

**IOTA COMMUNITY SCHOOLS  
FINANCE AND ACCOUNTING POLICIES  
MANUAL**

Updated July 2024

# IOTA COMMUNITY SCHOOLS Finance & Accounting Policies

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## 1. **Applicability of IOTA Community Schools Policies**

For the purpose of this document, IOTA Community Schools (“ IOTA”) Home office refers to any cost center not related to a school.

IOTA will follow Financial Accounting and Standard Board (“FASB”) standards. To the extent that local laws require and recommend, specific entities may require Governmental Accounting Standards Board (“GASB”) standards or FASB standards.

## 2. **IOTA Community Schools Tax Status**

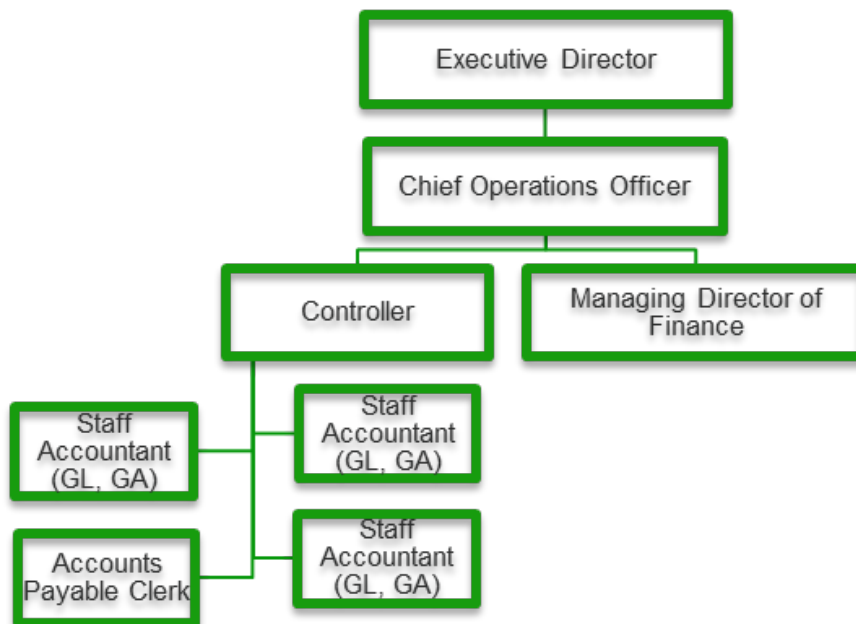
**IOTA is a Tax-Exempt Entity under the provisions of Internal Revenue Code Section 501(c)(3). Therefore, all fundraising activities must be conducted under the IOTA umbrella.**

IOTA is not automatically exempt from the payment of income, excise, property, sales, or use taxes except as provided by law.

The following is the IOTA federal employer identification number (“FEIN”):

- IOTA Community Schools (FEIN: 47-0970499)

### 3. Finance & Accounting Organization



4.

#### I. Internal Controls

##### A. **Compliance with Laws**

IOTA will follow all relevant laws and regulations that govern charter schools within the state of Tennessee. Additionally, U.S. laws and regulations that relate to grant funding will be complied with as grant funding is received. The Office of Management and Budget's ("OMB") *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called "Uniform Guidance") was officially implemented in December 2014. The Uniform Guidance – a "government-wide framework for grants management" – synthesizes and supersedes guidance from earlier OMB circulars. Sections of the Uniform Guidance will be referenced throughout this policy with citations to the appropriate Code of Federal Regulations ("CFR").

**B. Signing Authority**

Only specific employees are authorized to encumber financially and make representations on behalf of IOTA. Those employees are responsible for making authorizations in accordance with policies applicable to the specific item being authorized. Categories of financial encumbrances include:

- Purchase Orders/Invoices;
- Expense Reimbursements;
- IOTA Credit Card Transactions;
- Service Contracts (require legal and procurement, by the designated representatives, review prior to execution);
- Loans (require legal and finance review, by the designated representatives, prior to execution); and
- Lease Agreements (require legal and finance review, by the designated representatives, prior to execution).

Other types of documents requiring a signature may indirectly encumber IOTA financially and require legal and finance review, by the designated representatives, prior to execution.

The limits in the chart below refer to amounts for each encumbrance. For example, if a contract encumbers IOTA over five years for twelve thousand dollars (\$12,000) per year, the total amount is above fifty thousand dollars (\$50,000), thus requiring a signature from IOTA’s Executive Director (“ED”) or Chief Financial Officer (“CFO”). The amounts listed below refer to total encumbrance and exclude sales tax:

**Schools**

<b>Position</b>	<b>Limits:</b>
Board of Directors	\$250,000 and Above
ED	Less than \$250,000**
CFO	Less than \$50,000*
Chief of Schools	Less than \$10,000
Principal	Less than \$5,000

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<b>Position</b>	<b>Limits:</b>
Board of Directors	\$250,000 and Above

ED	Less than \$250,000**
CFO	Less than \$50,000*
Chief of Staff	Less than \$5,000

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<b>Position</b>	<b>Limits:</b>
Board of Directors	\$250,000 and Above
Executive Director (ED)	Less than \$250,000**
CFO	Less than \$50,000*
Chief of Schools	Less than \$5,000

*\*Requires a minimum of two quotes or proposals obtained from qualified sources for goods and services greater than \$10,000 and less than \$50,000.*

*\*\*Requires a minimum of three quotes or proposals obtained from qualified sources for goods and services \$50,000 and greater, and less than \$150,000; \$150,000 and above requires comprehensive requests for proposals that include clear, accurate descriptions of goods and/or services solicited, proposals must be publicized, and a formal method for their evaluation and selection must be followed for more than \$150,000.*

For the purpose of determining what level of approval is required and how many quotes, bids, or if a Request for Proposal (“RFP”) is required, there may be amounts in the contract that are not determinable at the time the contract is signed, for example, taxes or fees based on other factors. For such amounts, management will use its best estimate.

Employees who encumber and make representations on behalf of IOTA without authority to do so may be subject to disciplinary action, up to and including termination.

All grant applications and agreements must be signed by the ED.

**Employment Contracts**

All employment contracts must be signed by the ED.

**C. Security of Financial Data**

IOTA accounting software is reviewed to ensure that general and application controls to unauthorized access to data is precluded (e.g., proper password protection and authorizations for inquiry or browse-only functions).

The system’s accounting data is backed up daily to ensure the recoverability of financial information in case of hardware failure. The back-up is automatically performed off-site and is the responsibility of the software service provider.

All other financial data, collected cash and checks, school change fund, unused checks, and unclaimed checks must be secured on a regular basis by:

- School Operations Manager (“SOM”)—cash and checks collected at the school site;
- Controller—cash and checks collected at the Home Office;
- Accounts Payable Lead—all accounts payable checks, including unused, voided and unclaimed checks; and
- Payroll Lead—all payroll checks, including unused, voided and unclaimed checks.

**D. Security of Documents**

Originals or copies of the following corporate documents are maintained electronically at the Home Office as indicated below in Section 4.I.E (Document Retention), and their presence is verified on a periodic basis:

- Charters and all related amendments;
- IOTA bylaws;
- Minutes of Board of Directors and Subcommittee Meetings;
- Banking agreements;
- Leases or rental agreements;
- Insurance policies;
- Vendor invoices;
- Grant and contract agreements;
- Fixed asset inventory list;
- Financing agreement and debt payment schedules; and
- Contract and grant billings

All documents are the property of IOTA and such documents are confidential to the extent allowable under any applicable law. IOTA will comply with requests to provide copies of the documents it maintains to any party where it is legally compelled to do so.

**E. Document Retention**

IOTA will retain the following F&A documents (in paper or electronic form) in accordance with the table below:

Type of Documents	Retention Period
Accounts payable ledgers and schedules	7 years



Audit reports	7 years
Bank reconciliations	7 years
Bank statements	7 years
Checks	7 years
Contracts, mortgages, notes, and leases)	Contract period + 7 years
Deeds, mortgages, and bills of sale	Title to asset + 7 years
Determination letter for income tax exemption	Permanently
Depreciation schedules	7 years
Duplicate deposit slips	7years
Year-end financial statements	7 years
Insurance records, current accident reports, claims, policies, and so on (active and expired)	7 years
Paid Invoices (to customers and from vendors)	7 years
Minute books, bylaws, and charters	Permanently
Payroll records and registers	7 years
Pension contribution records	7 years
Tax returns and worksheets	7 years
Timesheets	7 years
Withholding tax statements	7 years

Unless noted above, document retention is governed by the IOTA General Document Retention policy.

In addition, Federal awards and other government grants may provide for a longer period than is required by other statutory requirements. IOTA will retain financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to Federal awards in accordance with 2 CFR 200.334. Records will be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the

Federal awarding agency or pass-through entity in the case that IOTA is a subrecipient. Unless otherwise stipulated by the awarding agency or its grant terms, the only exceptions to this policy will be made for the following:

- (a) If any litigation, claim, or audit is started before the expiration of the three-year period, the records will be retained until all litigation, claims, or audit findings involving the relevant records have been resolved and final action taken.
- (b) When IOTA is notified, in writing, by the Federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period.
- (c) Records for real property and equipment acquired with Federal funds will be retained for three years after final disposition.
- (d) When records are transferred to or maintained by the Federal awarding agency or pass-through entity, the three-year retention requirement is not applicable to IOTA.
- (e) Records for program income transactions after the period of performance: In some cases, IOTA may be asked to report program income after the period of performance. Where there is such a requirement, the retention period for the records pertaining to the earning of the program income starts from the end of IOTA's fiscal year in which the program income is earned.
- (f) Indirect cost rate proposals and cost allocations plans: This paragraph applies to the following types of documents and their supporting records: indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).
  - (i) Submitted for negotiation—If the proposal, plan, or other computation is required to be submitted to the Federal Government (or to the pass-through entity) to form the basis for negotiation of the rate, then the three-year retention period for its supporting records starts from the date of such submission.
  - (ii) Not submitted for negotiation—If the proposal, plan, or other computation is not required to be submitted to the Federal Government (or to the pass-through entity) for negotiation purposes, then the three-year retention period for the proposal, plan, or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

## **F. Due Diligence**

IOTA, in recognition of its fiduciary responsibilities, will perform periodic audits and reviews of its processes and departments'/schools'/employees' compliance with these policies.

Periodic audits and reviews can be expected for:

- Accounts Payable
- Accounts Receivable
- Attendance Reporting
- Construction Expenditures
- Consulting Services
- Corporate Credit Card Charges
- Deposits
- Expense Reports Reimbursements
- Fundraising
- Meal Reporting
- Mileage Reimbursement Claims
- Payroll
- Purchasing
- Restriction of Funds Usage Compliance
  - Federal Restricted Funds
  - State Restricted Funds
  - Private Contract and Grants Funds
- Tax Compliance
- Use of IOTA Approved Vendors

**G. Use of Assets**

IOTA employees must not use any of the Organization’s assets for personal use.

**H. Use of Credit Cards**

This section is a brief summary of IOTA’s credit card policy. For the complete policy, please refer to the *Credit Card Reference Manual*.

The cost/benefit to IOTA must be reviewed fully to ensure that no other method of payment is appropriate. Credit cards that are issued will be assigned to a specific IOTA employee and should be used only for that IOTA employee’s business-related expenditures. Employees shall avoid using their IOTA credit card for personal purchases.

On an annual basis, the Card Program Administrator and Controller (see Section 1 of this Policy Manual) will review the list of cardholders to reevaluate the expense needs for each cardholder in the coming year. When the employee transfers to a different company or position, the cardholder will surrender his or her card.

To request a temporary credit limit increase, the request:

1. Must be submitted in writing, and must include proper justification;
2. Must be approved by the cardholder’s manager; and
3. Will be effective for one month.

The cardholder is responsible for all purchases on their card, including charges made by others allowed to use the card. Therefore, IOTA strongly discourages cardholders from allowing others to use their credit card even if it is being used to cover an IOTA approved expenditure by the employee.

All IOTA credit card charges must be supported by itemized receipts which detail the items purchased and reflect the amount of sales/use tax paid to the vendor. A list of attendees and specific business purposes must also be included. If the expenditure is for professional development, an agenda must be provided.

Cardholders and reviewers must comply with the policies outlined in the *Credit Card Reference Manual*. Failure to comply with those policies and the rules below shall be considered an Infraction:

1. Cardholder must submit reconciled credit card statements by the 8<sup>th</sup> of the month following any month in which a charge is incurred;
2. Cardholder must submit a personal check for missing receipts or personal charges to be received by the 13<sup>th</sup> of the month
3. Cardholder cannot purchase “Out of Compliance Purchases” as specified in the Credit Card Reference Manual;
4. There must be a business purposes for each purchase and the cardholder must provide an itemized receipt for each purchase; and
5. Cardholder must provide a list of attendees for every meal purchased that is not a student meal

On a monthly basis:

- Checks for credit card expenditures, without receipts or for personal expenses, must be made out to IOTA Community Schools and mailed to IOTA lockbox. The check can also be hand-delivered to the Controller for deposit, if feasible.
- The reviewer will check that the charges are supported by itemized receipts, reimbursement for personal charges are paid, and report noncompliance to the employee’s supervisor by the 13<sup>th</sup> of the month following such a charge.
- The approver must approve the credit card expense report by the 17<sup>th</sup> of the month. A complete reconciliation must include the month’s statement and receipts for all transactions. Failure to provide completed reconciliation three times in a twelve (12) month rolling period will be subject to the loss of eligibility of their credit card for twelve (12) months.

Twelve (12) months is defined to mean the following today and the prior three hundred sixty-five (365) days. Cardholders may request to have their card reinstated twelve (12) months after their last infraction and after completing thirty (30) minutes of credit card training from the Accounts Payable Department.

Improper use of an IOTA credit card will result in disciplinary action, up to and including termination.

## **I. Invoicing**

Any invoice sent to an individual or business on behalf of IOTA must be prepared and sent from the F&A Department in order to ensure accuracy of billing and the most up-to-date invoice template is used.

Invoices must be reviewed by the Controller (see Section 1 of this Policy Manual) before being sent. Invoices must be saved in the form of a PDF document only.

## **J. Centralized Processing**

Because of the demands of centralized supporting departments, it is necessary to use the IOTA Home Office address and contact information for all official correspondence. Business documents (e.g., vendor invoices or consultant contracts) should be addressed directly to IOTA and, if not, promptly forwarded to the appropriate department for processing.

## **K. Password Protocol and File Access**

While protecting files serves a valuable business purpose, in a sudden or prolonged absence (e.g., illness or emergency), IOTA needs to ensure work can continue for the remaining team members.

Therefore, Finance & Accounting employees who have password-protected files (such as Excel) or have passwords for systems for which they are the sole administrator (such as Dropbox) must provide their manager with the passwords, file names, and login information. Before updating an existing password, employees must inform their manager of the proposed change as well as the new password to be used.

The policy does not apply to login information for the computer/network or to IOTA accounting software.

## **L. Acceptance of Personal Gifts**

No employee may solicit or accept gifts of significant value, lavish entertainment or other benefits from students, parents, donors, vendors, and other stakeholders. Special care must be taken to avoid even the appearance of a conflict of interest. Employees are not allowed to accept any gift which would cause the cumulative amount of gifts from an individual source to exceed \$250 during any calendar year, or applicable local/state law, whichever is deemed lesser. If an employee is unsure if a gift will violate this policy, please consult the Controller (see Section 1 of this Policy Manual) before accepting the gift.

The term "gift" does not include:

- Meals provided to IOTA staff at an event at which an official speaks, participates in a seminar or similar activity, or provides a similar service.

- Reimbursement of travel expenses and meals paid for by a local, state, federal or foreign government agency.
- Payment for travel expenses from a nonprofit organization of which IOTA is a member.

**M. Reporting of Theft and Other Criminal Activity**

Employees must report any known alleged theft or other financially-related improper activity as soon as they become aware to the employee's supervisor and/or a manager. All supervisors and/or managers must report any known alleged theft or other financially-related improper activity after they are informed of the alleged theft or improper activity to the Controller (see Section 1 of this Policy Manual). As appropriate and determined by the Controller (see Section 1 of this Policy Manual) or equivalent senior position, an internal investigation may be conducted by IOTA management and law enforcement may be notified. See Employee Handbook for the Organization's whistleblower policy.

**N. Conflict of Interest – Federal Funding**

Should a conflict of interest arise in the course of business or management of federal funds, written notification will be provided to the funding agent in accordance with 2 CFR 200.112. The conflict will be evaluated and shared with respective stakeholders and IOTA leadership. Written notification on company letterhead signed by the ED will be provided to the funding agent in a timely manner, but no later than thirty (30) business days from the date the conflict of interest was identified.

**O. Disclosure of Personal Interest in Voting Matters**

An official or employee with the responsibility to vote on a measure shall disclose during the meeting at which the vote takes place, before the vote and to be included in the minutes, any personal interest, which may include family members, that affects or that would lead a reasonable person to infer that it affects the official's or employee's vote on the measure. In addition, the official or employee may, to the extent allowed by law, recuse himself or herself from voting on the measure.

**P. Disclosure of Personal Interest in Non-Voting Matters**

An official or employee who must exercise discretion relative to any matter other than casting a vote and who has a personal interest in the matter that affects or that would lead a reasonable person to infer that it affects the exercise of the discretion shall disclose, before the exercise of the discretion when possible, the interest on the Disclosure Form, contact the Controller (see Section 1 of this Policy Manual) for the form, and file the Disclosure Form with the ED. In addition, the official or employee may, to the extent allowed by law, recuse himself or herself from the exercise of discretion in the matter.

## **II. Financial Management**

### **A. Basis of Accounting and Financial Reporting**

IOTA will maintain its accounting records and related financial reports on the accrual basis of accounting. The consolidated financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Each month, IOTA will produce a monthly balance sheet (statement of net position) and income statement (statement of activities) for management review. Each quarter, summarized financial information is presented to the governing board

### **B. Revenues**

Under the accrual basis of accounting, revenues are recognized when earned, consistent with GAAP applicable to special purpose governmental units. Note that cash basis accounting may be deemed appropriate in accordance with GAAP.

Revenue Recognition – State Apportionment is recognized monthly as follows:

The Tennessee Investment in Student Achievement (“TISA”) funding is based on the yearly average daily membership (“ADM”). ADM is calculated as the average enrollment of any given specified period and is forecasted for all future months of the fiscal year by the F&A department using both historical trends and expected changes in the given fiscal year. When actual enrollment data becomes available, TISA revenue recognition will be based on a new forecasted revenue based off the most recent ADM.

### **C. Expenses**

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

IOTA charges attorneys’ fees and related expenses to a single department within each company (defined below), with the exception of capitalized attorneys’ fees. Facility related attorney fees are charged to the facility cost center. The COO will review all outside attorneys’ fees and related expenses. Outside attorneys’ fees and related expenses may be charged as due to/from inter-school expenses at the discretion of the COO or ED.

Tennessee Home Office 309;

### **D. Record Keeping**

To provide an accurate and auditable record of all financial transactions, IOTA’s books, records and accounts are maintained in conformity with GAAP as required by Tennessee State statutes applicable to charter schools.

Further, IOTA specifically requires that:

- 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 school.
- Receipts and disbursements must be fully and accurately described in the books and records of the subject school.
- No false entries may be made on the books or records nor any false or misleading reports issued.
- Payments may be made only to the contracting party and only for the actual services rendered or products delivered. No known false or fictitious invoices may be paid.

#### **E. Timekeeping Policy**

When allocating salaries to Federal, State, and Private grants or awards, IOTA will use the employee's monthly percentage of effort as a reasonable allocation base and follow the Federal Uniform Guidance ("Uniform Guidance") as well as any other guidance required to be followed by each individual grant or award. The monthly effort certification will be signed off in IOTA Human Resources Information System ("HRIS") on a monthly basis by both the employee and his or her direct supervisor. In the event of an employee termination, leave of absence, or other event that prevents the employee from executing his or her Effort certification, the Effort certification will be signed by the employee's supervisor or grant manager.

If an employee's salary is allocated one hundred percent (100%) to a single award or IOTA cost objective, that employee only needs to complete a semi-annual Effort certification confirming that he/she spent one hundred percent (100%) of his or her time on the specified award or IOTA cost objective. The use of semi-annual effort certification will be optional depending on the grant or award and its objectives; otherwise, a monthly effort certification will be completed through HRIS.

If an employee is allocated less than 100% to a single award or IOTA cost objective AND one of the allocations includes a federal award, an additional daily record must be kept to accurately reflect actual time spent on each cost objective.

Employees allocated to restricted funds are trained on how to complete an Effort Certification and the purpose of Effort Certifications. Employees are also trained on how to complete the manual Personnel Activity Report ("PAR"), as needed. Employees are trained as soon as official notices of award and/or approved budgets are received by IOTA.

Any corrections to certified and submitted Effort Certifications needed after the payroll period and/or accounting period have been closed will be made through the use of PAR forms. The PAR will be signed in the same manner as Effort Certifications. In compliance with the Fair Labor Standards Act ("FLSA"), hourly employees must complete a report indicating the total number of hours worked each day.



## F. Chart of Accounts

IOTA chart of accounts is consistent with the Tennessee Comptroller of the Treasury's County Uniform Chart of Accounts. IOTA receives various federal, state, local, and private grant awards. The expense and revenue transactions for these awards are managed through IOTA accounting software. Assets, liabilities, net position, expenses and revenues are managed through the use of a chart of accounts that identifies a variety of information. The following chart of account dimensions are applicable to IOTA:

Grant (Project):	Tracks activities that are funded with revenues that have special accounting or reporting requirements or that are legally restricted.
Ledger Account:	General ledger classification that: <ol style="list-style-type: none"><li>1. Classifies revenue by source and type (e.g., state, federal, or local).</li><li>2. Classifies expenses by function.</li><li>3. Classified balance sheet accounts as assets, liabilities or fund balance.</li></ol>
Object Code (Department):	Classifies expenses by type of commodity or service (e.g., salaries, benefits, or supplies).
Cost Center (Entity):	Designates a specific school, home office department, or balancing cost center.
Program (Function):	Represents a general operational area and groups together related activities. The program describes the activities or services performed to accomplish a set of objectives or goals.
Fund (Class):	State defined classification identifying the fund under which the organization operated.
Program:	Tracks activities or specific programs that are not necessarily grant related but either have reporting requirements or would just provide additional trackability to certain expenses.
Restricted/Unrestricted:	Classification defining whether a transaction is unrestricted or restricted.
Year:	Identifies the reporting year for a fund source that has more than one reporting year during the fiscal year. Project year code is

zero (0) when the funding activities are reported in the same fiscal year.

At least once a year, the Controller (see Section 1 of this Policy Manual) will meet with the Chief of Operations and the Director of Finance to review, add, remove, and change ledger accounts, spend categories, and revenue categories for the forthcoming year.

When new accounts are needed for the chart of accounts, the Controller (see Section 1 of this Policy Manual) will add the new accounts to all entities. The Controller (see Section 1 of this Policy Manual) is responsible for ensuring that the combination of segments in the account is allowable.

## **G. Budget**

School-level and Home Office department-level budgeting is a collaborative effort between all Home Office departments and school sites. IOTA prepares an annual operating budget of revenues and expenses, five-year projections, cash flow projections, and capital expenditure and deferred maintenance budgets. These budgets and projections are reviewed and approved by IOTA's Board of Directors on an annual basis in June and modified in October after the first reporting cycle of the academic school year in order to adjust for actual student enrollment. All schools and Home Office departments participate in the October budget update process.

Consolidated school and Home Office department-level financial reports displaying budget versus actual results as well as full-year budget versus full-year forecast are prepared by Finance & Accounting and are available to the school sites and Home Office Department Heads on a monthly basis. IOTA management team, Finance Committee of the Board of Directors, and Board of Directors review the statements on a quarterly basis, typically within forty-five (45) days after the end of the quarter.

## **H. Type, Sources, and Uses of Funds**

IOTA maintains a firm commitment to ensure that funds are used only for their intended purpose in accordance with all applicable laws, regulations, and donor requirements. Furthermore, IOTA will ensure that funds are sufficiently segregated to provide for an appropriate level of visibility and internal control.

For example:

- Funds received from Federal, State, and local sources will be used only as specified in the applicable directives.
- Funds received from donors will be used only in strict accordance with the donor's wishes.
- Funds raised by school-sites either through athletic activities or student events will be used only in fulfillment of the commitment(s) made as to the purpose of these fundraising activities.

### **Federal Awards – Allowable Costs**

Except where otherwise authorized by statute, costs related to federal awards must meet the following general criteria in order to be allowable under Federal awards (2 CFR §200.403):

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.
- Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- Be determined in accordance with GAAP, except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- Be adequately documented.
- Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise (2 CFR §200.410).

### **Grants – Expense Tracking (\$50,000 and Over)**

In order to ensure efficiency in 's accountability and internal control procedures that meet the requirements of funding agents such as federal, state, local, and private agencies; a minimum award amount of \$50,000 will be required in order for the Grant Accounting Team to track revenue and expenses within 2s IOTA general ledger.

The “tagging” process is one in which expenses incurred and paid with grant funds are coded with the respective general ledger codes. Other criteria will also be considered to determine adequate tagging and tracking of grants. These criteria include funding agent-imposed restrictions, reporting of grant expenses to funding agents based on budget versus actual, and fiscal monitoring by the funding agent.

There may be instances in which the Grant Accounting Team does not track expenses for grants that are \$50,000 and above. This exception can occur if acceptance of the grant is not contingent upon any conditions or specified requirements. Revenue and expense for these grants that are void of specific requirements will not be tagged or tracked using general ledger coding.

**Grants – Expense Tracking (Less than \$50,000)**

Grants that are less than \$50,000 and that do not meet the criteria mentioned above will be tracked informally as per the following matrix:

Scenario	Development Contact	Finance Contact	School Site Staff Role
<p><b>Ambassador XX donation to:</b></p> <ul style="list-style-type: none"> <li>• A specific program at one school, or</li> <li>• A regional program that spans multiple schools</li> </ul>	<p><b>Development Officer:</b> schedules hand-off and check-ins; clarifies donation restrictions and spending timeline; maintains donation record and documentation.</p>	<p><b>Director of Fin/Ops or Controller:</b> Responsible for appropriate use of funds; oversees school-site/program staff who are actively managing expense tracker; coordinates with school site/program staff to collect and aggregate expenses from schools if funding spans multiple schools.</p>	<p><b>SOM or Program Manager:</b> Actively manages expense tracker by updating sheets with expense details related to donation/grant.</p>
<p><b>Foundation grants under \$50K</b></p>	<p><b>Grant team member:</b> schedules hand-off and check-ins; clarifies donation restrictions and spending timeline; maintains donation record and documentations.</p>	<p><b>Grant Accountant:</b> stays informed to ensure allocations do not overlap.</p> <p><b>Director of Fin/Ops:</b> Responsible for appropriate use of funds; manages/delegates expense tracker; coordinates with school site/program staff to collect and aggregate expense info from schools.</p>	

The Grant Accounting Team may provide support to said department or Program Manager to develop an informal tracking process but will not track the expense.

Exceptions to the \$50,000 grant minimum may be made based on the specific grant requirements from the funding agent. Exceptions will also be considered if multiple individual grants that support a single or common purpose sum to \$50,000 or more in aggregate and meet the grant expense tracking criteria.

**Grants – Financial Management Procedure**

Grant-related expenses and the respective grant funding revenue is identified using the revenue category identified in the preferred chart of accounts. The process of assigning these grant funding identifiers to expenses and revenue is referred to as “tagging.”

Once expenses are “tagged” to a grant, the information is used as part of the cash management process to accurately request reimbursement of expenditures from the respective funding agent.

For grants or awards from private donors with a period that does not coincide with IOTA’s fiscal year, a new work tag will be created for each award. If a donor repeats a grant or award in subsequent years, a new work tag will be established for each subsequent grant or award.

### **Grants – Cash Management**

IOTA receives various federal, state, local, and private grant awards that are either awarded directly or through pass-through agencies.

- *Direct Federal Awards:* Awards received directly from a federal agency are treated in accordance with 2 CFR 200.305. Reimbursement requests for direct federal awards are requested directly from the funding agent’s payment management system. Prior to the request being submitted to the funding agent, the Grant Accountant in the Finance & Accounting Department prepares a payment request form along with general ledger reports and submits them for review. Once the payment request has been reviewed and approved, the approved form is submitted to the Controller (see Section 1 of this Policy Manual) for final approval. After the Controller (see Section 1 of this Policy Manual) has approved the request, the Grant Accountant submits the reimbursement request to the funding agency. The process is completed after each accounting period month-end close.

Direct Federal Awards allow for advance payments (2 CFR 200.305(b)(1)). IOTA may opt to utilize the advanced method from time-to-time. A payment request form and documentation is maintained to request adequately an advance payment that will meet the financial need of the grant-funded program.

- *Pass-Through Awards:* Awards that pass through a local or state education agency will follow the guidelines set forth in the grant agreements and in accordance with 2 CFR 200.302 and 2 CFR 200.305. IOTA typically receives pass-through awards that are received in advanced apportionment disbursements and awards that require expenditure reimbursement requests to be submitted to the funding agent.

Pass-through advanced payments for federal awards are reviewed and analyzed throughout the fiscal year to verify if the amounts received are subject to 2 CFR 200.305(b)(7) and 2 CFR 200.305(b)(8).

Pass-through reimbursement-based awards follow the guidelines set forth by the grant agreement. Reimbursement requests are prepared by the assigned Grant

Accountant, reviewed and approved by the Grant Accounting Manager, signed by an authorized signer, and submitted to the funding agency by the Grant Accountant.

### **Allocation of Expenses to Grant Awards**

Allocation of expenses to grant awards are performed in accordance with 2 CFR 200.405 and other regulatory specifications set forth in grant award agreements or notifications. Salaries and benefits are allocated to grants based on the reasonable effort put forth by employees towards meeting the intent, purpose, and objectives of a specific grant funded program. Effort-based allocations are managed through the Effort Certification process. For further details regarding the Effort Certification process, please refer to the *Timekeeping Policy* section. Non-personnel expenses are allocated to grants based on the benefit received by the grant funded program of said expenses.

### **Pandemic Guidelines**

In accordance with guidance from an applicable regulatory agency regarding the use of grant funds, IOTA may continue to charge the compensation of its employees who are paid by an active grant to that grant during a period of unexpected or extraordinary circumstances such as the Covid-19 pandemic. An employee who is being paid by grant funds for a program that is shut down cannot also be paid for working on other activities that are not shut down.

## **I. Student Fees**

No fees or tuition shall be required of any student as a condition of attending public charter school or using its equipment while receiving educational training. All school fees must be authorized by the governing body of the school. The governing body of the school will determine activities during the school day and supplies that are required for participation in courses offered for credit or grade for which the governing body authorizes the requesting of fees.

The following school fees may be requested from but not required of any student, regardless of financial status:

1. Fees for activities that occur during regular school hours (the required one hundred eighty (180) instructional days), including field trips, any portion of which fall within the school day; or for activities outside regular school hours if required for credit or grade;
2. Fees for activities and supplies required to participate in all courses offered for credit or grade, including interscholastic athletics and marching band if taken for credit in accordance with governing body of the school; and
3. Refundable security deposits collected by a school for use of school property for courses offered for credit or grade, including interscholastic athletics and marching band if taken for credit.

The parent or legal guardian of a student shall be given the opportunity to pay all or any portion of the authorized fee if he/she desires. However, if the parent chooses not to pay a fee, the child may not be prevented from participating in the activity or course for which the fee is being requested.

The school may require and collect the following fees/fines from students:

1. Fines imposed on all students for late-returned library books; parking or other traffic fines imposed for abuse of parking privileges on school property; or reasonable charges for lost or destroyed textbooks, library books, workbooks or any other property of the school;
2. Debts incurred to a school;
3. Refundable security deposits collected by a school for use of school property for participating in extracurricular activities;
4. Costs for extracurricular activities occurring outside the regular school day including sports, optional trips, clubs or social events; and
5. Under Tenn. Code Annotated (“TCA”) § 49-13-111 a public charter school shall not charge tuition; provided, however, that tuition may be charged if the governing body of the charter school approves a transfer from another district to a public charter school in its district pursuant to TCA. § 49-6-3003.

A process to waive the following school fees for students eligible for free or reduced-price school lunches shall be established by the school:

1. Fees or tuition applicable to courses taken for credit or grade during the summer by a student; except that non-resident students regularly enrolled in another school system may be required to pay fees or tuition for such summer courses; and
2. Fees required for graduation ceremonies.

### School Uniforms

TCA §49-1-302 allows local school boards to adopt a policy regarding student uniforms. The following are examples of assistance that may be provided:

1. Providing uniforms to students who cannot afford to purchase them;
2. Forming partnerships with community and business leaders to provide uniforms or contribute financial support for uniforms;
3. Encouraging school parents to work together to make uniforms available for economically disadvantaged students; and
4. Collecting used uniforms from graduates to make available for incoming students.

## **J. Acceptable Use of Public Funds**

The term “public funds” is not limited to money, but includes anything of value belonging to a public agency such as equipment, supplies, compensated staff time, and use of telephones, computers, fax machines, and other equipment and resources.

Due to the receipt of public funds from various public sources, there is increased scrutiny over IOTA’s use of public funds. IOTA adheres to applicable laws regarding the use of public funds. Private funds commingled with public funds are considered public funds and must be spent in accordance with applicable law regarding allowable use of public funds.

### **Gifts of Public Funds**

Using public funds for gifts of a personal nature is not allowed because they confer a tangible benefit on an individual. Except as explained below, gift certificates, flowers, and candy are most often viewed as personal as opposed to public in character and, therefore, should not be purchased with IOTA funds. Gift certificates or gift cards are characterized as gifts of public funds and, therefore, are not allowed, except when purchasing gas cards for students designated as homeless under the McKinney-Vento Homeless Assistance Act (refer to “McKinney-Vento Program” below). However, gift certificates and gift cards originating directly from a donation from external vendors or individual contributors can be transferred by IOTA administrators to employees for various organizational purposes. The employee is responsible for ensuring that the gift or benefit received is in accordance with the “Acceptance of Personal Gifts” section of this manual.

Staff appreciation meals are considered a gift of public funds and, therefore, not allowed due to the fact that staff appreciation meals do not serve a direct and/or substantial public purpose. Note that meals served at professional development training are allowable. Employees must provide appropriate support or proof that a professional development session took place. Appropriate support includes, but is not limited to, an agenda, a brief description of the session and how the subject matter will help advance the Organization’s mission, and a list of participants.

Flowers may be used for awards ceremonies or as decorations for public events.

Additionally, IOTA funds shall not be used for donations to nonprofit organizations or students/families in need because they are considered a gift of public funds, no matter how worthy the cause. IOTA’s tax identification numbers allow donations to the schools to be tax deductible, but once the funds are received, they are commingled with other monies received for a variety of purposes. Sending a portion of the funds to another nonprofit agency constitutes a gift of public funds.

In general, fundraising should be for the exclusive benefit of IOTA schools or the Organization and not for other organizations. However, a group of students or employees may organize a fundraiser to support a charity as long as the event is clearly identified as raising funds for that charity. All donations not going to IOTA should be in the form of



checks made payable to the charity and should be picked up by, or delivered to, the charity so that funds are not deposited into the IOTA bank account (note—such donations are also not eligible for a tax exemption letter provided by IOTA as IOTA is not the recipient.) IOTA resources should not be utilized to support outside charity and funds cannot flow through IOTA.

**K. Audit Committee**

The Audit Committee is a subcommittee of IOTA’S Board of Directors. The Audit Committee is charged with overseeing the audit process, recommending the approval of the audited financials to IOTA’S Board of Directors, as well as screening and selecting IOTA’S auditors. The Audit Committee Chairman is appointed by IOTA’S Board of Directors and would ideally possess a certified public accountant (“CPA”) certification.

**L. IOTA’S External Auditors**

IOTA’S external auditors must hold appropriate certifications applicable to a public accounting firm and must be approved by the Audit Committee on behalf of IOTA’S Board of Directors. The external auditor’s contract can be either annual or multi year but at a minimum, must be reviewed annually.

**M. Audit Requirements**

An annual fiscal audit shall be performed by an independent CPA firm, and shall include, but not be limited to:

1. An audit of the accuracy of IOTA’s financial statements;
2. An audit of IOTA’s attendance accounting and revenue claims practices;
3. An audit of IOTA’s internal controls practices; and
4. IOTA is also subject to a single or program specific audit conducted for the fiscal year if federal award expenditures exceed \$750,000 in a fiscal year (2 CFR §200.501).

Prior to submission, the completed audit report shall be reviewed by IOTA’s Audit Committee and the Board of Directors. The approved audit report will be submitted to the charter-granting agencies and the Tennessee Department of Education by each agency’s reporting deadline of each year.

**III. Policies Related to Assets, Liabilities, and Net Assets**

**A. Bank Accounts**

All bank accounts will be established in strict accordance with IOTA bylaws, applicable board resolutions, and the terms and conditions agreed to with the hosting financial institution.

All non banking accounts, including but not limited to mobile payment apps, online payment systems, peer-to-peer money transfer, and mobile/online banking, will be

governed by the same rules as IOTA's traditional bank accounts. Examples of non banking accounts include PayPal, Zelle, and Venmo. Only Board of Directors' authorized personnel are permitted to open, close, and process non banking services transactions.

At a minimum, IOTA will maintain the following:

- A main operational checking account into which all non-payroll related deposits and disbursements will be made. Note that fundraising derived by the Home Office departments are deposited into this account.
- Individual schools deposit zero balance accounts into which all federal, state, and local school earmarked funds will be deposited. Note that fundraising derived by the schools is deposited into its individual bank account. Any balance in these accounts will be swept into the main operational checking account nightly.
- A single payroll zero balance account which will be used solely for making payroll and payroll tax-related payments. Any balance in this account will be swept into the main operational checking account nightly.
- Separate holding accounts for advance funds provided under federal, state or local programs which require segregation of funds.
- In entities where private and federal funds commingled with state funds would revert to the state in the event of a school closure, IOTA management may decide to maintain separate bank accounts for state funds and non-state funds. Materiality and probability of school closure are examples of factors management will consider when determining whether or not to maintain separate accounts.
- Federal Grant Funds – Interest-Bearing Accounts: All advance payments of federal funds must be deposited and maintained in interest-bearing accounts, with the following exceptions (2 CFR §200.305):
  - The entity receives less than \$250,000 in federal awards per year.
  - The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on federal cash balance.
  - The bank would require an average or minimum balance so high that it would not be feasible within the expected cash resources.

## **B. Deposits**

To limit cash handling by unauthorized school personnel (i.e., teachers and coaches), students are instructed to make payments directly to the SOM or Office Assistant ("OA") in the school office. However, when a fundraising event is held before or after school hours or during the weekend, any responsible school personnel may keep the money in a safe place until it can be submitted to the office when the school is open. The SOM collects cash or checks from teachers, fundraising, parents, students, and other sources (e.g., cheerleading, soccer, class trips, uniforms, lunches, yearbooks, and donations). These funds are not to be used as petty cash or spent. All funds must be deposited on a weekly basis. Checks collected must specify purpose, date, and amount of the payment. Payments must be evidenced by a receipt. However, a log of payments is acceptable under certain circumstances in which the issuance of individual receipts is not feasible (e.g., small dollar amounts for snack items). Verification as to the accuracy of funds

received and recorded must be evidenced by the SOM and the person responsible for accepting the funds (e.g., program manager, teacher, or OA) by making an entry in the Receipt Log. Funds must be kept in a secure location at the school site until the scheduled pick-up occurs. Deposit records must be emailed to the responsible Accountant immediately after completion of the deposit. Unless there was no money collected, there should be at least one deposit per week. If a deposit does not occur during the week, then this fact should be communicated to the responsible Accountant via email. Backup documentation must be kept at the school site.

All money should be deposited weekly on regular pick up dates via armored transport service. Home Office and school sites must deposit all money before spring, summer and winter breaks. Requests to cancel or change regular deposit pick-ups should be communicated to the responsible Accountant and approved by the Controller (see Section 1 of this Policy Manual), prior to the pickup dates being changed. Cash and checks must be deposited within one week of receipt.

#### *Cashiers*

The school will designate a primary person for handling cash (“Primary”) and backup person for handling cash (“Backup”). The Backup will fill in as the cashier when the Primary is out on leave, so otherwise not present. If the Primary is to be on leave for more than a week, a replacement should be designated until the Primary returns.

#### *Lockable Container*

The Primary and Backup should each have a locked container for cash and checks, and these containers should not be shared. The Administrator is the only other person who has access to the container and should only access the container if the Primary and Backup will be absent for more than one week. The cash container should be of substantial size so that it is not easily carried away. For example, the container can be a safe, lockable desk drawer, or lockable cabinet.

#### *Exchange of Cash – Receipt Book*

Anytime the Primary or Backup receives cash, the receipt of cash must be evidenced by a receipt signed by the cashier receiving the cash. Cash exchanges between the Primary and Backup should also be documented by a receipt. If a point-of-sale (“POS”) system is used, a receipt generated by the POS is acceptable.

Please note the following rules regarding receipts:

- The Primary and the Backup have separate receipt books;
- Receipt books will have 3 copies (The original goes to the person giving the cash, one copy gets attached to the deposit log, and one copy stays in the receipt book);
- Receipts will be sequentially numbered;
- Receipts are to be issued in sequence, with no skipped numbers; and
- All copies of voided receipts must be retained in the receipt book.

### **C. Outstanding Check Policy**

Checks that have been written, but have not cleared the bank are called outstanding checks. IOTA policy on outstanding checks is as follows:

#### **Payroll Checks**

Tennessee Escheatment law requires Tennessee employers report and remit unclaimed payroll earnings to the State Controller's Office. In Tennessee, payroll earnings are considered unclaimed property when they remain unclaimed by the employee for more than one year (dormancy period) after becoming payable or distributed. Employers must also make a reasonable effort to locate the owner of the unclaimed property before remitting it to the state. Unclaimed Property Notice reports without remittance, are due to the state by November 1st of each year. Final reports of unclaimed property with remittance are due to the State Controller's Office by June 15th of the following year.

#### **Non Payroll Checks**

IOTA outstanding checks are eligible for escheatment at a three-year dormancy. Accounts Payable will review records for any uncashed checks outstanding for more than 2 years. Due Diligence Notices are mailed to property owners for any uncashed checks outstanding for more than 2 years no later than April 30th of the following year. Checks may be reissued if the property owner responds to the due diligence letter prior to October 1st of the same year in which the Due Diligence Notice was provided. Any Due Diligence Notices outstanding as of October 1st are compiled into a "Notice Report," which is due to The State Controller's Office no later than November 1. Any property still in IOTA's possession as of June 1 of the subsequent year will be transferred to the state.

IOTA will follow Tennessee law for escheating funds as applicable.

### **D. Donations and Fundraising**

Employees should check with their supervisor or department head prior to soliciting any donations or setting up any fundraisers to ensure compliance with local, state, and federal laws as well as IOTA internal policies. Prospective donations from large organizations or high net worth individuals should be coordinated with the appropriate internal party prior to pursuing the donation.

A myriad of laws and regulations governing donations to charitable organizations as well as rules related to using funds only in strict accordance with the donor's wishes require the following:

- Solicitations of donations including school-site fundraising must be explicit as to the purpose(s) for which the funds are being sought.
- Donations exceeding twenty five (\$25) must be acknowledged, in writing, and will be done so promptly

- Under rare, applicable circumstances, separate restricted accounts will be required to ensure that donor funds are handled appropriately.
- All donor funds will be promptly recorded and then deposited into the applicable bank account.
- Employees responsible for monitoring donor funds will ensure that the funds are used strictly in accordance with the donor's understanding as to why the funds were raised and/or any specific written restrictions.
- Once a restriction has been fulfilled, any remaining funds will be returned to the donor(s), if required, or transferred to unrestricted funds for use in the support of the IOTA mission.

If a potential donor wishes to make a financial gift to IOTA, please check with your school Principal and/or direct the donor to the Director of Development and Mentoring. Donors should be reminded that to ensure their contributions are tax deductible, the appropriate IOTA entity should be listed as the recipient of the funds rather than the individual school, if applicable. IOTA will ensure that all donations earmarked for an individual school will be restricted to the specified use by the named school(s).

All payments should be made payable to IOTA. If the donation is for a specific school, the school to receive credit for the funds should be noted elsewhere on the documents (e.g., the memo area of the check) to ensure the donation is earmarked for the individual school and will be restricted to the specified use by the named school(s).

#### **E. Donation of Assets**

IOTA recognizes the value of donated goods that may be offered on a sporadic basis without charge to the Organization. All donated goods must be related to an educational function and must be approved by the Principal or IOTA department head of the school or department receiving the donated asset.

##### **Recording of Donated Assets:**

IOTA records assets donated by unrelated parties at their fair values based on either an available market price or an appraisal value.

##### **Acceptance of Goods:**

- A description of the goods, including the value and contact information for the donor must be provided to IOTA's F&A Department upon acceptance.
- Technology equipment must meet the standards comparable to those already established by IOTA. Please contact 's Technology Department prior to accepting any technology related goods.
- Goods that will be attached to the building or grounds must be assessed by a member of IOTA's Director of Operations prior to acceptance. These goods may create ongoing costs, therefore, a thorough analysis of such costs should be completed prior to acceptance (i.e., installation, electricity, and/or maintenance).
- Acceptance of goods shall be made without any reciprocating commitment by any employee on behalf of IOTA

- IOTA may request evidence of ownership of any goods prior to acceptance.
- All goods donated shall be accepted solely for the benefit of the students and not for any salary, benefit and/or stipend.

Use of Goods: All donated goods shall be considered the property of IOTA Employees who receive donated goods must leave those items with IOTA if they leave IOTA, unless otherwise stated, in writing, by the donor. Such instructions must be provided at the time of donation.

IOTA will not perform an appraisal and will not place any value for donated goods on behalf of the donor. The donor shall be responsible for obtaining his or her own appraisals for tax purposes, along with any fees or other expenses that may be related to such an appraisal.

IOTA may decline an offer to donate goods if it is deemed not to be in the best interest of to accept the donation. Examples may include, but are not limited to, the following:

- Technology or other goods that do not meet the IOTA required minimum standards; An offer that would initiate an additional expense for service or ongoing maintenance; or
- An offer that would create unreasonable inequity to a specific segment of the student population.

Any uncertainty as to whether a donated good falls within acceptable IOTA Policy should be directed toward either the IOTA department head of the department receiving the donated asset, or the IOTA F&A Department.

#### **F. Petty Cash**

Since there are various methods to expedite the purchase and payment for school supplies, expenses, and unforeseen costs, petty cash funds are no longer necessary at the school sites, except for the school change fund as outlined in the following section.

#### **G. School Change Fund**

Since IOTA schools no longer keep petty cash on hand, the school change fund is used for providing change when needed during school events or sale of student supplies in the office. If the school elects to have the change fund, the change fund custodian is the SOM/DSO. The maximum amount allowed to be maintained in the change fund is fifty dollars (\$50). The SOM is personally responsible for administering and managing the change fund. The change fund must be kept separate from all other funds, and is subject to periodic audits when the Senior Accountant visits the school site.

#### **H. Liability for Compensated Absences**

Compensated absences arise from employees' vacation leave or other designated circumstances. While IOTA expects 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:

- The employee’s right to receive compensation for the future absences is attributable to services already performed by the employee;
- The employee’s right to receive the compensation for the future absences is vested or accumulated;
- It is probable that the compensation will be paid; and
- The amount of compensation is reasonably estimable.

Compensated absences not required to be paid upon employee termination are only recorded when paid.

#### **I. Unused Sick Time Policy**

Please refer to the Employee Handbook for sick leave charts. Sick leave can be accumulated without limit, and is not paid out upon separation of employment. Pay stubs shall display the total balance of an employee’s accumulated sick leave hours.

Employees who are eligible to participate in a state-sponsored pension with IOTA shall be entitled to transfer sick leave accrued from previous employment in a school district, charter school or public school within the same state while participating in a state pension so long as the sick leave is verified appropriately by the prior employer as per the policy of the state pension plan. Please see IOTA’s Human Resources Department for the “Transfer of Accumulated Sick Leave” form.

Per Government Accounting Standards Board (“GASB”) Statement 16 and Accounting Standards Codification (“ASC”) 710-10-25-1, unused sick time is not a recordable liability, particularly due to the fact that there will be no payment at any time. Therefore, IOTA will not record unused sick time accrued by certificated staff in the general ledger. The tracking of these hours by ’s Human Resources Department will be considered sufficient.

This Policy does not apply to employees who accrue for paid time-off (“PTO”) which is to be used for both vacation and sick leave. Unused PTO balances are accrued in the general ledger. Refer to the Employee Handbook for the restriction concerning the limit of accrued PTO hours allowed.

#### **J. Prepaid Expenses**

IOTA has adopted a five thousand dollars (\$5,000) threshold for prepaid expenses that occur within the same fiscal year. This means if an expense is under five thousand dollars (\$5,000) and it is for an event that will occur in the future months but within the same fiscal year as the closing period, it will be booked to an expense account, not a prepaid expense account, which is an asset account. Note that this threshold does not apply to year-end accrual procedures. The prepaid expense threshold of five thousand dollars (\$5,000) is based per cost center and balance sheet. If the prepaid asset would be less

than five thousand dollars (\$5,000) per cost center, the prepaid amount will be expensed. Efforts will be made to not partially capitalize an invoice into prepaid expenses.

This accounting treatment applies to prepaid journal entries, credit card entries, bank entries, and accounts payable entries.

Exception:

- The threshold does not apply to prepaid expense items where expenses will take place in the following fiscal year. Therefore, it is critical to include in the entry description when the event will take place to ensure appropriate booking to the correct fiscal period.

#### **K. Accounts Payable Monthly Expense Accrual Policy**

IOTA has adopted a \$5,000 threshold for accounts payable monthly expense accruals. Smaller amounts may be accrued at the discretion of the accounting department.

On a monthly basis, the Accounting Department will accrue accounts payable invoices received or paid after the month-end closing date whose services have been rendered or goods have been received by IOTA in the closing period or earlier via an auto-reversing entry.

#### **L. Raffles**

Legal requirements must be followed when conducting raffles to avoid any appearance of gambling. Students shall not be barred from an event or activity because they did not participate in the raffle. Potential donors, including parents/guardians and community stakeholders, should not be unduly pressured to contribute to or its schools. Staff is expected to emphasize the fact that donations are always voluntary.

IOTA may conduct raffles to raise funds for beneficial or charitable purposes in the state subject to the rules outlined in Tennessee Code Annotated Section 3-17-101 et seq. An eligible organization must meet the following requirements:

Must have Internal Revenue Service (“IRS”) Tax Exempt Status as a 501(c)(3) or 501(c)(19) for a minimum of five years;

Must have a physical presence in Tennessee for a minimum of five years; and

Must be registered with the Division of Charitable Solicitations.

If any employee desires to organize a IOTA-sponsored raffle, please contact IOTA’S Controller (see Section 1 of this Policy Manual) in advance for more information and eligibility criteria.

#### **M. Prizes and Awards**

IOTA desires that awards may be made to employees and/or students.



- The governing board may make awards to employees who do any of the following:
  - Propose procedures or ideas that thereafter are adopted and effectuated, and that result in eliminating or reducing district expenditures or improving operations.
  - Perform special acts or special services in the public interest.
  - By their superior accomplishments, make exceptional contributions to the efficiency, economy, or other improvement in operations of the school district.
- The governing board may make awards to pupils for excellence.

Before any awards are made pursuant to this section, the governing board shall adopt rules and regulations. The board may appoint one or more merit award committees made up of district officers, district employees, or private citizens to consider employee proposals, special acts, special services, or superior accomplishments and to act affirmatively or negatively thereon or to provide appropriate recommendations thereon to the board.

Any award granted under the provisions of this section that may be made by an awards committee under appropriate district rules, shall not exceed two hundred dollars (\$200), unless a larger award is expressly approved by the governing board.

When an awards program is established in a school district pursuant to this section, the governing board shall budget funds for this purpose but may authorize awards from funds under its control whether or not budgeted funds have been provided or the funds budgeted are exhausted.

IOTA further defines, clarifies, and restricts awards to students and employees as follows:

Life transition events such as birthdays, weddings, holidays, length of service with IOTA and other similar circumstances can happen to anyone and cannot be considered superior accomplishments, or merit an award.

Awards to students must be tangible personal property in recognition of outstanding achievement in academic performance or other performance-related activities that involve a skill rather than luck and are part of the educational experience.

IOTA desires that awards to employees and students be non-taxable income and avoid the administrative burden of reporting awards a taxable income. As such, awards must meet the IRS rules for de minimis fringe benefits. IOTA will consider all gift cards as cash equivalents and are not allowed.

For reference only, as of 5/18/2022, the IRS described de minimis fringe benefits as follows:

### ***De Minimis Fringe Benefits***

In general, a de minimis benefit is one for which, considering its value and the frequency with which it is provided, is so small as to make accounting for it unreasonable or impractical. De minimis benefits are excluded under Internal Revenue Code section 132(a)(4) and include items which are not specifically excluded under other sections of the Code. These include such items as:

- Controlled, occasional employee use of photocopier
- Occasional snacks, coffee, doughnuts, etc.
- Occasional tickets for entertainment events
- Holiday gifts
- Occasional meal money or transportation expense for working overtime
- Group-term life insurance for employee spouse or dependent with face value not more than \$2,000
- Flowers, fruit, books, etc., provided under special circumstances
- Personal use of a cell phone provided by an employer primarily for business purposes

In determining whether a benefit is de minimis, you should always consider its frequency and its value. An essential element of a de minimis benefit is that it is occasional or unusual in frequency. It also must not be a form of disguised compensation.

Whether an item or service is de minimis depends on all the facts and circumstances. In addition, if a benefit is too large to be considered de minimis, the entire value of the benefit is taxable to the employee, not just the excess over a designated de minimis amount. The IRS has ruled previously in a particular case that items with a value exceeding \$100 could not be considered de minimis, even under unusual circumstances.

### ***Cash Benefits***

Cash is generally intended as a wage, and usually provides no administrative burden to account for. Cash therefore cannot be a de minimis fringe benefit. An exception is provided for occasional meal or transportation money to enable an employee to work overtime. The benefit must be provided so that employees can work an unusual, extended schedule. The benefit is not excludable for any regular scheduled hours, even if they include overtime. The employee must actually work the overtime.

Meal money calculated on the basis of number of hours worked is not de minimis and is taxable wages.

### ***Gift Certificates***

Cash or cash equivalent items provided by the employer are never excludable from income. An exception applies for occasional meal money or transportation fare to allow an employee to work beyond normal hours. Gift certificates that are redeemable for

general merchandise or have a cash equivalent value are not de minimis benefits and are taxable.

A certificate that allows an employee to receive a specific item of personal property that is minimal in value, provided infrequently, and is administratively impractical to account for, may be excludable as a de minimis benefit, depending on facts and circumstances.

### ***Achievement Awards***

Special rules apply to allow exclusion from employee wages of certain employee achievement awards of tangible personal property given for length of service or safety. These awards

- Cannot be disguised wages
- Must be awarded as part of a meaningful presentation
- Cannot be cash, cash equivalent, vacation, meals, lodging, theater or sports tickets, or securities.

In addition, there are other requirements specific to achievement and safety awards and there are dollar limitations that must be met. See Publication 5137, Fringe Benefit Guide or Publication 535 for more information.

### ***How are De Minimis Fringe Benefits Reported?***

If the benefits qualify for exclusion, no reporting is necessary. If they are taxable, they should be included in wages on Form W-2 and subject to income tax withholding. If the employees are covered for social security and Medicare, the value of the benefits are also subject to withholding for these taxes. You may optionally report any information in box 14 of Form W-2.

## **N. Reserves for Economic Uncertainties**

Each IOTA Charter School must have an unrestricted reserve for economic uncertainties. Schools must maintain reserves of the greater of: five percent (5%) of total expenditures or \$55,000. *See* CCR Title 5 § 15450.

## **O. Intra-company Transactions**

### ***Intra-company Receivable/Payable:***

Intra-company transactions are defined as transactions between cost centers such as schools or between the regional office and cost centers. IOTA will maintain a regional office concentration bank account. The regional office concentration bank account transactions and balances are recorded on the books of the regional office.

A deposit account is maintained for each school. At the end of each day, the bank will automatically transfer the balance in the school's deposit bank account to the regional

office concentration bank account and the amount transferred will be recorded on the school's books as an intra-company receivable.

For each school and regional office, accounting will maintain an intra-company receivable/payable account. If the balance in this account is positive (debit balance), it will be reported on the financial statements as an intra-company receivable. If the balance in this account is negative (credit balance), it will be reported on the financial statements as an intra-company payable. This balance represents the receivable or payable between the school and the regional office. The intra-company accounts with a payable (credit) balance will not be charged interest, nor will an intra-company account with a receivable (debit) balance be paid interest.

Repayment of the funds to the schools occur as follows: each school's obligations are paid from the regional office concentration bank account. When school obligations are paid, the amount paid is recorded on the school's books as a reduction in the school's intra-company receivable account from the regional office. Frequency of payments for school vendor obligations are typically once a week and payroll paychecks are paid twice each month.

At the end of the fiscal year, if the school's intra-company receivable account has a negative (credit) balance, the account balance will be reported as a payable on the school's financial reports.

***Centralized cash disbursement:*** To take advantage of economies of scale and be more efficient operationally, shall maintain one bank account from which vendor invoices are paid ("Operational bank account"). At management's discretion, additional Operational bank accounts may be established. As mentioned in the Deposits section of this F&A Policy, deposits into school deposit accounts will be transferred daily from the deposit accounts into the Operational bank account.

When deposits are transferred from school deposit accounts to the Operational bank account, the school's intra-company account will be increased (debited). As vendors or others are paid from the Operational bank account on behalf of the schools, the schools' Intra-company account will be reduced (credited).

***Additional services between and schools:*** IOTA may provide goods and/or services to another IOTA school and a charge will be imposed for these services in the form of a related-party transaction (hourly or fixed rate).

## **P. Scholarships**

IOTA is proud to act as a conduit for donors who wish to make contributions to assist students by helping to defray the cost of either their secondary or post-secondary education. It is recognized that donors may specify the conditions under which such aid may be awarded. However, IOTA retains the right not to accept any largess or make any award that in its opinion may be construed to be discriminatory in nature.

From time to time, IOTA may offer an award of up to \$250 to students to assist with the cost of post-secondary education. The qualifications for receiving these funds, the amount of the award(s) and the terms for selection of the final awardee(s) will be made available to all eligible IOTA students. At the time of selection, awardees will be provided with an IOTA pledge specifying the conditions and the amount of the award. However, the purpose of these awards is to promote continuing education and, as such, checks will not be made payable to an awardee. Awardees can request that funds be disbursed directly to a post-secondary school of his or her choice to be used solely to support his or her education under the condition that no refund of unused funds can be made directly to the awardee. As an alternative, awardees can elect to request reimbursement of education-related expenses up to the amount of the award upon the presentation of adequate expenditure documentation. The \$250 award limit only applies to IOTA general funds and does not apply to any donor provided funds where the donor intends for the funds to be used towards scholarship.

From time to time, IOTA may provide scholarships in its sole discretion.

IOTA will follow the guidance under Internal Revenue Service Publication 970 Tax Benefits for Education regarding scholarships.

#### **Q. School Site Fundraising**

Schools may fundraise in several different ways. Depending on the purpose of the fundraising, schools can choose the best method to raise funds to match the need. All school fundraisers must be approved by the Principal (or designee) prior to beginning the fundraiser. Furthermore, any fundraising occurring on a digital media platform (i.e., school-based webpages and social media pages such as GoFundMe and DonorsChoose) will need to be communicated to the accounting department.

One way to fundraise is by using IOTA tax-exempt status. In order to do this, all donor checks must be made payable to or the fundraising campaign must be posted using IOTA's crowdfunding platform or another crowdfunding platform with which IOTA has registered. In order to fundraise using IOTA's tax-exempt status, the fundraiser must meet the following criteria:

- Educational in nature;
- Open to all eligible students for which eligibility is determined through an objective and measurable test (e.g., "students must have a minimum 3.0 GPA to participate."); and
- Is not a gift to a specific individual who would privately benefit (e.g., fundraising to purchase school supplies for one particular student).

Some examples of fundraisers that cannot be held using IOTA's tax-exempt status include:

- Gift certificates for individuals;
- Donations to charities (e.g., you cannot fundraise to buy blankets that students will give out to the homeless); or

- Political or religious activities

If there is any uncertainty about using IOTA tax-exempt status for a fundraiser, IOTA should be contacted. Schools planning fundraisers that involve raffles and/or auctions must contact IOTA's F&A Department to ensure compliance with state and federal regulations. Fundraising proceeds will only be disbursed in accordance with IOTA's standard practices and in accordance with the reason(s) for which the funds were raised.

If a school wishes to raise funds for purposes outside the realm of IOTA tax-exempt status, schools can choose to create personal campaigns through crowdfunding sites like GoFundMe with approval from the Principal (or designee). Although personal campaigns through a crowdfunding site can be a great way to raise funds, donors do not receive a tax exemption for their donation.

Regardless of which fundraising method a school chooses; all fundraisers must be approved by the Principal (or designee) and comply with state and federal regulations.

## **R. Facility Rentals**

For fundraising, or to foster community relationships, schools may rent out all or part of their facilities. For example, a school may rent out its gymnasium for athletic events to another school that does not have a gym. Facility rentals will be at the discretion of the Principal and/or the SOM. After determining that the school site lease does not prohibit facility rentals, the Principal/SOM can proceed, under the following guidelines:

- Schools must enter into a written contract before renting out facilities.
- The contract must include a provision for insurance. The renter must carry insurance coverage in amounts approved by IOTA which includes liability insurance of at least \$1,000,000.
- The amounts of the rental fees will be at the discretion of the principal/SOM; and
- Any rentals will comply with all federal and state laws.

## **S. Gas Card Purchases**

### **McKinney Vento Program**

When a student qualifies as homeless under the McKinney-Vento Homeless Assistance Act, the local education agency ("LEA") is required to provide access to transportation to stay in a public school of origin or enroll in a neighborhood public school. The LEA may agree, determined on a case-by-case basis, to reimburse transportation to and from school at the state mileage reimbursement rate in lieu of LEA-provided transportation and may provide a gas card as reimbursement. The following is the procedure for gas card reimbursement for IOTA students, who have qualified under the McKinney-Vento Homeless Assistance Act:

The parent or guardian of a homeless student must complete and submit to IOTA's Homeless Student Liaison (Community School Manager or equivalent position) a McKinney Vento Request for Student Transportation Form.

A Mileage Reimbursement Request must be signed and completed by the parent or guardian, and submitted to IOTA's Homeless Student Liaison. The request expires at the end of the current school year or at withdrawal from school. The Request must be approved by the Controller and IOTA's Homeless Student Liaison (or equivalent position).

If the request is approved, then each month the parent or guardian must complete and sign a Mileage and Attendance Monthly Form for verification and processing. The form must be sent to IOTA Homeless Student Liaison within thirty (30) days of the last day of the month being requested or sooner.

IOTA's Homeless Student Liaison shall reconcile the Mileage and Attendance Monthly Form against attendance in IOTA's electronic student information database (e.g., PowerSchool) to verify the dates of attendance and make any necessary corrections to the request.

IOTA's Homeless Student Liaison shall submit the Mileage and Attendance Monthly Form to the SOM/DSO for processing. Where available, a "Fuel-Only" gas card is purchased in the nearest denomination needed for mileage reimbursement.

IOTA's Homeless Student Liaison shall maintain a log that includes the date the "Fuel Only" Gas Card was issued and who received the "Fuel Only" Gas Card.

If the student relocates to housing within the bus boundary, the previous arrangement for Mileage Reimbursement will end and alternate transportation will be provided.

### **Gas Card Purchases Related to Buses:**

#### **Assignment of Fuel Credit Cards**

- Fuel Cards are to be used as the primary source for fueling school buses.
- One fuel card will be assigned to and maintained on each school bus.

#### **Procedures for Fuel Card Usage**

- Unless they are inaccessible, IOTA requires that buses are fueled up at the location that is both nearest to the bus lot and appropriately accommodates school buses.
- The IOTA Operation Team will ensure that each busing staff member has a unique pin code for individual use of the fuel card assigned to the bus.
  - Fuel cards are only to be used by authorized personnel to fuel IOTA-owned school buses. Fueling personal vehicles is strictly prohibited and considered theft of IOTA property. Employees will be subject to disciplinary action up to and including termination and will be liable to IOTA for costs resulting from any misuse of IOTA fuel cards.
  - Each person using a fuel card must also complete a fuel card training program.

- Fuel Cards will be restricted to self-service outside pay-at-the-pump transactions. If the service station does not have outside pay machines or they are non-functioning, the card holder will need to find another service station. Transactions with the inside cashier will be declined.
- Fuel Cards will be restricted to and can only be used on fuel purchases. Fuel is defined as diesel fuel and diesel exhaust fluid.
- Each bus must only be fueled with the bus card assigned to that bus. Each fuel transaction must have a separate receipt to ensure proper distribution of fuel charges.
- Employees may not accept any form of gratuities from service stations.

## **Responsibilities**

### IOTA Operations Fuel Card Administrator

- Review, approve, and sign the Fuel Card Application and Agreement to request fuel credit cards for approved personnel.
- Create fuel card training.
- Maintain current records of personnel who are assigned fuel credit cards and the corresponding vehicles.
- Change pin numbers on cards for employees who are terminated, reassigned, or who no longer require the use of fuel cards.

### Bus Manager

- Review the monthly fuel charges and complete reconciliation on time in accordance with the Accounts Payable policies.
- Complete the reconciliation for all fuel card purchases, and review all receipts submitted by employees to ensure proper usage of fuel cards. Confirm that receipts have been uploaded in Google Drive. Receipts must be kept up daily, so that the card reconciler can use them for the reconciliation process. Charges will be monitored by the Operations Team. Any suspected misuse and/or abuse will be reported.
- Ensure that employees follow all IOTA policies and procedures regarding fuel credit cards.

### Busing Staff Members

- Complete the Fuel Card Agreement. After the agreement has been approved and signed by the Bus Manager, submit copies of these to the Operations Team.
- Complete fuel card training.
- Each employee assigned a IOTA fuel card pin is responsible for the security and all charges made against that pin. Cardholders will be held responsible for unsupported charges.
- Busing Staff Members must give all receipts to the Bus Manager immediately.



- If a fuel card is lost or stolen, it is the responsibility of the busing staff member to notify the Bus Manager.
- Employees who leave their department or who no longer require the use of a fuel card must notify the Bus Manager, who will ensure that the Operations Team changes the PIN. Cards are assigned to buses, so that cards do not need to be returned if an employee leaves.

Instances of noncompliance with any of the policies and procedures regarding the use of IOTA fuel cards may result in the revoking the use of the fuel cards by the employee or department and a written report made to the Chief Business Officer, who will follow up with the staff member involved. Noncompliance with any of the policies and procedures regarding the use of fuel credit cards could result in disciplinary action, up to and including termination.

#### **T. Student Bus/Train Passes**

Schools that sell bus and train passes to students must treat the passes as if they were cash. For example:

- When a bus/train pass is sold, the purchase must be recorded in a log.
- When the pass is given to a student/parent, that student/parent must sign for the pass in the log.
- The logs must be reconciled monthly with the number of passes on hand.
- The logs will be audited periodically by the Senior Accountant.

#### **U. State Sales and Use Tax Compliance**

The Tennessee Department of Revenue has issued a tax-exemption to IOTA. Under Tennessee state law (TCA. § 67-6-322), IOTA is allowed to make tax-exempt purchases of goods and services that it will use, consume or give away. The exemption does not extend to sales tax that IOTA must collect or pay on its regular sales of goods or taxable services.

### **IV. Cost Accounting Policies**

#### **A. Cost Accounting Period**

The fiscal year begins on July 1st and runs through June 30th. The same accounting periods are used for all adjusting entries and accruals.

#### **B. Year Zero Organizational and Start-up Costs**

##### Organizational Costs

The term “Year Zero” refers to expenses occurring before a new school commences its first year of operations. IOTA will incur organizational expenses on its books necessary to set up new entities and new schools. Examples of organizational expenses include

travel, legal, curriculum development, and back-office set-up. IOTA may bill entities for these reimbursable expenses and services. Board approval of a new school will trigger IOTA to bill an entity for such organizational costs.

#### Other Start-up Costs

New entities and schools will obtain financing to fund start-up costs such as furniture, equipment, leasehold improvements, textbooks and computers. These costs and related funding will be recorded on entity's' or schools' books.

### **V. Property Management**

#### **A. Capital Expenditures**

##### **a) Purpose**

The purpose of this Policy is to establish guidelines for the control of capital assets owned by . Such controls protect capital assets, preserve the life expectancy of capital assets, and avoid unnecessary duplication of assets on school sites and the Home Office.

##### **b) Definition**

A finance asset, for the purposes of these policies, is defined as tangible or intangible property owned by the Organization or property leased from others that qualifies as a finance lease or leasehold improvement with a useful life that extends beyond the year it is placed in service and meets the definition and capitalization threshold for the particular classification of the asset.

##### **c) Projects (both expensed and capitalized)**

All projects will undergo a process defined by the Finance and Accounting Department with all final discretion of project selection by the CFO. Further, all projects must undergo the Signing Authority process found above.

##### **d) Capitalization Classes & Thresholds**

Assets purchased, constructed or donated that meet or exceed IOTA's established capitalization thresholds must be uniformly classified. Standard capitalization thresholds for capitalizing assets have been established for each asset category. IOTA has invested in a broad range of capital assets that are used in operations, which include:

<b>Description</b>	<b>Capitalization Threshold</b>
<b>Land</b> - Real property that is purchased or acquired by gift or bequest for operating purposes regardless of value.	\$5,000
<b>Land Improvements</b> - Gifts acquired or costs incurred to prepare land for its intended business use, such as landscaping shrubbery, roads, sidewalks, fences, bridges, lighting, sewers, and athletic fields, tracks and courts.	\$5,000 per improvement project
<b>Buildings and improvements/betterments</b> –All structures used for operating purposes including all permanently attached fixtures, machinery, and other components that cannot be removed without damage, such as boilers, furnaces, air conditioners, elevators, wiring and lighting fixtures.	\$5,000 per building or improvement/betterment
<b>Leasehold improvements</b> – Expenses incurred to increase the service capacity of a leased asset, such as additions, alterations, remodeling or renovations.	\$5,000 per leasehold improvement project
<b>Furniture and Fixtures</b> – Tangible personal property purchased or acquired by gift to be used for operating purposes, such as automobiles, musical instruments, laboratory equipment and office furniture.	\$5,000 per item
<b>Computer Equipment</b> – Information technology equipment, including high-end mainframes, minicomputers, personal computers (microcomputers used by a single user such as desktops, laptops, PDAs, iPads or other communication devices). Computers include the hardware and software components needed for operation.	\$5,000 per item
<b>Construction in Progress</b> – Used as a holding account for capital expenses related to any construction project before the project is complete.	\$5,000 per project
<b>Projects in Progress</b> – Used as a holding account for all non-construction related capital expenses. Projects that are to be expensed should not be coded to this account, but should be expensed immediately when incurred.	\$5,000 per project

<p><b>Finance Lease</b> – Property leased from others. A finance lease is treated in a manner similar to an asset purchase. If the lease is non-cancelable and has at least one of the following characteristics, the leased asset is recorded on 's books as a finance asset:</p> <ul style="list-style-type: none"> <li>a. The lease transfers ownership of property to the lessee by the end of the lease term.</li> <li>b. The lease contains a bargain purchase price.</li> <li>c. The lease term is equal to seventy-five percent (75%) or more of the estimated economic life of the leased property.</li> <li>d. The present value of the minimum lease payments at inception of the lease, excluding executory costs, equals at least ninety percent (90%) of the fair value of the leased property.</li> </ul>	<p>\$5,000 per item leased (for example, if 100 laptop computers are leased and each laptop cost is \$500, the laptops would be expensed).</p>
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**e) Capitalization Policy – Multiple units of Assets on a single invoice**

In addition to the IOTA established capitalization threshold of \$5,000, when multiple units of assets are on a single invoice, such that the total invoice meets the capitalization threshold, the assets will not be capitalized unless one or more units equals or exceeds \$5,000. This does not apply to assets that are constructed such as building improvements and leasehold improvements.

**f) Capitalization Policy - Multiple Locations/Schools**

If two or more schools split an invoice on a purchase of a capital asset, the capitalization threshold of \$5,000 must be met by each location. Therefore, if an invoice of \$5,000 is split between two schools, neither school will capitalize the asset since the split cost will fall below the \$5,000 threshold.

**g) Capital Asset Acquisition Cost**

Capital assets should be recorded and reported at their historical cost, which include the vendor's invoices (plus the value of any trade-in), plus sales tax, initial installation cost (excluding in-house labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it serviceable. Historical costs also include ancillary charges such as freight and transportation charges, site preparation costs and professional fees.

**h) Donated Assets**

Assets donated should be recorded at their fair value on the date the donation is made, based on either an available market price or an appraisal value.

### **i) Calculation of Leased Asset and Liability Amounts**

IOTA treats the leases as if an asset were being purchased over time; i.e., it is a financing transaction in which an asset is acquired and a corresponding obligation (liability) is created.

The asset and liability should be recorded at the lesser of:

- Fair market value of the asset at the inception of the lease, or
- Present value of the minimum lease payments, using IOTA incremental borrowing rate as the interest rate.

Note: The lessor's implicit rate of interest may be used if lower than the lessee's incremental rate.

This should include all payments that IOTA is required to make, such as monthly payments, bargain purchase options, and guaranteed residual value. It should exclude executory costs such as insurance, maintenance and taxes that are paid by the lessor. If IOTA pays these costs directly, there is no adjustment to the periodic lease payments.

### **j) Capitalization - Expenditures Subsequent to Acquisition**

Expenditures can increase the future benefit of assets in the following ways:

- 1) Extend the useful life of the asset.
- 2) Increase the operating efficiency of the asset by either increasing the quantity of goods or services produced or decreasing the operating cost.
- 3) Increase the quality of goods or services produced.

*Additions* are expenditures that add a new major component to an existing asset that increase future benefits and should be capitalized. Examples of additions are:

- Fencing/gates, signage, landscaping, parking lots, lighting systems, and athletic fields where none existed previously.
- Conversion of unusable space to usable space.
- New structures added to a building.
- Installation of an HVAC system where none existed previously.
- Installation of phone systems, security systems, networks, fiber optic cable, network cable where none existed previously.
- Installation of partitions to allow better use of space.
- Installation of built-in cabinets.

*Improvements* are expenditures that replace and improve a major component of an asset by: a) extending the life of the asset; b) increasing the operating efficiency; or c) increasing the quality of goods or services produced by the asset. In order to capitalize an improvement, the following conditions must be met:

- Must improve a major component of the asset.
- the asset being replaced must be identifiable on the books. The asset and accumulated depreciation must be written off.

*Repairs and maintenance* are expenditures made to maintain a given level of benefits provided by the asset and do not increase future benefits. Expenditures for repairs and maintenance should be expensed in the period incurred. Examples of repairs and maintenance are:

- Plumbing or electrical repairs that replace existing plumbing or electrical.
- Cleaning, pest extermination or other periodic maintenance.
- Interior decorations, such as draperies, blinds, and wallpaper.
- Repainting; re-plastering; replacement of carpet, tile, or panel sections; sink and fixture refinishing; replacement of deteriorated siding, roof, or masonry sections. If it's subsequent to purchase as here, it should be expensed since it's a repair/restore the school building to normal operations. It'll be capitalized at acquisition in order to get the asset to a "ready to use" state. However, if the roof is material, then it'll be capitalized as well.
- Restoration of an old boiler.

Any group of assets over \$100,000 as described in the "Property Category Table" below may be capitalized.

The Controller (see Section 1 of this Policy Manual) will decide whether to capitalize or expense specific expenditures.

#### **k) Depreciation Guidelines**

Depreciation is a system of accounting which aims to distribute the cost or gift value of a capital asset, less salvage value, over the estimated useful life of the asset in a systematic and rational manner. All depreciable assets will be depreciated using the straight-line method of allocation (historical cost less residual value, divided by useful life). The straight-line method allocates an equal amount of the net cost of an asset to each accounting period in its useful life. If an item is placed on-or-before the 15th of the month, IOTA will record a full month of depreciation. If an item is placed after the 15th of the month, no depreciation will be recorded for the month.

The useful life of depreciable assets is based on their usefulness to the institution. The following table displays the estimated useful life that will be used to allocate depreciation:

**Property Category Table**

<b>Property Category</b>	<b>Useful Life</b>
Electrical, heating, air conditioning repairs that <i>do</i> increase the useful life, operating efficiency, or quality of the building.	Remaining life of asset or term of lease whichever is shorter
Roofing and equipment	Remaining life of asset or term of lease whichever is shorter
Small tools and off-the-shelf software	3 Years
Technology equipment, hardware (eg, computers, copiers)	5 Years
Buses, Vehicles, Trucks, or Automobiles	5 years or expected life of the asset
Furniture, fixtures, and equipment”	7 Years
Construction in Progress	N/A
Projects in Progress	N/A

To calculate depreciation for an asset, the estimated residual value must be declared and deducted before depreciation can be calculated. In general, the residual value will be zero percent (0%) of historical cost.

**B. Disposition of Capital Assets**

Capital assets that are obsolete, worn out, or no longer meet the requirements of a department may be sold as surplus, transferred to another department, traded-in, or discarded.

**Surplus Property Sales**

Surplus property including but not limited to textbooks and instructional materials may be declared surplus property by the ED and may be disposed of as provided below.

All surplus property shall be sold to the highest bidder after advertising in a newspaper of general circulation at least seven (7) days prior to the sale and include in the advertisement the internet website address and other necessary information covering the sale and may advertise the sale and information on a website maintained by IOTA.

If reasonable attempts to dispose of surplus properties fail to produce a monetary return to the system, the ED shall dispose of the surplus property by any manner the ED deems to be appropriate.

### **Disposition of Capital Assets Acquired with Federal Funding 2 CFR §200.313**

When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. (2 CFR §200.313(e)) Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions:

1. Items of equipment with a current per unit fair market value of five thousand dollars (\$5,000) or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency.
2. Except as provided in 2 CFR § 200.312 Federally-owned and exempt property, paragraph (b), or if the Federal awarding agency fails to provide requested disposition instructions within one hundred twenty (120) days, items of equipment with a current per-unit fair-market value in excess of five thousand dollars (\$5,000) may be retained by the non-Federal entity or sold. The Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the Federal awarding agency's percentage of participation in the cost of the original purchase. If the equipment is sold, the Federal awarding agency may permit the non-Federal entity to deduct and retain from the Federal share five hundred dollars (\$500) or ten percent (10%) of the proceeds, whichever is less, for its selling and handling expenses.
3. The non-Federal entity may transfer title to the property to the Federal Government or to an eligible third party provided that, in such cases, the non-Federal entity must be entitled to compensation for its attributable percentage of the current fair market value of the property.
4. In cases where a non-Federal entity fails to take appropriate disposition actions, the Federal awarding agency may direct the non-Federal entity to take disposition actions.

### **Disposition of Supplies with Federal Funding 2 CFR §200.314**

Title to supplies will vest in the non-Federal entity upon acquisition. If there is a residual inventory of unused supplies exceeding five thousand dollars (\$5,000) in total aggregate value upon termination or completion of the project or program and the supplies are not



needed for any other Federal award, the non-Federal entity must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal Government for its share. The amount of compensation must be computed in the same manner as for equipment. See § 200.313 (e)(2) for the calculation methodology.

As long as the Federal Government retains an interest in the supplies, the non-Federal entity must not use supplies acquired under a Federal award to provide services to other organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute. (CFR § 200.314)

## **VI. Procurement**

### **A. Centralized Purchasing and Approved Vendors List**

Purchasing refers to the process of acquiring goods and services best suited for the specific needs of IOTA. By creating purchase orders in IOTA's system, IOTA can purchase items/services to support the needs of students, staff, and class instruction. Textbooks, technology equipment, and furniture must be purchased centrally by the IOTA Purchasing Department in order to adhere to required specifications and maintain appropriate asset tagging.

For commonly purchased items, a list of approved vendors is available in IOTA's system. Prior to purchasing an item, this list should be consulted to determine if an existing vendor offers the desired item.

New vendors will not be set up for products/services offered by existing approved vendors.

If the vendor is not already in the system, the following steps need to be taken to create a new vendor profile in the IOTA system.

#### **a. Request for Creation of Supplier (Outside F&A Department)**

- Cost Center Support Partners initiate the Create Supplier Request Business Process.
- Request is routed to Supplier Contract Specialists for approval.
- Supplier Contract Specialists will check if there is an existing supplier that can be used.
- If there is no existing vendor of the same kind, the request is routed back to the Cost Center Support Partners for information such as W-9, supplier category, and address.
- Once the request is completed, it is routed to the Accounts Payable Manager for review who will verify the completeness of the information, supplier legitimacy, and 1099 status. If the documentation is incomplete, the request will be returned with a request to provide the missing information.

#### **b. Creation of Supplier (Initiated by the F&A Department)**

- Accounts Payable Data Entry Specialist may initiate the Create Supplier Request Business Process. Completed form is routed to the Accounts Payable

Manager for approval who will verify completeness of information, supplier legitimacy, and 1099 status. If the documentation is incomplete, the business process is returned with a request to provide the missing information. After the Accounts payable manager reviews the request it is routed to the Controller (see Section 1 of this Policy Manual) for approval.

**B. Purchasing and Contracts Not Authorized**

Purchases made by anyone lacking procurement authority shall become the personal responsibility of the person(s) executing the purchase agreement. An employee's failure to comply with any procurement requirement, including unauthorized purchasing, may result in disciplinary action up to and including termination. IOTA will not assume responsibility, under any circumstances, for payment for any materials, supplies, or services purchased by unauthorized individuals or in an unauthorized manner.

**C. Documentation of Purchases**

Documentation of purchases should include:

- A description of the services to be performed or goods to be delivered;
- A location where the services are to be performed or goods to be delivered;
- The appropriate dates of service or delivery;
- Account number; and
- Person receiving the goods.

**D. Expenditure of Funds**

No expenditures shall be made except on an approved purchase order or contract.

**E. General Procurement Policies & Procedures**

**a) Purpose of procurement policies and procedures**

The purpose of this manual is to establish policies and procedures for each of the IOTA entities for the procurement of supplies and other expendable property, equipment, real property and other services from all sources, including those that are Federal and those that are Non-Federal, except where Federal or State procurement guidelines may differ. (See subsequent section on Methods of Procurement).

**b) Conflict of Interest**

No IOTA employee, officer, or agent shall participate in the selection, award, or administration of an acquisition or contract if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. The officers, employees, and agents of IOTA shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or

parties to sub agreements except for where the financial interest is not substantial or the gift is an unsolicited item of insignificant value. Members of the IOTA national and regional Boards shall comply with all relevant fiduciary duties, including those governing conflicts of interest, when they vote on matters related to procurement contracts in which they have a direct or indirect financial or personal interest. Officers, employees, directors, and agents of IOTA shall be subject to disciplinary actions for violations of these standards.

**c) Conflict of Interest – Employee-Vendor Relationships**

IOTA adheres to its Conflict of Interest Code and Policy. IOTA attempts to avoid preferential treatment in purchasing goods and services by separating employees' personal interests from the interests of IOTA. Current IOTA employees cannot sell goods or services as independent contractors to . An employee-vendor relationship is any relationship between an IOTA employee and a proposed vendor that might create a conflict of interest. An employee-vendor relationship exists when a family relationship exists between the person involved in the selection of the vendor and the proposed vendor. Examples of employee-vendor relationships include:

- An IOTA employee acts as a vendor to sell goods or services to IOTA.
- An IOTA employee buys goods or services for IOTA from a vendor who is a member of the employee's family.
- An IOTA employee or member of his or her family owns or controls at least ten percent (10%) of the business from which IOTA purchases goods or services.

**d) Competition**

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors who develop or draft specifications, requirements, statements of work, and invitations for bids and/or requests for proposals shall be excluded from competing for such procurements. Awards shall be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to IOTA, price, quality and other factors considered. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by IOTA. Any and all bids or offers may be rejected when it is in ~~the~~ IOTA interest to do so. In all procurement, IOTA shall avoid practices that are restrictive of competition.

**e) Suspension and Debarment**

As a federal award recipient, IOTA is required to check all potential contractors for suspension and debarment on the United States Government's System for Award Management ("SAM") Website for all contracts expected to equal or exceed \$25,000.00 (2 CFR §1532.220). The companies listed in SAM have been prohibited from conducting business with the United States government for a specified length of time, and any bid

from a contractor found to be on this list shall be immediately rejected. There are three milestones that require checking SAM:

1. At receipt of proposals or opening bids;
2. Before letting out the work; and
3. Before awarding any new work to make sure nothing changed since the bid opened.

**f) Methods of Procurement**

The procurement methods detailed below apply except for where the procurement guidelines specific to Federal or State funding require application of different guidelines. IOTA will ensure that such instances are identified by consulting applicable law as necessary.

**1. Purchases of Goods and Services.**

- a. Value less than ten thousand dollars (\$10,000): Neither a quote nor a proposal is necessary if IOTA considers the price reasonable, although fair and equitable standards apply to the vendor selection process.
- b. Value from ten thousand dollars to fifty thousand dollars (\$10,000 - \$50,000): A minimum of two quotes or proposals must be obtained from qualified sources.
- c. Value greater than fifty thousand dollars (\$50,000) and less than one hundred fifty thousand dollars (\$150,000): A minimum of three quotes or proposals must be obtained from qualified sources.
- d. Value of one hundred fifty thousand dollars (\$150,000) or greater: Comprehensive requests for proposals that include clear, accurate descriptions of goods and/or services solicited and are publicized. A formal method for their evaluation and selection must be followed.

**2. Construction Projects.**

- a. Architectural / Engineering Professional Services: Recognized competitors are identified and a qualifications-based selection process is used, subject to the negotiation of fair and reasonable compensation.
- b. All other Construction procurement: Comprehensive requests for proposals are publicized and solicited, and a formal method for their evaluation and selection must be followed.

**3. Non-Competitive Procurement.**

Solicitation of a proposal from a single source can only be used when one or more of the following factors apply, regardless of the size of the contract:

- a. The item is available only from a single source;
- b. The exigency or emergency requiring the procurement will not permit the delay caused by the competitive procurement process;

- c. IOTA determines, following solicitation from a number of sources, that competition is inadequate; or
- d. IOTA Management determines, based on quantitative and/or qualitative analysis, that competition is not practical or cost-effective.

4. **Federal Program Guidelines.**

IOTA shall adhere to the Uniform Guidance for Federal Awards – 2CFE Part 200

5. **State Program Guidelines.**

- a. Procurement related to state programs such as public-school construction, shall adhere to relevant guidance from the appropriate state agency IOTA in the State of Tennessee.

6. **Academic and Information Technology (“IT”) Procurement.**

- a. IOTA places considerable significance in the procurement of Academic and Information Technology because of the essential role that both play in the education of IOTA’s students. Moreover, comprehensive processes grounded in community consensus have been developed to select textbooks and similar academic resources as well as to determine a system-wide IT framework.
- b. The selection processes for these two unique instances are fair, unbiased, and highly competitive. The criteria for the evaluation of potential sources are detailed in the subsequent section **IOTA Guidelines for Academic and Information Technology Selection.**
- c. Once a selection is confirmed (e.g., a textbook, other instructional item such as a novel, or an IT computing classification), the method of procurement detailed above in subsection (a) Purchases of Goods and Services applies.

**g) Guideline for Information Technology Selection**

**Information Technology Selection**

Procurement of technology at IOTA is contingent on available federal subsidies through the Federal Communications Commission (“FCC”) E-Rate Program.

The following summarizes guidelines for procuring technology both through E-Rate and outside of E-Rate regulations.

**Subsidized (E-Rate)**

Each year, E-Rate provides IOTA with millions of dollars of savings in relation to communications (e.g., telephone service), connectivity (dedicated Internet access and WAN), and infrastructure related to these services (e.g., wireless access points, wireless controllers, and cabling).

For each service provided, IOTA participates in a competitive RFP bidding process per entity, as managed by IOTA E-Rate vendor, CSM Consulting, Inc. (“CSM”).

Each bid is scored according to a standard rubric approved by the FCC. Rates and products included in each bid cannot be modified, per the RFP process and E-Rate regulations.

### **Non-Subsidized**

Non-subsidized technology is procured through contracts with core IT vendors, including Dell Computers, which accounts for over ninety percent (90%) of expenditures yearly.

Since it is of vast importance for IOTA to maintain an interoperable technology environment that can be serviced by regional and national technology teams, IOTA seeks to maintain the same vendors on a yearly basis – provided that the technology remains high quality and competitively priced.

Accordingly, IOTA engages in negotiations annually with core IT vendors, aiming to maintain or decrease price as IOTA grows in size. IOTA’s Chief Financial Officer leads these negotiations, seeking feedback from school & central staff on specifics related to hardware and testing of devices in the field prior to providing available models to schools for inclusion in their budgets.

## **VII. Reimbursements**

### **A. Expense and Travel Reimbursement**

IOTA may authorize payment for actual and necessary expenses, including travel incurred by any employee, supplier, or independent contractor performing pre-approved, authorized services. However, the majority of day-to-day purchases (e.g., supplies) should be done through the appropriate purchasing processes (see Purchasing Section of the Employee Handbook). Every effort should be made to obtain items from IOTA -approved vendors using the requisition process or corporate credit cards. Purchases from vendors outside the home state are subject to that home state’s tax and that tax will be added to the cost of the item and charged to the budget of the site that incurred the charge.

If a supplier or independent contractor is seeking reimbursement for travel expenses, the party shall abide by the Vendor Travel Policy (see Appendix A). This policy is to be provided in addition to any contract entered into between a supplier or independent contractor.

Reimbursement request forms are to be completed and processed through Bill.com. The reimbursement requests require approval by the assigned approver (Department Head, Principal or direct supervisor). Therefore, employees must receive approval from their school's Principal, Supervisor, or Department Head prior to incurring expenses.

In general:

- The General Services Administration ("GSA") reimbursement rates will be used unless terms of a grant, contract, or 's Employee Handbook require that a different rate, such as state-specific rates, be used.
- Expenses can be reimbursed up to forty-five (45) calendar days from the date of the transaction.
- Itemized receipts and proof of payment must accompany all expenses.

Employee requests for expense reimbursements will be approved by the employee's cost center manager. Requests from the ED will be approved by the financial officer of that company.

Failure to comply with the above may result in non-reimbursement of the expense.

### **Mileage Reimbursement**

If IOTA requires an employee to drive their personal vehicles in the course and scope of their employment, the employee will be reimbursed for the reasonable and necessary expense of using their personal vehicle on behalf of IOTA. All reimbursements should follow the timeline and guidelines as laid out in this Employee Handbook. Your primary address or your approved "Work From Home" address listed is considered your principal place of business. Your manager must approve any work-related trips requiring mileage reimbursement ahead of time. Voluntary travel to an alternate worksite (coffee shop or co-working space) is not reimbursable.

The reimbursable rate per mile is determined using the IRS' standard mileage reimbursement rate in effect when the request for reimbursement is submitted and processed. Note: gas, oil or other vehicle maintenance items and insurance related to personal car use for business travel is not separately reimbursable since this is included in the IRS/government mileage rate.

Employees must acquire and maintain the minimum applicable legal requirements related to driving their vehicle (e.g., ensure the employee possesses a valid license, and has the minimum insurance coverage as required by applicable state law) when driving is in the course and scope of their IOTA employment. All traffic and/or parking violations incurred by the employee is the responsibility of the employee unless the violation was incurred at the direction of IOTA Community Schools.

### **Meals and Entertainment**

For United States tax reporting purposes, meal expenses are defined as the costs incurred for food and beverages in the conduct of business. Entertainment expenditures, whether

client or firm related, require pre-approval. Entertainment expenses include, but are not limited to, the cost of amusement or recreational facilities or attendance at the theater and sporting events.

Meals for professional development and meals made necessary by travel are reimbursable. Every effort must be made to ensure that the cost of such meals is reasonable. IOTA has set a maximum daily reimbursement per employee, including food, beverages, taxes and tips, of:

- \$17 for breakfast
- \$22 for lunch
- \$38 for dinner

Tips considered reasonable and necessary are eligible for reimbursement. In addition, exceptions are made for meals with potential donors or funders, but should still be reasonable.

Meals and entertainment expenses require the following documentation for reimbursement to occur:

- Meals and entertainment expenses must be listed separately on the expense form (including those that were paid as part of a hotel bill).
- Itemized, detailed receipts must be included.
- The description must include the names of those attending (include self), their titles and business relationship, if applicable, and business purpose of meal and/or entertainment.
- IOTA does not reimburse an employee for alcohol.

### **Travel for Non-Exempt Employees**

Non-exempt employees will be paid for travel time when asked to work at a location other than the employee's regularly scheduled location(s). These employees will be paid for time spent driving to and from their home to the new location, minus the time the employee regularly spends commuting and for bona fide meal breaks. When air, train or bus travel is required or an overnight stay, the employee will be reimbursed for time spent getting from one location to the next (i.e., time on the plane and time driving from the employee's home to the airport) but will not be reimbursed for time waiting at the airport, time spent for bona fide meal periods or time spent sleeping.

When submitting reimbursement requests for travel/lodging expenses, IOTA shall:

- Require proof of travel (e.g., hotel invoice, boarding pass, rental car invoice, and shuttle/cab receipts.);
- Require proof of expenses (invoice and itemized receipt); and
- Require copy of agenda or related materials (such as registration receipt) if the travel is for a conference or professional development.



If requesting reimbursement for conference lodging that exceeds the GSA rate, schools must submit a statement outlining their justification for the lodging expense including whether the approved conference rate was used and how staying at the conference hotel maximized efficiency.

In the spirit of being a non-profit educational organization, employees are asked to spend prudently. IOTA employs an online travel management system (Egencia) in which all employees traveling on behalf of IOTA can book air, hotel, and car rental travel and is billed directly to IOTA. Unless otherwise approved by your supervisor, employees should use the Egencia system.

### **Sales and Lodging Tax Exemptions**

Some states and/or municipalities allow exemptions for not-for-profit organizations. Please check the availability of the exemption for your destination(s). IOTA will provide a copy of its IRS determination letter so that the exemption can be claimed.

### **Hotels**

Reasonable lodging costs incurred in the course of business travel will be covered by IOTA whenever a day trip is not appropriate, if approved in advance- IOTA may have negotiated rates at certain hotels and employees are expected to stay at those hotels, if available. All hotel bookings require approval by the department head in which the travel expense will be incurred. Additionally:

- IOTA employees are expected to stay in standard business class lodgings that charge a reasonable rate.
- IOTA will not pay for lodging costs when staying in a city longer than is justifiably necessary.

The itemized hotel bill showing the form of payment used (charge slip or zero balance) must be submitted with the expense form or credit card reconciliation as documentation. A charge slip alone is not acceptable. In the event of an express checkout, a hotel invoice along with a form of payment on the invoice (such as a credit card number) is acceptable.

When work commitments require Friday and Monday trips to the same city, the traveler is ordinarily expected to return home for the weekend. However, if such travel would be costlier or time-consuming than remaining at the distant location over the weekend, lodging and reasonable meal costs for the traveler would be reimbursable with the following restrictions:

- The travel must be pre-approved;
- Costs of entertainment such as gym use, movies, cocktails and cultural events are considered personal in nature and will not be reimbursed;
- Hotel laundry or valet charges are not reimbursable, unless for unexpected extended trips; and

- Items of clothing purchased when traveling are not reimbursable. This includes replacement of lost or stolen items as well as clothing purchased as a result of an unexpected extended stay.

### **Air Travel**

IOTA employees are expected to travel using the lowest available logical fare in economy class. Air booking searches on Egencia will automatically find the lowest available logical fare. All air travel requires approval by the cost center manager in which the travel expense will be incurred. Additionally:

- The only legitimate reason for flying any class other than economy is if seats are not available in coach or if an employee has a disability for which a reasonable accommodation is required. If this is the case, approval must be obtained from his or her manager before purchasing the ticket.
- Only actual costs will be reimbursed upon completion of travel. No reimbursement will be made for the value of premiums earned through frequent traveler programs applied to business travel. This includes free upgrades or free flights. Miles and points earned are the property of the employee.

IOTA is not responsible for lost, stolen or damaged luggage. Please file a claim with the airlines and/or personal insurance company.

Flight changes which incur costs will only be paid for by IOTA if they are business related and reasonable.

### **Car rentals**

Car rentals should be used when needed and alternate forms of road transportation (i.e., taxis, public transit, and personal vehicles) are not more feasible, economical or available. IOTA has a corporate contract with National Car Rental and Enterprise and employees are to use this preferred vendor whenever possible.

IOTA staff should rent “mid-size” models or lower. Upgrade charges are generally not reimbursable, though reasonable exceptions may be allowed if previously approved and adequately explained.

Loss Damage Waiver (“LDW”) insurance is included in the corporate contract. If renting outside of the corporate contract, LDW should be accepted.

IOTA will not be responsible for vehicle damage that occurs during business use of either a personal or rented car. Parking or traffic fines are not reimbursable.

Rentals over a weekend or holiday period are generally not reimbursable, unless adequately explained and previously approved by a manager.

Every effort should be made to refuel using the most economical method, whether that be refueling at a gas station prior to returning the vehicle at the end of the rental period, instead of purchasing the refill directly from the car rental company.

Employee vehicles that are damaged or stolen on work site property will be reimbursed up to the amount of the deductible or two hundred fifty (\$250), whichever is lesser. The burden of proof for demonstrating that the damage occurred on work property shall rest with the employee.

### **Other Transportation**

Reimbursement will be made for reasonable expenditures for transportation other than air, travel and car rentals. This category includes:

- Taxi and rideshare (e.g., Uber) fares between office/home and airport as well as between airport / hotel and final destination (e.g., conference) when traveling. Employees should verify whether the hotel or conference location has a free shuttle from the airport to the hotel/conference prior to travel since many such shuttles are available free of charge.
- Tolls and parking fees incurred when using personal car for business travel (gasoline is not reimbursable, see mileage reimbursement Policy).
- Tolls, gas and parking fees incurred during business travel while using a rental car.

Reimbursement guidelines are updated annually. All expense and travel reimbursement exceptions should be forwarded to the direct supervisor for review and approval prior to occurrence.

### **Advances**

In specific circumstances in which a staff member has limited funds to pay IOTA expenses, IOTA may issue an advance. Every effort should be made to process as much of the projected out-of-pocket expenses through Accounts Payable as possible to minimize any required advance amount and if possible eliminate the need for an advance altogether. For example, airfare and hotel can be paid for upfront by IOTA check or corporate credit cards.

The employee must complete the Cash Advance Request (“CAR”) form that presents an estimate of costs which will be the basis for any advanced amount. Advances must be pre-approved by the Department Head or Principal, as appropriate. The CAR form should be submitted to IOTA’s Accounts Payable Department as soon as possible to ensure that the employee receives the advance in enough time to purchase the goods or services. The advance will be issued, via a check, from IOTA’s Accounts Payable Department. The employee must follow all reimbursement guidelines as stated in the Travel and Expense Reimbursement Policy. The employee will need to submit an expense report with receipts within forty-five (45) days of the dates on the receipts or the conclusion of travel, whichever is later. Advances will only be granted when it is deemed absolutely necessary by IOTA.

### **Non-Reimbursable Expenses**

IOTA must adhere to certain guidelines as set forth by the United States Department of Education and the Tennessee Department of Education for the use of state and federal funds. The following is an illustrative list which outlines the majority of non-reimbursable expenses including, but not limited to: personal expenses, alcohol, tobacco, mini-bar expenses, spouse or family member expenses, laundry or cleaning expenses (except for unexpected extended trips), traffic citations, pay-for-view movies in hotels, cultural events, monetary gifts or gift cards and unreasonable or extravagant expenses.

Other non-reimbursable expenses include the fee for obtaining a background check and/or a tuberculosis (“TB”) clearance in order to secure employment with IOTA. These fees may be reimbursed for unpaid IOTA volunteers. Unpaid volunteers will be reimbursed for tuberculosis testing. Part-time and seasonal employees/volunteers will be reimbursed for live scan background check and TB testing.

## **VIII. Consultants and Independent Contractors**

### **A. Independent Contractors**

An individual not employed by IOTA who performs a service for the Organization may be considered a consultant or an independent contractor. In order to preserve the nature of the principal and consultant/independent contractor relationship, several requirements should be met, as required by each applicable state law, before contracting with a third party. For example, consultant/independent contractors should:

- Be free from IOTA’s control and direction in performing the service, both under a contract and in fact;
- Provide a service that is outside IOTA’s usual expertise;
- Be engaged in an independent trade, occupation, profession or business of the same type; not receive any fringe benefits directly, although their fee may include a provision for fringe benefits;
- Not be assigned a permanent workstation or IOTA equipment (if possible);
- Use his or her own invoice in billing for services; and
- Provide proof of appropriate insurance.

Independent contractors and consultants are not entitled to any of the benefits that IOTA provides to its employees, including, but not limited to, medical and dental insurance, workers’ compensation, disability insurance, leaves of absence, vacation, or sick pay. Independent contractors and consultants are responsible for providing disability, workers’ compensation, or other insurance as well as licenses, credentials, and permits usual or necessary for performing the applicable services.

Under no circumstance shall IOTA be considered or interpreted to be an independent contractor’s or consultant’s employer, partner, agent, or principal for any purpose.

Prior to services being rendered, IOTA’s Human Resources Department must be contacted to develop a written engagement agreement. The use of independent contractors is closely monitored so as not to vary from the rules of the IRS. The drafting

of all contracts for independent contractors should be based on the standard contract template jointly developed by IOTA’s Human Resources and Legal Departments. Any significant changes to the standard template should be reviewed by IOTA’s appropriate administrators and the Legal Department before the execution of the contract to limit IOTA’s exposure to liability or legal action.

Additionally, independent contractors are required to follow the Criminal Background Checks and Tuberculosis Testing as outlined in the Employee Handbook prior to completing the contracting process. Once cleared to begin work, independent contractors are required to submit written, detailed invoices for payments which are processed through IOTA’s Accounts Payable Department.

With regards to temporary or contingent workers, who are employed by a staffing firm, IOTA will create a purchase order to generate an obligation if the worker is staffed for a period of a month or longer.

**5. Glossary of Terms**

<b>Account or GL Account</b>	Basic levels at which all financial transactions are recorded. Examples include assets, salaries, supplies, and taxes.
<b>Accounts Payable</b>	Monies currently owed to vendors for invoices received.
<b>Accounting Period</b>	IOTA Fiscal Year runs from July 1 to June 30. The Fiscal Year is further divided into twelve (12) calendar months for purposes of financial analysis.
<b>Accounts Receivable</b>	Monies currently owed to IOTA.
<b>GL Account Structure</b>	The account structure is Resource Code - Object Code - Location Code - Goal Code - Year Code.
<b>Accrual Basis of Accounting</b>	Method of GAAP accounting used by IOTA for preparing its financial statements. It presents financial information in a manner that reflects the recognition of revenue when earned and expenses when incurred.
<b>ADA</b>	An acronym for Average Daily Attendance (“ADA”). ADA is a measurement used to track attendance and dictates certain funding amounts.
<b>Approver</b>	IOTA authorized representative who approves commitments, expenditures, etc. These representatives include: School-Site Administrators, Area Superintendents, Department Heads, Executive Managers, and in some cases, Members of the Audit Committee of the Board of Directors.
<b>Audit Committee Chairman</b>	The Audit Committee Chairman is responsible for directing discussion and following up on any actions or recommendations with the Board of Directors.

<b>Bank Account</b>	Accounts maintained by IOTA in various financial institutions either for demand deposits (e.g., checks) or investment. IOTA maintains accounts for each school, General Operations, Payroll and Restricted Funds, as required.
<b>Board of Directors</b>	Members of the Board of Directors are appointed to set the policies of the Organization and to appoint senior management for the entity.
<b>Budget</b>	Method used by IOTA for estimating its sources of revenues and anticipated expenses for an accounting period. The comparison of Budget to Actual provides a valuable analytical tool for evaluating the performance of individual schools, clusters and IOTA as a whole.
<b>Cash Basis Accounting</b>	Method used by IOTA for estimating its cash inflows and outflows to ensure that sufficient funds are on hand to meet obligations and objectives.
<b>Corporate Credit Card</b>	A card issued to specified employees for small-value, business-related purchases and expenses. Misuse of the card is subject to disciplinary action.
<b>Deposit</b>	Method of accumulating cash and/or checks for transmittal to the appropriate financial institution.
<b>Donations</b>	Monies given to IOTA by donors, Foundations, or School-Site Fundraisers. May be either restricted or unrestricted depending on the commitment(s) made.
<b>Equipment</b>	Tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. See also the definitions of capital assets, computing devices, general purpose equipment, information technology systems, special purpose equipment, and supplies in this section.
<b>Expense Report</b>	Report prepared by an employee for the reimbursement of approved business-related expenses. Claiming personal expenses is subject to disciplinary action.
<b>Family</b>	Any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, domestic partner, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.
<b>Fixed Asset</b>	A term used when referring to property, plant, and equipment. Fixed assets other than land are depreciated.
<b>Fundraising</b>	Fundraising activities including fundraising campaigns, and other solicitations for contributions.

<b>Finance &amp; Accounting</b>	Department charged with recording and reporting the financial results of IOTA's operations.
<b>Fund Types</b>	Defined by GAAP, donors, IOTA, and Governmental Entities. These include: Without Donor Restriction and With Donor Restriction. <b>Without Donor Restriction:</b> Commonly referred to as discretionary or operational funds.  <b>With Donor Restriction:</b> Funds subject to a donor-imposed restriction or stipulation such as a specified amount of time or occurrence of a specific event.
<b>General Ledger or GL</b>	Records the results of IOTA's financial operations. Used as the basis for all financial and tax-related reporting.
<b>Information Technology</b>	Department charged with managing the computers, networks and other technical areas of the Organization.
<b>Maintenance</b>	Maintenance is defined as expenditures that neither materially add to the value of an asset nor appreciably prolong its life. Rather, maintenance restores/keeps an asset in ordinary, efficient operating condition. As such, maintenance costs should not be capitalized.
<b>Outstanding Checks</b>	Checks written by IOTA that have not yet cleared the bank.
<b>Petty Cash</b>	Imprest fund maintained at IOTA sites for handling small purchases for which the use of either a Corporate Credit Card or Purchase Order is impractical. Petty Cash is subject to spontaneous audits and the misuse of Petty Cash is subject to disciplinary action.
<b>Purchase Order</b>	Method used by IOTA for procuring goods and/or services.
<b>Requisition</b>	Method used by IOTA for initiating the purchase of goods and/or services.
<b>Segregation of Funds</b>	Prevents the co-mingling of monies to ensure that funds are used only for the intended purpose(s). An example would be separating School Operating Funds from Student Event Restricted Funds.
<b>Scholarship</b>	Award made to a deserving student based on criteria established during the fundraising process. Scholarships must be nondiscriminatory and approved by both <b>the Cluster Director</b> and Home Office. No expenditures will be made until the basic requirements for the scholarship are met—e.g., attendance at college or the incurrence of a scholarship-related expense by the Awardee.
<b>Supplies</b>	All tangible personal property other than those described in the definition of equipment in this section. A device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life.

<b>Tax Exempt Status</b>	As a public benefit operator of Charter Schools, IOTA is not required to pay Federal, State Income or Property Taxes. Exemption from other types of taxes such as State and Local Sales/Use Taxes depends on the location and purpose for which the purchase was made.
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Appendix A

**Vendor Travel Policy**

**Authorized Expenses**

IOTA may authorize payment for actual and necessary travel expenses, including travel incurred by any supplier, or independent contractor performing pre-approved, authorized services. Such expenses must be pre-approved, in writing, with an estimate of airfare, baggage fees, hotel, meal reimbursement, and ground transportation costs. In addition to providing estimates as mentioned above, the individual seeking reimbursement must also provide actual receipts of expenses incurred before payment will be made.

Pre-approval of authorized expenses must come, in writing, from the IOTA cost center manager.

**Reimbursement Process and Timeline**

In accordance with IOTA Finance & Accounting Policies, expenses submitted 45 days after approved travel will not be reimbursed. The authorized expenses and supporting documentation shall accompany the invoice for services provided.

**Non-Reimbursable Expenses**

IOTA must adhere to certain guidelines as set forth by the United States Department of Education, California Department of Education, Texas Education Agency, and the Tennessee Department of Education for the use of state and federal funds. The following is an illustrative list which outlines the majority of non-reimbursable expenses including, but not limited to: personal expenses, alcohol, tobacco, mini-bar expenses, spouse or family member expenses, laundry or cleaning expenses, parking and traffic citations, pay-for-view movies in hotels, cultural events, monetary gifts or gift cards and unreasonable or extravagant expenses. However, IOTA reserves the right to deny reimbursement for any expense in its sole judgment.

**Other**

Failure to comply with this policy may result in non-reimbursement of the expense.