned to an employee with responsibilities independent of access to files or documents pertaining to accounts receivable or cash accounts.
- (ii) Listed receipts and credits compared to accounts receivable and bank deposits.
- (iii) General Ledger control accounts reconciled with Accounts Receivable Subsidiary Ledger

Procedures

A. General

1. Mail is received by the Receptionist who sorts the checks and forwards them to the CEO or the appropriate recipient.
2. All checks are restrictively endorsed immediately and deposited by the Business the CFO or designee.
3. Deposit slips shall be forwarded to the back office provider for the preparation of journal entries.
4. A copy of each check to be deposited is made and attached to copy of the deposit slip and filed to provide support for all deposits.
5. The back office business services provider reviews and signs off on journal entries.
6. The back office business services provider inputs journal entries.
7. Deposits shall be made on a daily or no later than on a weekly basis. If deposits are made other than daily, the deposit should be maintained in a secure area with limited access.
8. Reconciliation of cash receipts to deposit slips and bank statements are performed and the back office business services provider on a monthly basis.

CASH DISBURSEMENTS

Control Objective

To disburse cash for authorized purposes and record cash disbursements completely and accurately.

Major Controls

A. Cash Disbursement Policies

Check preparation and signatures are delayed until the due date, consistent with available discounts if available.

B. Internal Accounting Controls

- (i) Pre-numbered checks and special check protective paper.
- (ii) Match disbursement records against accounts payable/open invoice files.
- (iii) Bank statements reconciled to cash accounts and any outstanding checks verified by either the back office business services provider, if applicable.
- (iv) Supporting documentation canceled to prevent resubmission for payment.
- (v) Detailed comparison of actual vs. budget disbursements on a periodic basis.
- (vi) Separation of duties to the extent possible for an organization the size of ISANA.
- (vii) Responsible employee confirms that the invoice amount and description of goods or

services match the contract amount and goods or services actually provided.

Cash Transfers – the back office provider will reconcile cash expense throughout the month and provide to the CFO the amount to be transferred for operating cash. Amounts transferred shall not exceed greater than actual vendor expenses and 30 days of projected payroll.

Procedures

1. When the transaction is complete and payment is due, a pre-numbered check is prepared by the back office business services provider who attaches all supporting documentation: (e.g. vendor invoice, purchase order, purchase requisition, etc.) and submits the package slip in ExpenseWatch to the CFO for approval via ExpenseWatch.
2. All invoices submitted for approval in ExpenseWatch will include approvals for payment, expense account charged, check number and date of payment.
3. The CFO approves checks, after examining the supporting documentation and the batch report and an approved bank signatory for approval.
4. After having been approved and/or signed, the checks are mailed directly to the payee by back office provider.
5. All supporting documents are uploaded into the A/P system by back office business services provider as back-up for each check.
6. All payment requests are researched in the A/P system by vendor and by invoice number to prevent double payments.
7. On a periodic basis, cash disbursement records are matched against accounts payable/open invoice files for any discrepancies.
8. Bank statements are reconciled soon after receipt by either the back offices business services provider and reviewed by the CFO.

STALE CHECKS

Control Objective

To set guidelines and expectations regarding stale checks that have been issued by ISANA but not cashed by the recipient.

Procedures

1. If a check has not been cashed after 120 days, ISANA will start a process of investigating the check by reaching out to recipient at least twice by various methods.
2. If ISANA does not hear from the recipient within 180 days after a check was issued, ISANA will place a stop payment on the check.
 - a. If the recipient thereafter contacts ISANA, the check may be reissued.
3. ISANA will maintain appropriate documentation of any checks that were investigated, any stop payments on checks, and any reissued checks, including but not limited to copies

of the checks and any investigation notes.

PETTY CASH FUNDS

Control Objective

To control the use of petty cash funds for valid transactions.

Major Controls

A. Internal Accounting Controls

- (i) ISANA does not use Petty Cash Funds. All local emergency school expenditures are done via credit card transactions.

1200 - PAYROLL PROCEDURES

Payroll procedures are organized under six categories: personnel requirements, personnel data, timekeeping, preparation of payroll, payroll payment, and payroll withholdings.

PERSONNEL REQUIREMENTS

Control Objective

To ensure that the Academies hire only those employees, full or part-time, it absolutely needs and exerts tight control over hiring new employees.

Major Controls

New Employees

1. Requests for new employees are initiated by the CEO, Principal, or other appropriate staff member and compared with the approved annual personnel budget.
2. New employees complete an *Application for Employment*.
3. New employees complete all necessary paperwork for payroll.
4. Employee is fingerprinted. Fingerprint clearance must be received by ISANA before any employee may start work.
5. All onboarding documents (such as the IRS Forms I-9 and W-4) must be completed in the HRIS System prior to finishing the employee orientation.

Vacation and Sick Pay

1. Employees accrue vacation time based on personnel policy of the Academies.
2. Employee is required to provide at least two weeks advanced notice to supervisors for a vacation request.

3. Regular part-time employees may earn vacation time on a pro-rated bases based on personnel policy of the Academies.
4. Employees' earned vacation balances are adjusted monthly to reflect vacation time earned and taken and reviewed by the HR Director or designee.
5. Sick leave taken is monitored against each employee's available sick time on an electronic spreadsheet and reviewed by the HR Director or designee.
6. Before vacation time is paid, a *Vacation Authorization Request* is to be prepared by the employee, which is reviewed and approved by the HR Director or designee.
7. ISANA monitors vacation and sick time using a web-based HR system.
8. A General Journal entry is prepared at year-end to record the accrued vacation liability.
9. Unused vacation time is based on personnel policy of the Academies.

ISANA Documentation for Employees Paid from Federal and State Categorical Programs

I. POLICY

Federal and State regulations require time and effort documentation, in addition to time cards, for all personnel who receive any payment (compensation) from federal funds or from state categorical funds, such as Title I funds. This documentation will vary depending upon the funding source(s) or nature of the job duties. Payroll time reporting must reflect actual hours worked on each program as indicated in the time and effort certification documentation.

II. GUIDELINES

Employees who receive compensation from federal or state categorical programs are required to complete additional supporting documentation which confirms that the activities or work that was completed was indeed for the program that funded the activity.

Required supporting documentation will vary depending upon the funding source(s) and/or nature of the employee's job duties. The Chief Operations Officer or designee shall determine if an employee is required to complete the additional supporting documentation.

All staff members that are paid completely from one restricted source of federal or state categorical revenue or cost objective¹ must complete a semiannual certification form two times a year. Multi-funded employees (employees working on multiple cost objectives) must complete a monthly activity distribution log known as the

¹ Section 200.28 of 2 CFR, Part 200, defines a cost objective as "a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are needed and for which costs are incurred."

Multi-Funded Time Report (also referred to as a Personnel Activity Report).

The Chief Operations Officer or designee will provide training to employees who are responsible for completing time and effort reports as described herein.

III. COMPLETING TIME AND EFFORT CERTIFICATION FORMS

Time and effort certification documentation must be an after the fact certification of actual time worked and must be completed in a timely manner.

Employee's supervisors should review Multi-Funded Time Reports each month and semiannual certification forms twice a year. If the actual hours worked documented per this policy are different than the employee's budgeted time, supervisors should consult with the Chief Operations Officer and HR Department to enter adjustments into the payroll system so that actual time worked is reflected and charged to the program.

III. RETENTION OF DOCUMENTATION

Completed documents should be retained for seven (7) years by the HR Director or another individual if so desired by the ISANA. Overtime forms should be attached to any other time and effort documentation. The overall guiding principle must be that ISANA administrators must know where the documents are kept and that the documents must be readily available for audit purposes.

VI. MONITORING COMPLIANCE

ISANA implements the following procedures to monitor compliance with these federal and state documentation requirements:

- A. The HR Department should remind affected employees that semi-annual certifications should be completed by January 31st and July 31st, and that monthly Multi-Funded Time Reports be completed if required. This documentation should be retained along with other payroll time-reporting documentation for a period of seven (7) years.
- B. By January 31st and July 31st, the HR Director and/or Chief Financial Officer (or their respective designees) should submit to ISANA's Compliance Specialist and Chief Operations Officer notice that they have received the appropriate documentation for each listed employee and that any necessary payroll adjustments have been made.
- C. By February 15th and August 15th, the Compliance Specialist should provide assurance to the Chief Financial Officer and Chief Executive Officer that they have received assurances from their schools/offices that appropriate supporting documentation has been obtained and any necessary payroll adjustments have been made.

PREPARATION OF PAYROLL

Control Objective

To ensure that payment of salaries and wages is accurately calculated.

Major Controls

A. Internal Accounting Controls

Time records are periodically reconciled with payroll records.

Procedures

1. Employee time sheets are approved by HR. All deviations from pre-programmed parameters are approved by the appropriate supervisor.
2. The total time recorded on time and attendance system and the number of employees is calculated by the payroll system and reviewed by HR and the back office business services provider.
3. Recorded hours from the time clock punches are communicated to the Payroll Service electronically.
4. The payroll documents received from payroll software (e.g., calculations, payrolls and payroll summaries) are compared with employee punches, pay rates, payroll deductions, compensated absences etc. by the HR department and the back office business services provider.
5. The back office business services provider verifies gross pay and payroll deductions.
6. The total hours and number of employees are compared with the totals in the Payroll Register by the back office business services provider.
7. The Payroll Register is reviewed and approved by the appropriate personnel.

PAYROLL PAYMENT

Control Objective

To ensure payment for salaries and wages by check, direct deposit, cash or other means is made only to employees entitled to receive payment.

PAYROLL WITHHOLDINGS

Control Objective

To ensure that payment withholdings are correctly reflected and paid to the appropriate third parties.

Major Controls

A. Reconciliation of Payment and Payroll Withholdings

Payroll withholdings are recorded in the appropriate General Ledger control accounts and reconciled with payments made to third parties.

B. Internal Accounting Controls

The in-house payroll software calculates payroll withholdings, which are reviewed and verified by the back office business services provider.

Procedures

1. The web based payroll software calculates payroll withholdings for each employee. These are summarized by pay period and recorded in General Ledger.
2. Payments for payroll withholdings are reconciled with the amounts recorded in the General Ledger control accounts by the back office business services provider.
3. The back office business services provider reviews the accuracy and timeliness of payments made to third parties for payroll withholdings.
4. Original withholding and benefit election forms, maintained in the employee file, are prepared by employee and reviewed and approved on a periodic basis by the back office business services provider.

1300 DEPRECIATION

Procedures

1. ISANA capitalizes all fixed assets when acquired, and records the historical cost of these items in the Enterprise Fund. In accordance with generally accepted accounting principles, ISANA will use the straight line method of depreciation over the assets useful life as determined as follow:

| | |
|------------------------|---|
| Computers | 3 years |
| Office Equipment | 5 years |
| Vehicles | 5 years |
| Office Furniture | 7 years |
| Leasehold Improvements | Life of lease or 5 years whichever is greater |
| Building Improvements | 20 years |
| Building | 30 years |

1400 EXPENSE REIMBURSEMENT

Control Objective

To ensure the Academies pays for only authorized business expenses.

Major Controls

A. Travel Policies

ISANA has adopted policies on travel reimbursement.

B. Business Expense Reimbursement

- In extremely rare circumstances, and with prior approval and/or a purchase order as

may be required by the schools' purchasing policies and procedures, ISANA employees may purchase school supplies or services and seek reimbursement from ISANA. Reimbursements shall be made only for actual and necessary business expenses.

- Reimbursements shall not be used as an alternative to the purchase requisition system; all purchases for which employees seek reimbursement shall comply with the schools' purchasing policies and procedures.
- No purchases of any school supplies or services shall be made without prior approval and/or a purchase order, as may be required by the schools' purchasing policies and procedures. In the event an employee seeks reimbursement for a purchase made without following these procedures, the school may refuse the services and deny payment or return the supplies to the vendor and deny payment, and the purchasing party may be held personally financially liable for payment of the supplies or services.
- Reimbursement requests shall contain a receipt, invoice and/or record of sale, and all other relevant documentation, such as prior approval and/or a purchase order, as may be required by the schools' purchasing policies and procedures. Reimbursement requests shall be submitted via the purchase requisition system. School employees seeking reimbursements must submit itemized receipts that reflect school-related purchases only and shall not include any personal purchases do so as separate transactions.
- Purchases of the following items are not eligible for reimbursement by ISANA. Any purchases of such items, if appropriate, shall be made through the schools' purchase requisition system.
 - Donations or sponsorships
 - Flowers/gifts
 - Personal cell phone purchases or monthly plans. These are handled on purchase orders. Minor accessory items allowed.
 - Gift Cards
 - Alcoholic purchases
 - Items required to be procured through the purchase requisition system
 - Individual items costing more than \$1,000 for personal reimbursement without prior approval of CEO or CFO
 - Items shipped to address other than an official ISANA address without the prior approval of the CEO or CFO or when shipping to an official address will cause spoilage of the item
- **Non-school-related purchases are prohibited.** The use of ISANA funds for personal use is prohibited, including the submission of any non-school-related purchases for reimbursement. Individuals who use or attempt to use ISANA funds or seek reimbursement for non-school related purposes shall be subject to disciplinary action. Any individual who the CEO or his/her designee determines has sought reimbursement for irregular or unauthorized transactions, whether personal or unauthorized business transactions, will be subject to disciplinary action.

C. Internal Accounting Controls

- (i) Justification for travel approved by CEO.

- (ii) Documentation for incurred employee expenses.
- (iii) Documentation for company credit card purchase.

Travel Expense Advance or Reimbursement

Expense Reimbursement:

1. Soon after traveling, but not exceeding 30 days, an employee who seeks reimbursement for authorized expenses completes a *Travel Report* detailing the expenses incurred, attaching originals of supporting documentation.
2. All credit card purchases are supported by invoices in order to be reimbursed.
2. The employee's *Travel Report* and credit card purchases invoices are reviewed and approved by the CFO.

1500 - MANAGEMENT REPORTING PROCEDURES

In this section, procedures are covered for supporting the annual budget, financial reporting and tax compliance.

ANNUAL BUDGET

Control Objective

To effectively support the preparation of the annual budget and its periodic review.

Major Controls

A. Budget Process

The Chief Financial Officer works with the back office business services provider and prepares the annual operating and capital budgets and cash flow projection, with input from the Academies' community. The budgets and projection are submitted to the Board of Directors for approval.

B. Internal Accounting Controls

Accuracy and completeness of the budget and projections

Procedures

1. In preparation of the annual operating and capital budget and cash flow projection, the back office business services provider prepares a preliminary budgets and projection for review by the Chief Financial Officer in consultation with the Academies' staff.
2. To support budgets and projection estimates, the back office business services provider prepares current year-to-date financial data with projections of year-end totals.
3. The back office business services provider and the Chief Financial Officer review the budgets and projection submitted for completeness and reasonableness.
4. The Board of Directors approves and adopts the final budgets and projection.

5. The adopted budgets totals are entered in the General Ledger by the back office business services provider for the new fiscal year, in order to prepare budget to actual reports.

FINANCIAL REPORTING

Control Objective

To ensure the accuracy, completeness and timeliness of financial reporting to support decision-making.

Major Controls

A. Schedule

Monthly managerial reports are prepared based on a schedule.

B. Review and Approval

Financial reports are reviewed for accuracy and completeness.

C. Audit

The annual financial statements of the Academies are audited by a certified public accounting firm.

Procedures

1. The back office business services provider prepares monthly budget vs. actual financial reports and cash flow projection for the Board of Directors meetings.
2. The Academies and ISANA submit to an audit of their financial statements by a qualified certified public accounting firm, in accordance with *Governmental Auditing Standards*
3. The Academies shall automatically submit all financial reports required under Education Code Section 47604.33 and 47605(m).

PAYROLL TAX COMPLIANCE

Control Objective

To accurately prepare and file required tax documents on a timely basis.

Procedures

1. ISANA maintains a schedule of required filing due dates for:
 - (i) *IRS Form W-2 - Wage and Tax Statement.*
 - (ii) *IRS Form W-3 - Transmittal of Income and Tax Statements.*
 - (iii) *IRS Form 940 - Employer's Federal Unemployment (FUTA) Tax Return.*
 - (iv) *IRS Form 941 - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes.*

(v) IRS Form 1099 MISC (also 1099-DIV, 1099-INT, 1099-OID) - U.S. Annual Information Return for Recipients of Miscellaneous Income. (i) Quarterly and annual state(s) unemployment tax return(s).

2. Before submission, all payroll tax documents and the supporting schedules are reviewed and approved by the back office business services provider for accuracy and completeness.