



SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

FINANCIAL POLICIES

Effective Date: November 1, 2017

BASIC POLICY STATEMENT

Southeast Alaska Independent Living, Inc. (SAIL) is committed to responsible financial management. The Board of Directors, Executive Director, Assistant Director(s), Accountant/Bookkeeper and Staff work together to make certain that all financial matters of the organization are addressed with care, integrity, and in the best interest of SAIL.

The policy and procedural guidelines contained in this handbook are designed to:

1. Protect the assets of SAIL
2. Ensure the maintenance of accurate records of SAIL's financial activities,
3. Provide a framework of operating standards and separation of duties,
4. Ensure compliance with federal, state, and local government legal and reporting requirements.

The Executive Director of SAIL has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Board of Directors. Changes or amendments to these policies may be approved by the Board of Directors at any time. A complete review of the policies shall be conducted as needed. Every Board Member (Director) and every Administrator with fiscal responsibility is expected to be familiar with and operate within the parameters of these policies and guidelines.

Since most Centers for Independent Living (CILs), including Southeast Alaska Independent Living, Inc. (SAIL) are recipients of federal funds, whether through Title VII of the Rehabilitation Act, as amended, or through other federal agencies or programs, these policies incorporate requirements to which nonprofit organizations must adhere in the management and allocation of federal funds. In addition, CILs are required to conduct resource development, and many operate—as SAIL does—with funding from multiple agencies and programs beyond federal funding. Specifically, these policies follow the following federal guidance and regulations:

- 2 C.F.R. 200 UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (*Uniform Guidance*)
- The Workforce Innovation and Opportunity Act of 2014 (WIOA)
- Technical guidance from the U.S. Department of Health and Human Services, Administration for Community Living (ACL)
- State of Alaska Single Audit and Compliance Supplements
- If in any given fiscal year SAIL does not meet the federal or state threshold that triggers a mandatory external audit, an external audit will be at the discretion of the Board of Directors. If an external audit is not conducted, an Agreed Upon Procedure (AUP) engagement will be conducted. This engagement will target three areas:
 - 1) Revenue/receipts
 - 2) Expenses/disbursements
 - 3) Regulatory/legal

Additionally, the AUP will include a compilation of the balance sheet and income statement in accordance with Generally Accepted Accounting Principles (GAAP).

Introduction

SAIL was awarded Section 501(c)3 non-profit tax-exempt status by the Internal Revenue Service in 1993, and received final determination of status as a publicly supported organization under Section 509(a)1 and 170(b)(1)(A)(vi) in 1998. SAIL provides services to seniors and people with disabilities.

SAIL accomplishes its mission, “Inspire Personal Independence”, by empowering people with disabilities with the practical skills and self-confidence to take control over their lives and become active members of the community in which they live. SAIL also works to promote access and change within society and responds with programs and services to meet the needs of people of all ages with a wide range of disabilities.

This manual describes the policies and procedures followed at SAIL to ensure that financial statements conform to Generally Accepted Accounting Principles (GAAP); assets are safeguarded; regulations or guidelines of grantors and donors are followed; and that finances are managed with accuracy, efficiency, and transparency.

As a nonprofit recipient of federal grant funds, SAIL will comply with the General Principles in Uniform Guidance to ensure costs are reasonable, allowable, and properly allocated.

Following these policies and procedures will help safeguard SAIL’s assets and ensure that they are used for appropriate purposes based on organizational objectives, the requirements of funders, other applicable rules and regulations, and best practices for nonprofit organizations.

Consistency with Independent Living Program Purpose and Philosophy

All activities and operations shall be consistent with the independent living approach. Specifically, expenditures for activities funded through Title VII, Chapter 1, Part C, of the Rehabilitation Act of 1973, as amended by The Workforce Innovation and Opportunity Act of 2014 (WIOA), will be consistent with the IL program purpose and philosophy, particularly in the delivery of IL core services and other IL services.

LINE OF AUTHORITY

Board, Staff and Consultant Responsibilities

The following is a list of parties who have fiscal, administrative, or accounting responsibilities:

Board of Directors with Input from Committees

- Set, oversee and clearly articulate the organization’s vision, mission, and values.
- Provide leadership and strategic direction for the mission, budget, and development initiatives that sustain SAIL.
- Set a proper tone for SAIL by articulating a code of ethics, mandating compliance with the code, showing no tolerance for dishonesty, questioning unusual transactions or activities, and supporting appropriate training.
- Review and approve the annual budget prior to the beginning of the fiscal year, and any subsequent budget modifications, and ensure that, in the case of IL Part C funds,

Administration for Community Living (ACL) pre-approval of budget modifications are obtained, in accordance with requirements of the contract between SAIL and ACL.

- Review and approve the annual budget prior to the beginning of the fiscal year, and subsequent budget modifications, and ensure that, in the case of IL Part B funds, Designated State Entity (DSE) pre-approval of budget modifications are obtained, in accordance with requirements of the contract between the CIL and the DSE. SAIL's DSE is Senior and Disability Services (SDS), Department of Health and Social Services, State of Alaska.
- Appoint Board members who will have signing authority along with the Executive and Assistant Director(s).
- Ensure all expenditures of federal funds by SAIL are adequately documented and allowable, that those expenditures are allocable and reasonable according to federal cost principles, and that the organization meets all applicable federal requirements.
- Review periodic financial and programmatic reports. Conduct such reviews no less frequently than once each quarter.
- Develop and approve the job description for the Executive Director.
- Select a qualified Executive Director and communicate this selection to funders and to the community.
- Hire the Executive Director and establish the salary and benefits for the position based on responsibilities and on comparative information either from other CILs in the state or other nonprofit organizations in Alaska.
- Review the Executive Director's performance no less than semi-annually and establish salary increases if appropriate.
- Review and approve internal controls and accounting policies and procedures.
- Serve as a resource to the Executive Director in implementing internal controls.
- Assess risk periodically, determine the adequacy of internal controls and determine the types and amounts of insurance coverage required for the organization.
- Review agreements (grants or contracts) with third parties if those contracts are for \$25,000 or more.¹ (Grants & contracts with third parties for \$25,000 or more to be posted in board portal).
- Require a second signature from a Board-approved check signer for any check in excess of \$5,000 or when a check, exclusive of payroll, is made out to the Executive or Assistant Director in excess of \$250. A second signer not required for large re-occurring checks such as rent, insurance, credit card payments and payroll taxes.
- Determine whether SAIL should have a federal compliance audit under Uniform Guidance² and, if so, select and contract with the auditor.
- Review SAIL's compliance periodically and assure that whistleblower protection policies are in place for anyone reporting suspected illegal acts, waste, fraud or abuse of funds.
- Verify the CIL is not involved in any impermissible political activities or lobbying activities.³

¹ Uniform Guidance does require specific procurement policies and practices for purchases or contracts of \$25,000 or more.

² This is required when \$750,000 or more of federal funds are expended in a fiscal year. If expenditures are less than \$750,000, an audit cannot be paid for with federal funds.

³ As outlined in Uniform Guidance, sec, 200.410, and sections 200.410 thru 200.475. See Appendix II.

Executive Director

- Provide continuous leadership in the implementation of the mission, strategic direction, budget, and objectives set by the Board of Directors.
- Ensure that a comprehensive, accurate budget and subsequent modifications are developed annually and presented to the Board of Directors for review and approval.
- Review key quarterly financial reports (such as balance sheet, income and expense report, and budget comparison).
- Present key financial and programmatic reports to the Board of Directors. Present reports no less often than quarterly. Provide complete and accurate explanations of the reports. Describe any changes, discrepancies or variances in any of the reports, including the budget comparison report. Highlight any aspects of the reports or the organization's financial position of which the board should be aware in fulfilling its leadership role.
- Review all program expenditures to verify that they are reasonable, allowable, and properly allocated.
- Review and approve invoices and reimbursement requests and other supporting documentation.
- Review and sign or co-sign checks.
- Review payroll journals (reports of time worked and pay rates by individual) to ensure hours worked and rates are complete and accurate.
- Review bank statements including checks, electronic payments, transfers and other transactions to identify any irregularities.
- Review completed monthly bank reconciliations with Accountant/Bookkeeper.
- Ensure adherence to all internal controls is thorough and complete.
- Initiate donor thank-you letter acknowledgements and maintain donor records.
- Review insurance with the Board of Directors on an annual basis to be sure that the CIL has proper liability, fire and theft, workers' compensation *and* other appropriate coverage. Report to the board on the organization's insurance status and recommend changes as needed.
- Although ultimately responsible, the Executive Director may designate any of her/his duties to an Assistant Director.

Accountant/Bookkeeper

- Prepare quarterly financial reports including a balance sheet, income and expense report, budget comparison, and other key financial reports for review by the Executive Director and Board of Directors. Present other reports outlined above for review by Executive Director.
- Reconcile the bank account.
- Enter various transactions into the accounting system, such as deposits, payroll, in-kind donations, and debit or credit card transactions.
- Calculate and execute drawdowns based on allowable, allocable, and reasonable expenses.
- Prepare 1099s annually.
- File charitable organization registration form and with the State of Alaska Department of Law every year.
- File biennial return and fee with the State of Alaska, Corporations Section by June 30 of even-numbered years.

- Perform an initial review of timesheets for Executive Director approval.
- Prepare and print paychecks and provide them to the Executive Director with supporting documentation.
- Review or prepare all federal and state quarterly and annual payroll tax reports, and prepare checks for tax deposits.
- Prepare documentation required for Workers' Compensation insurance audits.
- Classify receipts, expenditures, and payroll properly by account and object of expenditure.

Outside CPA

- Perform audits or reviews of the CIL's financial statements.
- Perform a compliance audit in accordance with Statements on Auditing Standards promulgated by the AICPA as well as other standards as and if applicable, including Government Auditing Standards issued by the GAO, *Uniform Guidance*, and the State of Alaska Single Audit Act.
- Prepare the CIL's annual Income Tax Form 990.

Accounting Structure

The fiscal year shall be from July 1 of a given year through June 30 of the following year.

SAIL uses the accrual basis for accounting.

A computerized double entry accounting system shall be used, established such that separate tracking is maintained for revenue and expenses for each program or grant (such as using classes in the QuickBooks accounting program).

Non-profit Tax Status

As a non-profit agency, SAIL is, for the most part, exempt from city sales tax. The sales tax exemption certificate must be renewed annually with the City of Sitka, but is permanent in Juneau, Ketchikan, and Haines. The City of Sitka now requires sales tax be collected on services sold, with the exclusion of fund raising events. SAIL will comply with local regulations.

Responsible: Accountant or Bookkeeper to file Sitka application each annum.

SAIL is subject to Federal Social Security and Medicare (FICA) payroll taxes. SAIL is exempt from federal unemployment taxes (FUTA). SAIL is subject to State of Alaska unemployment tax (SUTA) and files quarterly returns with Employment Security Division.

Payroll is currently processed in-house but may be outsourced if necessary.

Responsible: Accountant/Bookkeeper.

Financial Procedures and Controls

Security of Financial Information and Other Records

Financial management records, electronic and printed, will be secured at all times. Access to those records will be restricted to those whose job responsibilities require access.

Access to the accounting system will be limited to those whose job responsibilities require such access. Each individual will have his or her own password for the system. If security requirements of the accounting system provide for different levels of access to separate modules, the access rights of each individual will be based on their job-related level of need for access.

Consumer records, donor records, and personnel records will be kept in a locked area with access limited to those whose job responsibilities require access.

Segregation of Responsibilities

The Board of Directors and Staff of SAIL will ensure the appropriate level of segregation of duties at all times. The Board of Directors and Staff will accomplish that by following the policies and procedures included in this manual.

Cash Receipts

Blank checks, checks or cash held for deposit, and checks held for employees or vendors will be kept in a locked area with access limited to those whose job responsibilities require access.

Cash receipts generally come from the following sources:

- Contracts and grants (federal and other)
- Direct donor contributions
- Fundraising activities

Incoming mail will be opened by a staff member designated by the Executive Director. When checks or cash are received, he or she will perform the following tasks:

1. Stamp the back of any checks received "For Deposit Only."
2. Count any cash received.
3. Complete a deposit slip.
4. Make a photocopy, or electronic copy of any checks received.
5. Make timely bank deposits at least once each week.
6. Obtain an office copy of the receipted bank deposit.
7. Provide a copy of the checks and deposit slip and receipt (or check scanning report) to the Accountant/Bookkeeper to record in the accounting system.

Under no circumstance shall the Accountant/Bookkeeper or Auditor perform any of the above seven tasks.

Federal Drawdowns

Drawdowns from the federal government or other funders will be made to cover the amounts that have been expended and not previously vouchered and other amounts that will be paid shortly after draws are received. Reimbursement of federal funds is preferred. However, if advances are required, they will be supported by documented, allowable, and reimbursable costs and will be

expended as soon as administratively possible after they are received. The Accountant/Bookkeeper will calculate and document the draw needed to cover these amounts.⁴

SAIL will seek cash advances limited to the minimum amounts needed, and advances will be timed to be in accordance with its actual, immediate cash requirements in carrying out the purpose of the approved program or project. It is the policy of this organization, consistent with federal regulation, to not draw down federal funds in advance of costs to manage cash flow.

Any federal advances received must be deposited into an insured interest-bearing account unless the best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.

In the event that SAIL does advance funds, it will minimize the time that elapses between the transfer of funds to SAIL from the U.S. Treasury and the payment of related expenses as follows:⁵

- The Accountant/Bookkeeper will prepare a list of payroll and accounts payable supported by documentation, such as approved invoices with allocations to each grant source, and present this information to the Executive Director.
- The Executive Director will identify checks to be written, after ensuring that costs are reasonable, allowable, and properly allocated.
- The Executive Director will draw the direct deposit funds for the actual amount needed to cover only those checks allocated to that grant.

Password access to the federal payment system will be maintained by the Executive Director or his/her designee.

Expense Allocations

Payroll and other costs that benefit a single program or cost objective shall be assigned solely to that program or cost objective. Most expenses that benefit more than one program or function (typically administration, rent and other occupancy costs, and minor expenditures such as shared supplies) are allocated to each program or department using a shared cost method, based on SAIL's Indirect Cost Rate approved by the cognizant federal agency^{6, 7}.

Bank Reconciliations

Bank accounts will be reconciled as outlined in the responsibilities section of this manual.

Payroll and Time and Effort Reporting Procedures

All employees are required to complete, sign, and submit time sheets meeting the requirements of Uniform Guidance.

⁴ When expending funds from the Administration for Community Living, SAIL will comply with Uniform Guidance Sec 200.305 cash management requirements of Uniform Guidance.

⁵ This addresses requirements of Uniform Guidance section 200.305(b).

⁶ In most cases, the U.S. Department of Health and Human Services Indirect Cost Group.

⁷ All Part C funded CILs, regardless of size, are required to obtain an approved Indirect Cost Rate unless they can allocate everything directly to each of their cost objectives or qualify for and request the 10% de Minimis rate. SAIL received an approved federal Indirect Cost Rate on 3-3-16.

Payroll Procedures

Time sheets completed by each employee accurately account for all time worked during each payroll period. After approval of time sheets, the Accountant/Bookkeeper will call/enter time worked into the payroll processing system. The Accountant/Bookkeeper will prepare checks or electronic deposits and a record of payroll by person. The Executive Director will review the record of payroll by person for accuracy, including proper rates and hours. Checks for payroll and contracted workers are sealed in envelopes in a locked area for distribution.

Time sheets of all employees charged to programs, grants or activities will clearly shows the distribution of activity of each employee. SAIL uses this documentation to verify the way employees' time is split between cost objectives. This requirement applies to supervisory and nonsupervisory employees, as well as to hourly and salaried employees.

- Must be an after-the-fact record of actual time worked. It cannot be dated before the end of the time period. **Budget estimates determined before the work is performed do not qualify.**
- Must account for the total activity (100%) of the time for which the employee is compensated.
- Must be signed by the employee and supervisor. Signatures certify that the percentage of time being reported under each objective is correct. The supervisory official will have firsthand knowledge of the activities performed by the employee. There will be a notation that the distribution of activity represents a reasonable approximation of the work actually performed by the employee.
- Will be prepared at least monthly and will coincide with one or more payroll period(s).

Credit Card Procedures

SAIL uses credit cards. All expenditures of federal funds must be adequately documented to be considered allowable. For additional information, please see the SAIL Credit Card Policy.

Use of Cards by the Executive Director

The Executive Director of SAIL is authorized to utilize credit and store charge cards, subject to a limit of \$25,000, for the purchase or payment of allowable costs/expenses related to the normal operation of the programs and services of SAIL. The Executive Director will retain receipts and other documentation for all card purchases, and will provide these to the Accountant/Bookkeeper.

Use of Cards by Other Management Staff

Assistant Directors may use cards for the purchase or payment of cost/expense related to normal operation of the programs and services of SAIL with prior approval from the Executive Director subject to a \$15,000 limit.

The ORCA Program Director and agency Administrative Assistant may use cards for the purchase of payment of cost/expense related to normal operation of their program with prior approval from the Executive or Assistant Director subject to a \$10,000 limit.

The ORCA Juneau Lead may use cards for the purchase or payment of cost/expense related to normal operation of their program with prior approval from the ORCA Program Director, Assistant Director or Executive Director subject to a \$7,500 limit.

Other management staff may use cards for the purchase or payment of cost/expense related to the normal operation of the programs and services of SAIL with prior approval from the Executive or Assistant Director subject to a \$5,000 limit. Prior approval may be received in writing, by email, or over the phone. If approval is by phone, the date, time of approval, and type and amount as soon as possible after the expenditure, anyone using the cards will produce the original receipt and

other documentation related to the expense for internal processing and submission first to the staff member's supervisor and then, after approval, to the Accountant/Bookkeeper.

The documentation and/or accompanying notes will explain the nature of the item(s) purchased in a way that permits verification that the item is reasonable, necessary, and allowable, and specify the program(s) or function(s) to which it should be allocated. Receipts will be submitted to the Accountant/Bookkeeper weekly.

Lost or Stolen Cards

If a credit card is lost or stolen, the person designated with responsibility for the card must report the loss or theft to the Executive or Assistant Director immediately. The Executive or Assistant Director will immediately contact the bank to cancel the card and request a different card. The Executive or Assistant Director will document the circumstances and when the bank was contacted, and determine if other steps are needed based upon the circumstances related to the lost or stolen card.

Misuse of Credit

If staff abuse or misuse a card, the Executive Director will require the staff member to relinquish the card to the Executive Director. The Executive Director will determine if other steps are needed based upon the circumstances related to the misuse of the card, up to and including initiation of civil or criminal proceedings. If the Executive Director abuses or misuses a card, the card must be relinquished to the Board Chair or Board Treasurer. The Board will determine if other steps are needed based upon the circumstances.

INDEMNITY POLICY

SAIL shall purchase and maintain insurance on behalf of any person who is serving at the request of SAIL, as a Director, Officer, Employee, Agent, Staff, Volunteer or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such. SAIL will maintain a minimum coverage of \$1,000,000 per claim (Directors and Officers/Employment Related Practices Liability Shared Limits of \$1,000,000).

Responsible: Accountant/Bookkeeper informs Executive Director and Finance/Investment/Audit Committee of annual policy renewal.

Responsible: Board reviews adequacy of insurance annually.

INVESTMENT POLICY

PURPOSE:

To provide guidance regarding cash management and investment activities for cash and cash equivalents.

POLICY:

SAIL manages its cash and investments for the use and benefit of the agency in a manner consistent with its objectives.

OBJECTIVES:

The primary objectives for investment activities, in priority order, shall be:

Safety: Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Liquidity: The investment portfolio will remain sufficiently liquid to enable SAIL to meet all operating requirements which can be reasonably anticipated.

Risk: SAIL will utilize diversification in all portfolios to minimize credit, market and interest rate risks.

Yield: Mindful of Safety, Liquidity and Risk, SAIL will make investment decisions aimed at achieving a competitive market rate of return.

DEFINITIONS

Liquid: Cash or investments that can be quickly converted to cash.

Cash Available for Investing: The amount of cash and cash equivalents available to be invested in accounts, other than bank checking and savings accounts.

Month of Operating Expenses: The total annual agency budgeted expenditures divided by 12.

PROCEDURE

The Board of Directors will establish guidelines to manage and invest their cash and cash equivalents. On an annual basis, during budgeting meetings, the Board will decide whether to engage the services of an Investment Advisor. If yes, the Board will choose or reaffirm their choice of Investment Advisor and determine the amount of funds to be invested and managed by that Investment Advisor.

Guidelines: Not less than three months of operating expenses, plus the amount of known cash obligations at the beginning of each fiscal year, will be invested as follows:

- 1) **Bank Accounts:** Fully protected by FDIC or Excess Deposit Insurance,
- 2) **Certificates of Deposit:** Certificates of Deposit, Money Market Funds, Banker's Acceptance, Bank Notes and/or Letters of Credit which are fully protected by FDIC or by Excess Deposit Insurance.

Fixed Income Investments: Remaining cash available for investing may be invested in a portfolio of high quality bonds and US Government securities. These investments conform to the following:

- Government and Agency securities may include US Treasury notes, bills and bonds
- Bonds may include taxable or tax-free bond investments like mutual funds, Exchange Traded Funds (ETF) and unit trusts.
- The maximum average maturity of the fixed income portfolio will not exceed 10 years.
- Investments in individual bonds will be BBB or better, based on Standard and Poor's or Moody's Ratings.
- Bonds with quality rating lower than BBB, may only be held through mutual funds or EFT ownership.
- Land/Property must be in SAIL's name or guaranteed by fixed asset or other assurance deemed acceptable by the Board of Directors.

Diversification will be addressed in terms of maturity as well as security type and issuer. SAIL will diversify its portfolio to manage market risk resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investment instruments.

Management responsibility for the investment program is hereby delegated to the Finance/Investment/Audit Committee including the President and Treasurer with input from the Executive Director and Accountant/Bookkeeper. The committee may request other Board Members to serve on the Finance/Investment/Audit Committee. The committee shall have primary responsibility for the administration of the investment policy and for establishing any specific guidelines as to the mix and quality of the investments. It will meet as needed to determine general strategies and to monitor results. The committee will include in its deliberations such topics as: potential risks, authorized depositories, rate of return, and maturity structure. The committee will also review the established written procedures for the operation of the investment program for consistency with the investment policy. The Treasurer or his/her designee will take meeting minutes that will be available to the Finance/Investment Committee, the Board, and to the independent auditor and/or deliver a verbal report at the next full Board of Directors meeting that is then captured in the meeting minutes.

Investment Advisor - The Board of Directors may engage the services of an investment advisor as discussed above. Advisors based in Alaska will be given preference when all other qualities are comparable. The Board will consider reputation and experience in the industry, association, or employment by a reputable investment advisory firm, and reasonable fees for the services performed when making their decision.

The Investment Advisor will:

- Buy and sell investments that meet the investing guidelines for items 2-4 above.
- Provide statements, including all investment transactions and security listings on a monthly basis.
- Recommend changes to these procedures that might better permit the achievement of objectives.
- Make every attempt to obtain the best possible execution on all trades.
- Notify the Finance Committee as investments fall greater than 5% outside established guidelines.
- Provide annual performance reports, in person, to the Finance/Investment/Audit Committee. Reporting will include:
 - Continuing appropriateness of existing objectives and guidelines
 - Investment performance relative to benchmarks
 - Economic and market considerations
 - Attend meetings as requested by the finance committee.

TRAVEL POLICY

SAIL's policy is to reimburse employees and other authorized individuals for necessary and reasonable travel expenses incurred for authorized business. The intent of this policy is that reimbursement be fair and equitable to both the traveler and SAIL and be consistent with funding requirements and federal regulations. The traveler must use the most economical and reasonable mode of transportation available. This includes charging no more than the rate for the most direct route and the most economical and reasonable accommodation available. The details of travel authorization and reimbursement procedures are included in the Employee Handbook.

Travel outside of the local area can be reimbursed to staff, board, volunteers, and consumers (if provided as part of a consumer's IL goals such as education/community participation). This includes travel necessary to deliver consumer services, participation in state/regional committees

or task forces, attending workshops, conferences or other trainings, advocacy, development and/or networking activities.

Pre-Approval of Travel

All reimbursable travel must be allowable, allocable, reasonable, and necessary to achieve the purposes of SAIL and the involved funding sources, in accordance with federal cost principles and SAIL's approved budget and written travel policies and procedures; and must be pre-approved by the individual's immediate supervisor and the Executive Director. The approving individual has authority about the mode of travel that will be reimbursed, and preference will always be given to the mode that is the most economic and efficient (e.g., coach rather than first class airfare). Any reasonable accommodation needs will be considered in this determination. Travel advances for anticipated travel costs may be requested by the traveler and must be reconciled after travel has been completed.

Reimbursement and Documentation

Documentation for the cost of and purpose for travel must be submitted for reimbursement. A travel reimbursement request with supporting documentation must be submitted within 10 days of travel. Reimbursement for approved business use of personal vehicles will be based on rates established by SAIL that do not exceed the federal rate.

Per Diem

Meals for out-of-area travel will be reimbursed at rates that do not exceed the federal per diem rates that are documented on the U.S. General Services Administration Per Diem Rate Website <http://www.gsa.gov/portal/category/100120>. To receive Per Diem reimbursement for meals associated with out-of-area travel, travel must begin before or be inclusive of 7:00 am (for breakfast), 10:00 am – 1:00pm (for lunch) and/or end after 7:00 pm (for dinner).

FINANCIAL CONTROLS AND OPERATING PROCEDURES

INTERNAL CONTROLS

SAIL shall maintain a stringent policy of internal controls and separation of duties. Six key elements form the framework of SAIL's internal control policy as follows:

- 1) Employing competent, trustworthy people with clear lines of authority and responsibility
- 2) Having adequate separation of duties
- 3) Having proper procedures for authorizing business transactions
- 4) Maintaining adequate documents and records
- 5) Having appropriate physical controls over assets and records
- 6) Conducting independent checks on performance

SEPARATION OF DUTIES

The term 'Separation of duties' means that one person's work serves as a complimentary check on another person's work. The basic premise is that one person should not have complete control over an entire process or fiscal activity; (e.g., no one person should be able to prepare a transaction, approve it, process it and then reconcile outside records to the internal accounting system). Having adequate separation of duties has a major impact on ensuring that transactions are valid and properly recorded. Failure to adequately separate duties or provide comprehensive oversight when an adequate separation cannot be achieved can place assets or personnel at risk.

SAIL shall abide by the general principles governing effective separation of duties as summarized below:

- 1) Separate custody of assets from accounting: Accountant/Bookkeeper shall not be a check-signer or an authorized signer for agency credit cards; Finance/Investment/Audit Committee shall periodically review reconciled bank statements.
- 2) Separate authorization of transactions from custody of related assets: Accountant/Bookkeeper shall not approve purchases, checks, or charges.
- 3) Separate duties within the accounting function: cash receipts logs shall be maintained by one person who is not the Accountant/Bookkeeper; bad debt and credit memos shall be approved by the Executive Director or his/her designee.
- 4) Separate operational responsibility from record keeping responsibility: Deposit records shall be reconciled to cash logs.

Adhering to all these principles may not be possible due to resource limitations or other considerations; in these cases, the risk resulting from inadequate separation of duties should be assessed by the Executive Director to ensure that the level of exposure is acceptable. Compensating controls may exist to mitigate risk or additional resources may need to be sought out to enhance controls.

Program managers shall direct their personnel to ensure transactions are properly authorized, coded as to expense account type, and processed in accordance with SAIL's stated procedures. In satellite offices where separation of duties may be difficult to achieve, a high level of oversight by the Executive and/or an Assistant Director is critical in the financial approval and review process.

Accounting for Donated Services

The objective of accounting for donated services is to comply with Generally Accepted Accounting Principles (GAAP) and with requirements for annual filings. SAIL will also track and document in-kind items that qualify for Grant Matching.⁸

Fair value will be determined at the date of the gift. Services will only be recorded as donations if:

- Services are performed as part of SAIL's programs or services, and would otherwise be performed by paid personnel.
- SAIL has control over the activities of the donors of the services.
- SAIL has a clearly measurable basis for the amount claimed. The following in-kind items will be recorded:
 - Items intended to be used or controlled by SAIL (for example: a computer or copier that would be used by SAIL; or adaptive equipment, the use of which SAIL oversees).
 - Donated use of items or facilities, such as real estate.
 - Donated services that are key to SAIL's operations, programs or services and have been performed by specialists (such as review of contracts by an attorney).

Financial Reports

⁸ Often, funding agencies require matching funds or in-kind contributions from the grantee. Some funding agencies allow grantees to include non-cash donations as part of their matching funds or in-kind contribution. Goods that may be counted include land, buildings, and equipment (such as computers or office equipment for direct use, or wheelchairs or other equipment that will be provided to consumers), and rent-free space.

All expenditures are to be incurred and paid in accordance with a budget approved by the Board of Directors.

The following financial statements are prepared:

Balance Sheet

- Assets (what we have)
- Liabilities (what we owe)
- Net assets (what's left)

The balance sheet is created as of a particular point in time, such as the close of a quarter. Net assets will be classified as restricted by donors, designated by the board for use in certain areas, or as available for use where needed (unrestricted).

Statement of Income and Expenses and Budget Comparisons

These statements report contributions received and income earned, as well as expenses for payroll and for products and services received. Reports will be generated for a period of time such as a month and/or year-to-date and may be compared to the prior year, and/or to budgeted amounts.

Other Financial Reports

Quarterly, a Federal Fiscal Report (FFR) must be submitted to Grant Solutions before the next quarter's Part C funds can be drawn. An accurate form SF-425 will be submitted to the Administration on Community Living (ACL) by December 31 each year. Other financial reports may be prepared for review as requested by the Board of Directors, or its Finance/Investment/Audit committee including:

- Statement comparing budget to actual for the period and Year to Date.

Information Technology Controls

Information technology controls are created to protect confidential information, preserve financial data, and operate efficiently. SAIL will properly protect its electronic information with the following procedures:

- Backups of important data will be made and stored off-site or in the cloud every 7-10 days
- Backups will be verified at least quarterly to make sure they are working.
- Surge protectors will be used on all computers and UPS/battery backups will be used on the server.
- Electronic files and folders with confidential information will be limited to those needing access required for the performance of job duties.
- Access will be immediately removed when someone leaves or is terminated.
- Up-to-date anti-virus protection, ad-blocking, and anti-spam software will be used.
- Hard drives will be defragmented periodically, error logs will be reviewed for potential problems, and problems will be remedied.
- License and warranty information will be maintained in a secure central location.
- A hard-copy (non-electronic) master password list will be kept under lock and key, preferably off-site.

Purchasing Policy

Objectives of the Policy

Overview

It is the policy of SAIL to follow ethical, responsible, and reasonable purchasing procedures. These policies describe the principles and procedures to be followed by all Staff in connection with their purchasing responsibilities.

Responsibility for Purchasing

All purchases over \$100 that are not within a pre-approved program budget must be approved by the Executive and/or an Assistant Director.

Ethical Conduct in Purchasing

Individuals involved in the purchasing process will discourage the offer of, and decline gifts or gratuities for themselves, their families or friends from potential vendors. They will never discriminate unfairly by dispensing special favors or privileges to anyone whether for remuneration or not.

Conflicts of Interest Prohibited

Employees and members of the Board of Directors have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy establishes only the framework within which SAIL will operate. The purpose of these guidelines is to provide general direction for all employees and members of the Board of Directors. Employees are expected to seek further clarification from their supervisor on issues related to the subject of acceptable standards of operation if any question arises. Board members, as well as any employees involved in the procurement/purchasing process, are expected to disclose any potential conflict of interest and to remove themselves from discussion and decision making in any item of business in which they have a conflict of interest.

Conflict of Interest

An actual or potential conflict of interest occurs when the employee, officer, or agent, any member of his or her immediate family, his or her life partner/significant other, his or her business 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 basic principles that apply are that any potential conflict must be disclosed and the individual who has a potential conflict cannot be involved in decision-making related to the area in which they have a conflict.

No "presumption of guilt" is created by the mere existence of a relationship with an outside firm. However, when the individual has any influence on transactions involving purchases, contracts, or leases, it is imperative that they disclose to the Executive Director, or, in the case of a Board Member or the Executive Director, to the full Board, as soon as possible the existence of any actual or potential conflicts of interest so that safeguards can be implemented to protect all parties. Personal gain is prohibited. Transactions are prohibited where the individual, partner or relative has significant ownership in a firm with which the SAIL does business. Any kickback, bribe, substantial gift, or special consideration to an individual or relative is prohibited as a result of any transaction or business dealings involving the SAIL in which the individual has influence.

Any employee found guilty of a conflict will be subject to disciplinary action.

Actual or potential conflicts of interest involving federally funded activities must be reported to the federal awarding agency.⁹

Please refer to the separate Conflict of Interest Policy for further detail.

Procurement under State or Federal Awards

Procurement of goods and services that will be charged to state or federal awards received by SAIL is subject to all of the policies above and also to the following:

- SAIL will purchase only those items necessary for the performance of the duties required by a state or federal award.
- Where appropriate, an analysis will be made of lease versus purchase acquisitions to determine which would be most economical and practical.
- Documentation of the basis for contractor selection shall be retained when competitive bidding is performed; documentation for why competitive bidding was not done shall be retained.

Vendor contracts shall include a written statement that they have not been suspended or debarred from doing business with any state or federal agency and/or SAIL will run vendor name through federal and state debarment notices to ensure the entity has not been debarred.

Davis-Bacon prevailing wage requirements for construction contracts must be met if required by the state or federal award.

General Procurement Standards

Purchases must be necessary and reasonable for the performance of the federal or other award and shall be properly identified with an award(s). Economical purchase procedures (such as consolidation of purchases), and lease versus purchase, where appropriate shall be considered.

- Purchases shall be treated consistently as direct or indirect costs.
- Federal purchases treated as direct or indirect cost cannot also be used to meet federal cost sharing or matching requirements.
- Costs charged to federal and other awards shall be net of any applicable credits.
- Costs charged to federal and similar awards shall be allowable based on guidance.¹⁰
- All solicitations shall include a clear and accurate description of the technical requirements for the material, product, or service to be procured.
- Documentation for purchases will be sufficient for an independent person to determine what was purchased, and for what purpose.
- Documentation for purchases shall be kept for at least 5 years and shall document the rationale for the method of procurement, the selection of the contract type, contractor selection/rejection and basis for the contract price and verification that the contractor is not suspended or debarred.
- Exceptions to these General Procurement Standards may be made on non-federal and non-state grants when allowed by the funder and/or when discretionary funds are used.

⁹ Uniform Guidance section 200.113.

¹⁰ Uniform Guidance sections 200.420 through 200.475.

MAINTAINING ADEQUATE RECORDS AND DOCUMENTATION

All purchase requests shall have the following documentation:

- Name of vendor, description of item or service requested, date of request
- Signature of staff authorized to make request
- All purchases over \$100 that are not within a pre-approved program budget must be approved by the Executive and/or an Assistant Director
- Original invoice or receipt
- Original purchase order if used
- Check stub or credit card payment record

All cash or checks received at the main office shall be logged in a manual cash receipts journal. Program staff for the main office shall issue a receipt to payer for any cash or checks received off site, and immediately forward the money and copy of receipt to the main office. Satellite offices shall deposit cash and checks received into SAIL's branch account, and immediately forward payment amounts and payer name to main office with receipts. Receipt books are to be kept for all cash received. The Accountant/Bookkeeper or Executive Director shall periodically perform spot checks comparing receipt books to cash receipts journal.

Purchase Thresholds

Requirements vary based on the size of the purchase. When contracting using federal funds, SAIL will adhere to all applicable federal guidelines¹¹.

Micro purchases of supplies or services are those that do not exceed \$3,500 (these limits will be updated periodically¹²).

Small purchase requirements apply when purchases are between \$3,500 and \$150,000 (the current level of the Simplified Acquisition Threshold). These amounts will be indexed for inflation.

- Micro purchases shall be distributed among qualified suppliers but don't generally require competitive quotations.
- Small purchases will be made only after price or rate quotations are obtained from an adequate number of qualified sources. Prices can be obtained from published or online price lists.
- Purchases in excess of the Simplified Acquisition Threshold, including services, equipment or supplies, purchases, leased or contracted for require a cost or price analysis (costs analysis evaluates cost components, price analysis evaluates the total price). These purchases shall be made only after receiving, whenever possible, quotations from at least three vendors. Selections shall be recommended to the Executive Director an Assistant Director for approval with quotations attached. Recommendation and selection shall be based on the following criteria:
 - A clear and accurate description of the product or service to be purchased
 - Skill and experience of key personnel
 - Experience providing products or services to SAIL
 - Any specific requirements we have included in our solicitation of bids

¹¹ 2 CFR 200.318-324

¹² Uniform Guidance section 200.67

- Demonstrated commitment to the nonprofit sector
- Information received from vendor references
- Commitment to our time deadlines
- Cost
- Woman- or minority-owned business or qualified small business
- Preference for products and services that conserve natural resources and protect the environment, to the extent possible

Construction services shall be procured by sealed bids following formal advertising. Contracts shall be awarded to the responsible bidder whose bid conforms to all the material terms and conditions of the request for bids and is the lowest in price.

Vendor contracts shall include a written statement that they have not been suspended or debarred from doing business with any federal agency. Alternatively the Organization shall check the SAM (System for Award Management <https://www.sam.gov/index.html>) vendor database. Davis-Bacon prevailing wage requirements for construction contracts must be met if required by the federal award.

Exceptions to Competitive Bidding

Competitive bidding will not be required in certain limited circumstances including:

- The item is available only from a single source.
- An emergency or urgent need will not permit a delay for competitive selection.
- Staff or client health, welfare, or safety does not permit a delay for competitive selection.
- After solicitation of a number of sources, competition is deemed to be inadequate.
- A written explanation shall be prepared and maintained whenever a normally required competitive selection is not used.
- When allowed by the funder and/or when discretionary funds are used.

Documentation of the basis for contractor selection shall be retained when competitive bidding is performed. Documentation for why competitive bidding was not done shall be retained.

Minority Businesses and Woman-Owned Businesses

The organization will take affirmative steps to encourage minority businesses, woman's business enterprises and labor surplus area firms to be used including:

- Identifying qualified organizations.
- Soliciting from these organizations.
- Dividing total requirements, when economically feasible, into smaller tasks to permit maximum participation by these organizations.

Uncertainties and Violations

Any questions regarding compliance with this policy should be directed to the Executive and/or Assistant Director.

Deliberate violations of any aspect of this policy will be subject to disciplinary action including possible termination.

Program Income

Program income is generated when SAIL receives payments for training, services provided or other similar income. If SAIL receives any program income for programs that are federally funded, the source and application of program income will be tracked to ensure that it is expended only on allocable and allowable costs. Specifically, program income will be added to the funds committed to the project by the federal awarding agency to further eligible project or program objectives or deducted from the total project or program allowable costs in determining the net allowable costs on which the federal share of cost is based.¹³ Program income will be reported on the Federal Financial Reports.

Property and Equipment

Property and equipment¹⁴ include items such as:

- Office furniture and equipment
- Computer hardware
- Computer software
- Leasehold improvements

It is SAIL's policy to capitalize all items that have a unit cost greater than \$5,000¹⁵ and a useful life of more than one year. Items purchased with a value or cost less than five thousand dollars and a useful life not exceeding one year will be expensed in the period purchased.

The depreciation period for capitalized assets is as follows:

Computer Hardware	36 months
Office Equipment	60 months
Office Furniture	60 months
Computer Software	36 months
Leasehold improvements	Length of lease

A Fixed Asset Log will be maintained by the Accountant/Bookkeeper including date of purchase, asset description, purchase/donation information, cost/fair market value, donor/funding source, identification number, and the depreciable life of the asset.

Every two years, a physical inspection and inventory will be taken of all fixed assets, and the accounting system will be updated to reflect any items that are disposed of or are no longer in service.

A control system shall be in effect to ensure adequate safeguards are in place to prevent loss, damage or theft. The Executive Director shall be informed in writing of items that are missing, have been disposed of, or are no longer in service. Any missing items must be investigated.

¹³ Uniform Guidance CFR 200.307.

¹⁴ Equipment purchased with federal funds is subject to specific provisions in Uniform Guidance.

¹⁵ Or another appropriate amount based on your organization size. Uniform Guidance limits this to \$5,000.

Depreciation is recorded at least annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

Personnel Records

All personnel files will contain the following documents:

- An application and/or resume
- Date of employment
- Position and pay rate
- Job description
- Performance evaluations
- Authorization of payroll deductions
- W-4 withholding authorization
- Termination data where applicable
- A signed confidentiality agreement
- A signed acknowledgement of receipt of Employee Handbook including the organization's whistleblower, drug-free workplace, lobbying, and conflict of interest policies
- An emergency contact form
- Other forms as deemed appropriate by the Executive Director

All employees will fill out an Employment Eligibility Verification (I-9) and submit the specified allowable forms of identification to the Executive Director.

All personnel files are to be kept in a secure, locked file cabinet and accessed only by authorized personnel, as assigned by the Executive Director.

Reports to Funding Agencies and Organizations

SAIL is required to submit programmatic and financial reports periodically to funders and oversight agencies. In all cases, SAIL will keep a paper or electronic file of documentation supporting financial, unit of service, programmatic, and other information included in the report along with a copy of the report itself.

DRAFT

Appendix I

Retention Schedule

SAIL will follow these guidelines for the retention of records but will also comply with any longer retention requirements of funders.¹⁶

If SAIL has any active, pending or threatened litigation, audit findings or monitoring findings, records will be retained until all issues are fully resolved as determined by the Board of Directors.

Financial and programmatic records (including consumer service records) and supporting documents related to federal funding, compliance or performance shall be retained for a minimum of five years from the date in which the corresponding annual reports are submitted to the Rehabilitation Services Administration (RSA).

Paper and electronic records are subject to the same requirements.

This policy will be modified to accommodate any special requirements of funders or regulators.

At the end of the retention time frame, records will be destroyed.

Item	Useful life
Accounts payable ledgers and schedules	5 years
Accounts receivable schedules	5 years
Bank reconciliations	5 years
Bank statements	5 years
Checks (cancelled, but see exception below)	5 years
Checks (cancelled for important payments, i.e., taxes, purchases of property, special, contract, etc.) (Checks should be filed with the papers pertaining to the underlying transaction.)	5 years
Contracts, mortgages, notes and leases: Expired Still in effect	7 years Permanent
Correspondence	5 years
Deeds, mortgages and bills of sale	Permanent
Depreciation schedules	Permanent
Duplicate deposit slips	2 years
Employment applications	3 years
Employee personnel records (after termination)	5 years
Expense analyses/expense distribution schedules	7 years
Financial statements: Year-end	Permanent

¹⁶ The General Education Provisions Act (GEPA) has a five years statute of limitations on audits. Accordingly, all educational records subject to GEPA should be retained for a minimum of five years after the date the final expenditure report is submitted for each fiscal year. For programs not subject to GEPA, records should be kept as long as any applicable statute of limitations applies. If none, a "safe" practice would be to maintain electronic copies of records and/or paper records to the extent practicable, but no less than 10 years. **Note** that although GEPA requirements no longer apply to centers for independent living, GEPA standards will be applied in audits of prior program years for which GEPA was in force.

Item	Useful life
Other	Optional
Garnishments	7 years
General ledgers	5 years
Insurance policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanent
Vouchers for reimbursement	5 years
Invoices from vendors	5 years
Journals (receipts, disbursements)	5 years
Minutes of Board of Directors meetings, bylaws and articles of incorporation	Permanent
Notes receivable ledgers and schedules	7 years
Payroll records and summaries, including payments to pensioners	5 years
Personnel records (terminated)	7 years
Petty cash vouchers	5 years
Property appraisals by outside appraisers	Permanent
Property records—including costs, depreciation reserves, end-of-year trial balances, depreciation schedules, blueprints and plans.	Permanent
Retirement and pension records	Permanent
Sales records	5 years
Subsidiary ledgers	5 years
Annual filings	Permanent
Time sheets/cards/books	7 years
Vouchers for payments to vendors, employees, etc. (including allowances and reimbursement of employees, officers, etc. for travel and entertainment expenses)	5 years
Withholding tax statements	7 years