



**ATTACHMENT A**

*The HSI School Board has not yet been appointed. We have included information on the Discovery World at Pier Wisconsin corporate Board Members.*

## CAREER SUMMARY

Success driven professional with over 14 years of diverse experience in Manufacturing, Engineering, Finance and Investments. Strong interpersonal skills with experience in leading multiple cross-functional teams that surpassed project goals. Budget and scheduling responsibility on million-dollar manufacturing projects. Performed review of investment instruments and presented advantages and disadvantages to clients. Use of Spanish speaking and leadership skills to successfully complete international audit projects. Proven success in learning new skills and quickly applying them to achieve business goals. Involved in various charitable organizations including participation as an executive board member and Chair of the Finance and Audit Committee for a \$20 million nonprofit group.

## CAREER HISTORY

### **Discovery World, Milwaukee, Wisconsin (2005 – Current)**

Discovery World is an interactive museum created to inspire, motivate and delight children and adults about the interconnections among science, economics, and technology.

#### **Controller (2005 – Current)**

- Development, analysis, and interpretation of statistical and accounting information in order to appraise operating results in terms of profitability, performance against budget, and other matters bearing on the fiscal soundness and operating effectiveness of the organization.
- Responsible for evaluating the performance of personnel in the Accounting Department and Human Resources.
- Maintain the company's system of accounts and keep books and records on all company transactions and assets.
- Establish major economic objectives and policies for the company and prepare reports that outline the company's financial position in the areas of income, expenses, and earnings based on past, present, and future operations.
- Coordinate and directs the preparation of the budget and financial forecasts, institutes and maintains other planning and control procedures (including the cost accounting system), and analyzes and reports variances.
- Responsibility for providing effective financial controls for the organization.

### **Jefferson Wells, Milwaukee, Wisconsin (2004 – 2005)**

Jefferson Wells is a growing global provider of professional services in the areas of risk, controls, compliance and financial process improvement.

#### **Internal Controls Consultant (2004 – 2005)**

- Successfully completed Internal Audit projects for manufacturing, insurance and service companies both domestically and internationally.
- Worked on Sarbanes-Oxley project for large manufacturing company, including the use of a facilitative session approach to documentation phase of the process.
- Involved in successful completion of international audit, accounting for over \$2 million in recovered revenue.

### **Morgan Stanley, Wauwatosa, Wisconsin (2003 – 2004)**

Morgan Stanley is a \$36.5 billion global financial services firm that operates in Institutional Securities, Individual Investor Services, Investment Management and Credit Services.

#### ***Financial Advisor (2003 – 2004)***

Successfully completed training program. Developed extensive networking and prospecting list.

- Obtained Series 7, 66, and 53 securities licenses.
- Obtained Wisconsin Life, Accident and Health licenses.
- Performed personal financial reviews, developed and implemented solutions.
- Developed multiple business marketing plans to build financial advising business.
- Presented financial service offerings to company management and union representatives.

#### ***Rockwell Automation, Milwaukee, Wisconsin (1992 – 2003)***

Rockwell Automation is a \$4.3 billion leading global provider of industrial automation power, control and information solutions.

#### ***Senior Corporate Internal Auditor (1999 – 2002)***

Planned and conducted financial and operational audits of company's domestic and international locations, assessing the business and analyzing its performance against company and industry standards. Performed critical review of location's income statement, balance sheet and cash flow statements. Developed recommendations and reported to top local and corporate leadership.

- Led audit team after five months in department, seven months earlier than standard.
- Integrated new technologies in investigation and reporting to facilitate communication at all stages of the audit process
- Participated on a team to assess and make improvements to audit procedures.
- Conducted three international audits focusing on logistics and consolidation in Europe, Asia-Pacific and Latin America.
- Developed and tested self-initiated travel cost reduction plan, resulting in a 40% reduction in travel costs.

#### ***New Product Development Engineer (1997 – 1999)***

Developed tooling and created layouts of production area for new solid-state products. Developed schedules and budgets for the manufacture of small programmable logic controllers (PLC). Provided manufacturing and quality support for existing products in two states. Worked in matrix organization to bring new products to market.

- Team leader for industrialization group with \$1.2 million budget.
- Facilitated transfer of PLC line from Eau Claire, WI to Dublin, GA. Transfer completed with minimal interruption to production, on time and under budget.
- Led supplier selection group to identify sources of needed equipment and materials that maximized quality, improved availability and lowered costs.
- Developed product cost schedule to meet market target requirements
- Implemented the "theory of constraints" method of project scheduling, resulting in a 20% reduction in time to market of a new product.

#### ***Cellular Manufacturing Supervisor (1994 - 1997)***

Oversaw the production of \$50 million annually of industrial automation products (push buttons, terminal blocks and hazardous location enclosures). Supervised 30 union employees across three shifts. Responsible for manufacturing processes that included plastic injection molding, stamping, and automated assembly.

- Improved on-time delivery from 80% to 99% through equipment improvements and personnel motivation.
- Ensured compliance with ISO 9001 Standards.
- Doubled production on several lines through innovative equipment modifications, process and layout improvements.
- Performed financial analysis to compare cost of purchasing \$1.5 million worth of equipment or producing products manually at overseas locations.
- Evaluated overseas suppliers of tooling based on quality and cost.

***Manufacturing Engineering Trainee (1992-1994)***

Hired into Engineering Development Program. Experiences in Plant Engineering, Quality, Test Engineering and Supervision.

- Headed project to renovate large office and lab area, completed on time and on budget.
- Developed testing procedures to minimize cost and increase throughput.
- Relayed out production line to increase through put increase efficiency and eliminate need for additional shift.

**EDUCATION**

**UNIVERSITY OF CHICAGO GRADUATE SCHOOL OF BUSINESS**, Chicago, Illinois  
Master of Business Administration, 2001, concentration in Finance and International Business

**MILWAUKEE SCHOOL OF ENGINEERING**, Milwaukee, Wisconsin  
Master of Science, Engineering Management, 1998, concentration in Marketing

**MILWAUKEE SCHOOL OF ENGINEERING**, Milwaukee, Wisconsin  
Bachelor of Science, Manufacturing Engineering Technology, 1992, graduated with Honors

# PAUL J. KRAJNIAK

## KEY ACCOMPLISHMENTS

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### ***Development of Discovery World's THE EDGE: A 21<sup>st</sup> Century Learners Challenge***

- Lead Discovery World educators as they developed THE EDGE: A 21<sup>st</sup> Century Learners Challenge and piloted the program in partnership with the Private Industry Council of Milwaukee County.
- The new program will provide accelerated learning experiences in science and technology and workplace skills training for 60 Milwaukee Public High School Students as well as summer employment opportunities at the museum for up to 20 students completing the training program.
- A 12 week training program held on consecutive Saturday mornings at the museum will provide and an exciting off-school hour program, professional involvement, design/build/produce opportunities at Discovery World and in the community.

### ***Enhancement and Expansion of Connected Community of Learners***

- In partnership with the Milwaukee Public Schools (MPS), enhanced and expanded the *Connected Community of Learners*, a five-week summer school program designed to help middle school students meet science proficiency standards, with *New Space Architecture*.
- Piloted in 2003, *New Space Architecture* helps area middle and high school students meet proficiency standards through a unique science and technology curriculum involving real-world experiences, professional connections, and inquiry-based project activities.
- *New Space Architecture* uses the field of architecture as its focus and provides students opportunities to use math, science, communications and technology to develop competencies and skills such as teamwork, project management, drawing and materials identification through a real world design/build experience.

### ***Development and Implementation of Discovery World's Digital Literacy Accelerator for Young Innovators and Entrepreneurs***

- Lead the Discovery World team in fall 2001 to develop and begin Phase I implementation of the *Digital Literacy Accelerator for Young Innovators and Entrepreneurs*.
- This innovative educational initiative was designed to enhance student learning and motivate student interest in science and technology through the creation of television-ready content.
- LifeJet Studios Project, a year-long program in which 20 Milwaukee Public High School students attended daily classes at Discovery World during the academic year, was completed.
- Students enhanced their research, science, and communication and technology skills through this program as they produced an educational videotape focusing on the human genome in association with professionals and researchers from the UW-Madison Biotechnology Center.

### **Development of the Milwaukee Girls Science Partnership**

- Is a strong advocate for educating young girls, working diligently to counteract the stereotype that science, engineering, technology, and business education is for boys only.
- Lead the Discovery World team to develop the *Milwaukee Girls Science Partnership*, a community-based program designed to enhance science and technology skills and raise awareness for careers in engineering for underserved Milwaukee area middle school girls.
- The program provides 7 – 9<sup>th</sup> grade girls inquiry-based project experiences through a five-day summer camp program led by women and through on-going science activities offered at the museum during off-school hours.
- Trained high school age youth counselors, professionally led workshops and enhanced teacher training through credited course work at Milwaukee's Alverno College support this programmatic initiative.

### **Design of Discovery World's TechnoJungle Exhibit**

- Designed Discovery World's largest exhibit (it occupies 2,200 square feet).
- The technology exhibit replicates the living jungle and focuses students' attention on many of the design advances that technology has borrowed from the natural world

## **EMPLOYMENT**

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<b>Executive Director</b>	Discovery World	1994-Present
<b>Director Exhibits/Program Dev.</b>	Discovery World	1984-1994

*(Includes coordination of 36 five-to-seven-minute spots for PBS's Captain Kangaroo highlighting Discovery World's exhibits and shows in 1986)*

<b>Environmental and Set Designer</b>	1980-1999
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*(Created more than 40 designs for dance, theatre, and museums, including BRAIN OPERA for MIT Media Labs, VOLCANO SONGS for Meredith Monk, ARACE for Ping Chong, and a retrospective exhibit for the Walker Museum of Art in Minneapolis)*

<b>Teacher</b>	1974-1984
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*(Includes work at both experimental and traditional education institutions and schools such as Campus Elementary School, St. Leo's, Holy Angels, and Milwaukee Community School)*

## **EDUCATION**

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University of Wisconsin-Milwaukee B.F.A. in Sculpture and Education	1979
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## **PROFESSIONAL AFFILIATIONS AND VOLUNTEER ACTIVITIES**

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### **PROFESSIONAL AFFILIATIONS**

Crone, PhD, Wendy C., Assistant Professor, Engineering Physics, University of Wisconsin-

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Madison. Engineering

Herman, PhD, Timothy M., Director, Center for Biomolecular Modeling, Milwaukee School of Engineering

Lexamond, Marty, Office of the Superintendent, High School Redesign, Milwaukee Public Schools. Milwaukee Public School

Randall, Jr., Gerard A., Chief Executive Officer, The Private Industry Council of Milwaukee County.

Staten MA, NBCT, Mary E., Science Curriculum Specialist-Division of Teacher and Learning.

Zinnen, PhD, Thomas M. Biotechnology Outreach, University of Wisconsin Biotechnology Center and UW-Extension.

**VOLUNTEER ACTIVITIES**

President

Milwaukee Arts Commission

1986

Member

Milwaukee Arts Commission

1981-1985



**Pier Wisconsin Ltd.  
Board of Directors List  
May 2006**

First Name	Last Name	Title-Executive Committee	Company	Title/Position	Address	City	State	Zip
Steven	Books		Tomotherapy	VP of Operations	9026 Spring Valley Road	Black Earth	WI	53515
Kathryn "Murph"	Burke		Kings Way/Kettle Creek Homes	Community Volunteer	7710 N. Merrie Lane	Fox Point	WI	53217
Graig	Calendo		Endeavors LLC	Director of Development	700 Pilsgrim Parkway	Elm Grove	WI	53122
Michael J.	Cuddey	Chair	NOVO1	President	9100 N. Swan Road	Milwaukee	WI	53224
George D.	Dalton		Bad River Chippewa Nation and Indian Council of the Elderly	Founder, Chairman and CEO	20825 Swenson Drive Ste 200	Waukesha	WI	53186
David	Denornie		Retired	Enrolled Member and Executive Director	5024 W. Wisconsin	Milwaukee	WI	53208
Danni	Gendelman		Retired	Partner and serves as Chair of the Land & Resources Practice Group	6000 N. Shore Drive	Milwaukee	WI	53217
Josh	Gimbel	Vice Chair	Michael Best & Friedrich	Regional Manager/Senior Vice President	100 E. Wisconsin, Suite 3300	Milwaukee	WI	53202
Gary	Grunau		Gilbane	President	101 W. Pleasant Drive Suite 104	Milwaukee	WI	53212
Peter	Harken		Harken, Inc.	Retired	1251 E. Wisconsin Avenue	Pewaukee	WI	53072
Terry	Huernke		Retired	UWM JASON Project Coordinator and director of the national JASON Project	2500 E. Las Olas Boulevard, Apt. 507	Fort Lauderdale	FL	33301
Caroline	Joyce	Secretary	University Wisconsin - Milwaukee	Senior Counsel	161 W. Wisconsin Avenue, #6000	Milwaukee	WI	53203
Bruce	Keyes		Foley & Lardner	Senior Counsel	777 E. Wisconsin Avenue	Milwaukee	WI	53202
Val	Klump		University Wisconsin - Milwaukee, Great Lakes WATER Institute	Senior Scientist Great Lakes WATER Institute, Senior Scientist and Adjunct Professor, Department of Biological Sciences and Department of Geosciences	600 E. Greenfield Avenue	Milwaukee	WI	53204
Paul	Krajniak		Discovery World at Pier Wisconsin	Executive Director	500 N. Harbor	Milwaukee	WI	53202
Allen L.	Leverett		Wisconsin Energy Corporation and We Energies	Executive VP-Wisconsin Energy Corporation, Executive VP-We Energies, CFO-Wisconsin Energy Corporation	231 W. Michigan St	Milwaukee	WI	53203
Jean	Lindemann	Treasurer	Community Volunteer	Executive VP	5780 Pleasant Drive	Nashotah	WI	53058
Kevin	Lindsay		Endavors LLC	Senior Vice President	9100 N. Swan Road	Milwaukee	WI	53224
John	Linnem		Marshall & Isley Bank	Founder and Chairman	3470 Gateway Road	Brookfield	WI	53005
Sheldon	Lubbar		Lubbar & Co.	Chairman of the Board	700 N. Water St. Suite 1200	Milwaukee	WI	53202
Fred	Lubbar	Vice Chair	Super Steel Products	Partner	7900 W. Tower Avenue	Milwaukee	WI	53223
Terrence C.	McMahon		The Boetke Company, Inc.	President-Building Efficiency	411 E. Wisconsin Avenue, Concourse	Milwaukee	WI	53202
C. David	Myers		Johnson Controls Corporation, Inc.	President & CEO-Baird Holding Company, Baird Financial Corporation and Robert W. Baird & Co. Incorporated	507 E. Michigan Street, MS-M1, P. O. Box 423	Milwaukee	WI	53201
Paul E.	Purcell		Robert W. Baird & Co. Inc.	Incorporated	777 E. Wisconsin Avenue/ P. O. Box 0672	Milwaukee	WI	53202
Christine G.	Rodriguez	President and CEO	Discovery World at Pier Wisconsin	President & CEO	815 N. James Lovell Street	Milwaukee	WI	53233
Bill	Schraen		Sailing Magazine	Publisher	125 E. Main Street	Port Washington	WI	53074
Richard	Schmidt		CG Schmidt	CEO	11777 W. Lake Park Drive	Milwaukee	WI	53224
Jon	Simons		Rockwell Automation	Technology Leader for the Drives Business of Rockwell Automation	W176S7517 Harbor Circle	Muskego	WI	53150
Brenda	Skelton		Northwestern Mutual	VP of Communications	720 E. Wisconsin Ave., Room 507	Milwaukee	WI	53202
Roger	Smith		A.O Smith Corporation	Manager of Corporate Advertising and Public Affairs	11270 W. Park Place, PO Box 245010	Milwaukee	WI	53211
Jeff	Spence		Milwaukee Metropolitan Sewerage District	Director of Agency Services	3180 N. Colonial Dr.	Milwaukee	WI	53222
Frank L.	Steeves	Co-Chair	von Briesen & Roper s.c.	Partner-Director and Chair Litigation & Risk Management Practice Group	411 E. Wisconsin Avenue, Suite 700	Milwaukee	WI	53202
John J.	Sullivan		Allen Edmonds Shoe Corp.	President & CEO	201 E. Seven Hills Road, PO Box 998	Port Washington	WI	53074
Jerome D.	Sullivan		Retired	Retired	24075 Riverwood Dr. Suite 308	Waukesha	WI	53188
Frances B.	Swigart		Community Volunteer	Community Volunteer	1629 E. Hartford Avenue	Milwaukee	WI	53211
Dr. Hermann	Viets		Milwaukee School of Engineering	President	1025 N. Broadway	Milwaukee	WI	53202

**Pier Wisconsin Ltd.  
Board of Directors List  
May 2006**

Jim Mackie	Wahner Westbrook	Wahner Professional Services Retired	President Community Volunteer	7426 W. Willowbrook Court 839 N. Marshall Street, #10	Mequon Milwaukee	WI WI	53092 53202
Carlene	Ziegler	Adisan Partners		875 E. Wisconsin Ave, Suite 800	Milwaukee	WI	53202



**ATTACHMENT B**

*Description of legal structure of school and supporting documentation, including articles of incorporation, by-laws and tax determination letter*

OK

RECEIVED  
SECRETARY OF STATE  
STATE OF WISCONSIN

FEB 4 8:20

ARTICLES OF INCORPORATION OF  
MILWAUKEE LAKE SCHOONER, Ltd.

The undersigned, a natural person of the age of 18 years or more, acting as incorporator of a corporation under the Wisconsin Non-Stock Corporation Law (Chapter 181 of the Wisconsin Statutes), adopts the following Articles of Incorporation for such corporation.

ARTICLE I

Name

The name of the corporation shall be Milwaukee Lake Schooner, Ltd.

ARTICLE II

Purposes

The corporation is organized and shall be operated exclusively for charitable, scientific and educational purposes within the meaning of Sec. 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provisions of any future United States Internal Revenue Law) (hereinafter "Internal Revenue Code"); to engage in activities relating to the aforementioned purposes; and to invest in, receive, hold, use and dispose of all property, real or personal, as may be necessary or desirable to carry into effect the aforementioned purposes.

Notwithstanding any other provisions of these Articles of Incorporation, the corporation shall not carry on any activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Sec. 501(c)(3) of the Internal Revenue Code or (b) by a corporation, contributions to which are deductible under Sec. 170(c)(2) of the Internal Revenue Code.

ARTICLE III

Powers

The corporation shall have all powers conferred upon non-stock, non-profit corporations organized under Chapter 181 of the Wisconsin Statutes any any successor provisions thereto now enacted or hereafter amended but shall exercise such coverage only in fulfillment of its above-stated purposes.

VISED  
SECRETARY  
OF STATE

MC 39836

The corporation shall not engage in any of the following activities:

(1) The corporation shall not participate in or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

(2) No substantial part of the activities of the corporation shall consist of carrying on propaganda, or otherwise attempting, to influence legislation; provided, however, that this provision shall not apply to activities consisting of carrying on propaganda, or otherwise attempting, to influence legislation, to the extent the corporation has made an election pursuant to and remains in compliance with the restrictions of Section 501(h) of the Internal Revenue Code.

(3) No dividends shall be paid and no part of the net earnings or the corporation shall inure to the benefit of any private individual within the meaning of Sec. 501(c)(3) of the Internal Revenue Code.

#### ARTICLE IV

##### Members

The corporation shall have members. Membership provisions (including the designation of classes, if any, and the method of acceptance of members of each such class) shall be set forth in the By-Laws. The right of members, of any class or classes of members, to vote, if any, may be limited, enlarged or denied to the extent specified in the By-Laws.

#### ARTICLE V

##### Board of Directors

The affairs of the corporation shall be managed by a Board of Directors. The number of Directors constituting the initial Board of Directors shall be nine (9); thereafter, the number and manner of election or appointment of Directors and their terms of office shall be as provided in the By-Laws, but the number of Directors shall not be less than three (3).

#### ARTICLE VI

##### Dissolution and Liquidation

The corporation may be dissolved upon the adoption of a plan to dissolve in the manner now or hereafter provided in

the Wisconsin Statutes. In the event of dissolution of the corporation, no liquidating or other dividends and no distribution of property owned by the corporation shall be declared or paid to any private individual, but the net assets of the corporation shall be distributed as follows:

(1) All liabilities and obligations of the corporation shall be paid, satisfied and discharged, or adequate provision shall be made therefor;

(2) Remaining assets shall be distributed to one or more organizations described in Sec. 501(c)(3) of the Internal Revenue Code, as determined in the plan to dissolve adopted in the manner set forth above in this Article VI.

ARTICLE VII  
Amendment

These Articles may be amended in the manner now or hereafter provided in the Wisconsin Statutes.

VIII  
Miscellaneous

Section 1. The name and address of the initial registered agent of the corporation is Frank L. Steeves, 710 North Plankinton Avenue, Milwaukee, Wisconsin, 53203.

Section 2. The mailing address in Wisconsin of the principal office of the corporation is Post Office Box 291, Milwaukee, Wisconsin, 53201-0291.

Section 3. The names and addresses of the persons constituting the initial Board of Directors are:

1. Dan Payne  
6421 West Leroy Avenue  
Greenfield, WI 53220
2. William Staat  
6601 North Birch Hill Court  
Fox Point, WI 53217
3. Frank L. Steeves  
710 North Plankinton Avenue  
Milwaukee, WI 53203

- 4. Gene Cramer  
2530 North Cramer Street  
Milwaukee, WI 53211
- 5. Randall Crocker  
411 East Wisconsin Avenue  
Milwaukee, WI 53202
- 6. Lorna Hemp  
111 East Wisconsin Avenue  
Milwaukee, WI 53202
- 7. Mike Ryan  
201 West Wisconsin Avenue  
Milwaukee, WI 53203
- 8. Reinhold Knopfelmacher  
400 North Broadway  
Milwaukee, WI 53202
- 9. Terence C. McMahon  
411 East Wisconsin Avenue, Suite 850  
Milwaukee, WI 53202


Section 4. The name and address of the incorporator is Frank L. Steeves, 710 North Plankinton Avenue, Milwaukee, Wisconsin, 53203.

30<sup>th</sup> IN WITNESS WHEREOF, I have hereunto set my hand this day of January, 1991.

  
FRANK L. STEEVES

STATE OF WISCONSIN: : SS  
MILWAUKEE COUNTY :

Personally came before me this 30<sup>th</sup> day of January, A.D. 1991, the aforementioned incorporator Frank L. Steeves, to me known to be the person who executed the foregoing instrument, and acknowledged the same.

  
Notary Public, State of Wisconsin  
My Commission Expires: 08/08/93

This instrument was drafted and should be returned to Frank L. Steeves, 710 North Plankinton Avenue, Milwaukee, Wisconsin, 53203. This instrument should be recorded in Milwaukee County.



Articles of Incorporation - Norstock (181)

\$16.<sup>00</sup> Milwaukee

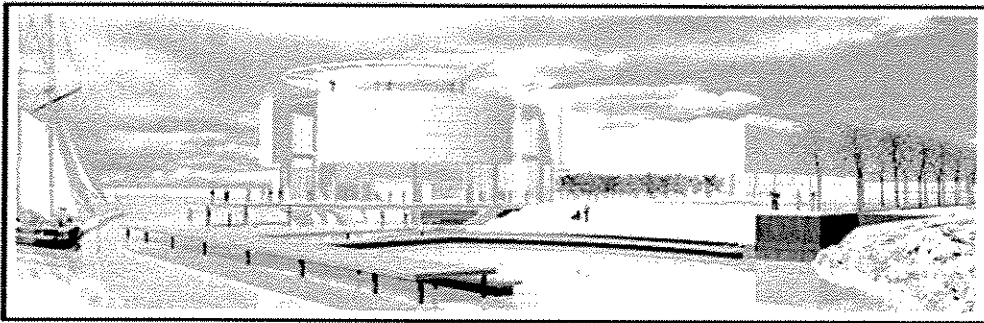
STATE OF WISCONSIN  
FILED  
FEB - 6 1991  
DOUGLAS L. FOLLETTE  
SECRETARY OF STATE

\$35.<sup>00</sup>

VI SEC  
OF STATE  
CREDIT

Coming in 2006 to Milwaukee's Lakefront at Pier Wisconsin

## **DISCOVERY WORLD**



INNOVATION | TECHNOLOGY | EXPLORATION | ENVIRONMENT

# **BY-LAWS OF DISCOVERY WORLD, LTD.**

**December 8, 2005**

**BY-LAWS OF  
DISCOVERY WORLD, LTD.**

**December 8, 2005**

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# BY-LAWS OF DISCOVERY WORLD, LTD.

December 8, 2005

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## Article I: Name

The name of the Corporation is Discovery World, Ltd.

## Article II: Purpose

**Section 1. Purpose of Corporation.** The purposes of this Corporation shall be as set forth in the Articles of Incorporation of the Corporation and Vision and Mission Statements, as adopted and attached to these By-Laws. These By-Laws specify various matters affecting the operations and governance of the Corporation.

**Section 2. Members.** The Corporation may establish a membership policy. These members will have no voting privileges with respect to any matter.

**Section 3. Solicitation and Receipt of Gifts.** The Corporation shall seek gifts, contributions, donations and bequests (herein generally called "gifts") for its purposes. While the Corporation specifically encourages unrestricted gifts whose principal and/or income there from may be used for the Corporation's purposes at the discretion of the Board of Directors of this Corporation, the Board of Directors will accept gifts for a restricted or otherwise designated purposes if such restriction is determined by the Board of Directors to be acceptable or otherwise conforms with these By-Laws and any other guidelines established by the Board of Directors for such restricted gifts.

## Article III: Board of Directors

**Section 1. Powers.** Subject to the limitations of the Corporation's Articles of Incorporation, these By-Laws and the laws of the State of Wisconsin, the activities and affairs of this

Corporation shall be conducted, and all corporate powers including, without limitation, the power to incur indebtedness on behalf of the Corporation, shall be exercised by or under the direction of the Board of Directors. The Board may delegate authority according to the specifications of the By-Laws to various committees. No individual Board member may take any action without Board consent.

**Section 2. Hiring or termination of President /Chief Executive Officer.** The President/CEO shall be hired by and shall be held responsible to the Board of Directors, and shall serve at the pleasure of the Board. Hiring or termination of the President/CEO shall take place at a duly noticed and convened meeting of the Board of Directors and requires a two-thirds majority vote.

**Section 3. Number .**

- a) The number of Directors of this Corporation shall not exceed 45.
- b) The Board of Directors shall be made up of three classes; one class's term expires each year.
- c) Candidates for membership on the Board of Directors shall be elected to a three-year term at the annual meeting of the Directors, by plurality vote.
- d) No member of the Board of Directors, unless otherwise directed by the Board, can be elected to more than two consecutive terms, but may serve again after not serving for at least one year.
- e) The Board of Directors may establish roles and responsibilities of Board members and committee members.

**Section 4. Resignation.** A Director may resign at any time by giving written notice to the Secretary of the Corporation, who shall advise the Board of Directors of such resignation. Such resignation shall take effect at the time specified therein or, if no time is specified, upon receipt of the resignation by the Secretary of the Corporation. Unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

**Section 5. Removal.** The Board of Directors shall establish rules governing the attendance, participation, and duties of the Directors. Directors who fail to comply with these rules may be removed with or without cause at a regular or special Board meeting by a two-thirds vote of the Directors present and voting. Charges of conduct unbecoming to a Board member shall be cause for removal from office. Unexcused absence from three (3) consecutive meetings also shall be

cause for termination. The Secretary will advise the affected Director in writing regarding the removal from office.

**Section 6. Vacancies.** A vacancy or vacancies in the Board of Directors occurring for any reason, including an increase in the authorized number of Directors, may be filled by a majority vote of the Directors then in office. Each Director so elected shall hold office for the unexpired portion of the term such Director was elected to fill and until such Director's successor is elected and qualified, or until such Director's death, resignation or removal.

**Section 7. Meetings.**

- a) **Annual Meeting.** A regular annual meeting of the Board of Directors shall be held each year during the month of December, or at such time and place as may be designated by the Chairman or President/Chief Executive Officer of the Corporation for the election of Directors and officers and the transaction of such other business as may properly come before the meeting.
- b) **Other Regular Meetings.** A minimum of three (3) regularly scheduled meetings of the Board of Directors of the Corporation may be held with or without notice at such regularly recurring time and place as the Board of Directors may designate and may be held by electronic means (telephone or video conference).
- c) **Special Meetings.** Special meetings of the Board of Directors for any purpose or purposes shall be held whenever called by the Chairman or President/Chief Executive Officer.

**Section 8. Notices.** With the exception of regular meetings as set forth in Section (b) above of this Article, notice of any meeting of the Board of Directors, in each case specifying the place, date and hour of the meeting, shall be given to each Director by delivering notice, orally or in writing, not more than thirty (30) days prior to the date of the meeting, but at least seventy-two (72) hours before the time set for such. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, with postage prepaid, and addressed to the Director at the Director's address as it appears on the records of the Corporation. Neither the business to be transacted at, nor the purpose, of any meeting of the Board of Directors need be specified in the notice of waiver of such notice of such meeting.

**Section 9. Action Without Meeting.** Any action which may be taken at a meeting of the Board of Directors may be taken without a meeting if all the Directors shall consent in writing to such

action. Such action by written consent shall have the same force and effect as a direct vote of the Directors.

**Section 10. Quorum.** The presence of a majority of the Directors of the Board of Directors shall constitute a quorum for transacting business, except as otherwise provided in these By-Laws. Every act and decision by a majority of the Directors present at a meeting duly held at which a quorum is present shall be the act of the Board of Directors, unless a greater number, or the same number after disqualifying one or more Directors from voting, is required by the Articles of Incorporation, these By-Laws, or by law; provided, however, that the following decisions must be approved by two-thirds of the Directors of the Corporation: adoption or revocation of a plan of a merger; consolidation; voluntary dissolution; bankruptcy or reorganization; or the sale, lease or exchange of all or substantially all of the property and assets of the Corporation otherwise than in a usual and regular course of its business. Directors shall be entitled to one vote on each matter submitted to a vote and may not vote by proxy. The President/CEO of the Corporation shall not vote on any matter involving his or her tenure or compensation. A meeting at which quorum is initially present may continue to transact business notwithstanding the departure of Directors from that meeting, provided that any action or decision is approved by a disinterested majority of the required quorum for such meeting, or such greater number as required by the Articles of Incorporation, the By-Laws, or by law.

**Section 11. Adjournment.** Any meeting of the Board of Directors, whether regular or special, and whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the Directors present or by action of the Corporation's executive officer. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting adjourned.

**Section 12. Presiding Over Meetings.** The Chairman of the Board of Directors, the President/Chief Executive Officer of the Corporation, or in the absence of either, a vice-chairman, shall act as chairman at every meeting of the Board of Directors. The Secretary of the Corporation, or in the absence of the Secretary, any person appointed by the chairman of the meeting, shall act as Secretary of the meeting.

**Section 13. Compensation.** No Director (other than staff positions like the President/CEO and the Executive Vice President/Executive Director) may receive compensation for their service as a Director. Nothing herein contained shall be construed to preclude any Director from serving

the Corporation in any capacity other than as a Director and receiving reasonable compensation therefore.

**Section 14. Committees and/or "Friends" Groups.**

- a) Standing or Advisory Committees or Friends Groups without Board Authority. The Chairman or President/Chief Executive Officer of the Corporation may authorize and appoint members (whether or not they are members of the Board of Directors), to positions of standing and/or temporary committees or "Friends" groups to consider appropriate matters, make reports, or to fulfill such other advisory or fundraising functions as may be designated. The designation of such standing or advisory committees or "Friends" groups, and the members thereof, shall be recorded in the minutes of the Board of Directors.
- b) Executive or Other Committees with Limited Board Authority. The Chairman or President/Chief Executive Officer may designate and appoint members of one or more committees, which shall consist of two (2) or more members of the Board of Directors, which to the extent provided in said designations or in these By-Laws, may exercise management duties with regard to the affairs of the Corporation, except action with respect to the election of officers or Directors and the formation of and the filling of vacancies in committees.

**Section 15. Director Conflicts of Interest.** Each Director must sign an annual disclosure concerning conflict and duality of interest. No contract or other transaction between this Corporation and one or more of its Directors or any other corporation, firm, association or entity in which one or more of its Directors are directors or officers or has a material financial interest, shall be either void or voidable because of such relationship or interest or because such Director or Directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract of transaction or because his or their votes are counted for such purpose, if (1) the fact of such relationship or interest is disclosed or known to the Board of Directors or committee which authorizes, approves or ratifies the contract of transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested Directors; or (2) the fact of such relationship or interest is disclosed or known to the members entitled to vote and they authorize, approve or ratify such contract or transaction by vote or written consent; or (3) the contract or transaction is fair and reasonable to the



Corporation. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof, which authorizes, approves or ratifies such contract or transaction.

#### **Article IV: Officers**

**Section 1. Officers.** The Corporation shall have a Chair (or Co-Chairs), two Vice Chairs consisting of the Immediate Past Chair and an Incoming Chair, Treasurer, Secretary, President/Chief Executive Officer, and an Executive Vice President/Executive Director.

**Section 2. Election.** The Incoming Chairman, Treasurer, and Secretary of the Corporation shall be chosen every two years by the Board of Directors at its annual meeting, and each of those officers shall hold office for two years. Election or appointment as an officer shall not of itself create contract rights.

**Section 3. Succession.** The Chair of the Board will serve a two-year term, after which he or she will become the Immediate Past Chair for one year. At the end of the Incoming Chair's two-year term, he or she will become the Chair of the Board.

**Section 4. Resignation.** Any officer may resign at any time by giving written notice to the Board of Directors or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein or, if no time is specified, then upon receipt of the resignation by the Secretary or the Board of Directors as the case may be, and, unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

**Section 5. Removal.** Any officer may be removed from office by the action of a majority of the Board of Directors whenever, in their judgment, the best interest of the Corporation will be served thereby, without prejudice to the contract rights, if any, of the officer so removed.

**Section 6. Vacancies.** The Board of Directors may fill a vacancy occurring in any office, for any reason, for the unexpired portion of its term.

**Section 7. Chair(s).** The Chair(s) of the Board shall preside at all meetings of the Board of Directors and the Executive Committee. The Chair(s) of the Board shall have authority to execute in the name of the Corporation all bonds, contracts, deeds, leases, and other written instruments authorized either generally or specifically by the Board to be executed by the

Corporation, except when the signature of the President/Chief Executive Officer is required by law.

**Section 8. President/Chief Executive Officer.** The President/Chief Executive Officer shall be the chief administrative officer of the Corporation and shall have such duties, responsibilities, and powers as is necessary to carry out the policies as set by the Board of Directors or the Chair(s) of the Board of Directors, if that office is separately held. The President/Chief Executive Officer shall be a member of the Board of Directors. The President/Chief Executive Officer may sign and execute, in the name of the Corporation, any instrument or document consistent with the foregoing authority; provided that the President/Chief Executive Officer may not sign any deed or instrument of conveyance or endorse any security or evidence of indebtedness without specific authority of the Board of Directors pursuant to Article VI, below, of these By-Laws dealing with such matters. The President/Chief Executive Officer shall, whenever it may be in the President/Chief Executive Officer's opinion necessary, prescribe the duties of other officers and employees of the Corporation, in a manner not inconsistent with the provisions of the By-Laws and policies set by the Board of Directors.

**Section 9. Vice-Chair(s).** In the absence or disability of the President/Chief Executive Officer, the Vice-Chair(s) shall perform the duties of the President/Chief Executive Officer, and when so acting shall have all the powers of, and be subject to all the restrictions on, the President/Chief Executive Officer. The Vice Chair(s) shall have such other powers and perform such other duties as may be prescribed for them from time to time by the Board of Directors, or by these By-Laws.

**Section 10. Secretary.** The secretary shall:

- (a) Certify and keep at the principal office of the Corporation the original or a copy of its Articles of Incorporation and By-Laws, as amended or otherwise altered to date.
- (b) Keep at the principal office of the corporation or such other place as the President/Chief Executive Officer may direct, a book of minutes of all meetings of the Board of Directors of the Corporation.
- (c) See that all notices are duly given in accordance with the provisions of these By-Laws or as required by law.
- (d) Be custodian of the records and of the seal of the Corporation, if any, and see that it is engraved, lithographed, printed, stamped, impressed upon, or affixed to all documents

the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these By-Laws.

- (e) See that the books, reports, statements and all other documents and records required by law are properly kept and filed.
- (f) Exhibit for inspection the relevant books and records of the Corporation to any member (if the Corporation has members) for any proper purpose at any reasonable time.
- (g) In general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned.

**Section 11. Treasurer.** The Treasurer shall perform or have performed under the Treasurer's direction the following functions:

- a) Have charge and custody of, and be responsible for, all funds and securities of the Corporation, and deposit all such funds in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by the Board of Directors.
- b) Keep and maintain adequate and correct accounts of the Corporation's properties and business transactions, including account of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus.
- c) Exhibit for inspection the relevant books and records of the Corporation to any member (if the Corporation has members) for any proper purpose at any reasonable time.
- d) Render interim statements of the condition of the finances of the Corporation to the Board of Directors upon request, and render a full financial report at the annual meeting of the Board of Directors and, if there are members, at the annual meeting of members.
- e) Receive, and give receipt for, monies due and payable to the Corporation from any source whatsoever.
- f) The Treasurer shall serve as the Chair of the Finance and Audit Committee of the Board of Directors.

## **Article V: Committees**

**Section 1. Executive Committee.** The Executive Committee includes the Chair(s) , Vice Chair(s), Treasurer, Secretary, President/CEO, Executive Vice President/Executive Director, and the Chairs of each standing committee. The Board of Directors, by a majority vote of Directors,

may delegate to the Executive Committee any of the powers and authority of the Board in the management of the business and affairs of the Corporation, except with respect to:

- a) The approval of any action which, under law or the provisions of these By-Laws, requires approval of the Board or of a majority of all Board members.
- b) The filling of vacancies on the Board or on any committee that has the authority of the Board.
- c) The amendment or repeal of By-Laws or the adoption of new By-Laws.
- d) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repeal-able.
- e) Any other action prohibited by the relevant section of the Wisconsin Nonprofit Public Benefit Corporation Law.

**Section 2. Finance and Audit Committee.** The Finance and Audit Committee Chair will be the Treasurer. The Controller/CFO will serve as Co-Chair. Together, they will select individuals to serve on the committee. The Finance and Audit Committee shall examine all books, vouchers, statements, or appropriate reports of the Treasurer at least quarterly. The Finance and Audit Committee shall maintain a continuing overview of the financial affairs of the Corporation, review the annual audit report and shall make such recommendations to the Executive Council as it deems appropriate concerning the fiscal management of the Corporation.

**Section 3. Other Committees of Directors.** The Board of Directors may, by resolution adopted by a majority of Directors then in office, designate from time to time one or more additional standing and/or ad hoc committees, the composition, term of existence and authority of which shall be determined by the Board; provided that no committee shall have the authority to do any act reserved elsewhere in these By-Laws, or at law, for the full Board, or any act which is in contravention of any law, rule or regulation promulgated by any governmental authority having jurisdiction over the affairs of the Corporation.

**Section 4. Meetings and Actions of Committees.** Meetings and actions of committees shall be governed by and held and taken in accordance with, the provisions of these By-Laws concerning meetings of Directors, with such changes in the context of those By-Laws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee and except that a majority of the members of a

committee shall constitute a quorum of that committee for the transaction of business. Special meetings of the committees may also be called by resolution of the Board of Directors or by resolution of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the corporate records. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these By-Laws.

## **Article VI: Instruments; Bank Accounts; Checks and Drafts; Loans; Securities**

**Section 1. Execution of Instruments.** The President/Chief Executive Officer may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authorization may be general or confined to specific instances. Except as so authorized, or as in these By-Laws otherwise expressly provided, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose in any amount.

**Section 2. Financial Accounts.** The Board of Directors from time to time may authorize the opening and keeping of general and/or special financial accounts with such banks, trust companies or other depositories as may be selected by the Board or by any officer or officers, agent or agents of the Corporation to whom such power may be delegated from time to time by the Board of Directors. The Board of Directors may make such rules and regulations with respect to said bank accounts, not inconsistent with the provisions of these By-Laws as the Board may deem expedient.

**Section 3. Checks and Drafts.** All checks, drafts or other orders for the payment of money, notes, acceptances, or other evidences of indebtedness issued in the name of its corporation, shall be signed by such officer or officers, agent or agents of the corporation, and in such manner, as shall be determined from time to time by the President/Chief Executive Officer. Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositories may be made without counter-signature, by the President/Chief Executive Officer or any Vice Chair, or the Treasurer or any Assistant Treasurer, or by any other officer or agent of the Corporation to whom the Board of Directors, by resolution, shall have delegated such power, or by hand-stamped impression in the name of the Corporation.

**Section 4. Loans/Lines of Credit.** No loans or lines of credit shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors.

**Section 5. Sale of Securities.** The Board of Directors may authorize and empower any officer or officers to sell, assign, pledge or hypothecate any and all shares of stock, bonds or securities, or interest on stocks, bonds or securities, owned or held by this Corporation at any time, including without limitation because of enumeration, deposit certificates for stock and warrants or rights which entitle the holder thereof to subscribe for shares of stock, and to make and execute to the purchaser or purchasers, pledgee or pledgees, on behalf and in the name of this Corporation, any assignment of bonds or stock certificates representing shares of stock owned or held by this Corporation, and any deposit certificates for stock, and any certificates representing any rights to subscribe for shares of stock. However, this Corporation shall not offer or sell any of its securities in violation of any State or Federal securities law registration or other requirement.

#### **Article VII: Fiscal Year**

The fiscal year of the Corporation shall be January 1 through December 31. The Board of Directors may change the Corporation's fiscal year by resolution.

#### **Article VIII: Annual Report to Directors**

The Finance and Audit Committee shall provide to the Board of Directors or to the Executive Committee, within 150 days after the close of the fiscal year, a report containing the following information in appropriate detail:

- a) The Corporation's assets and liabilities, including trust funds, at the end of the fiscal year.
- b) The principal changes in the Corporation's assets and liabilities, including trust funds, during the fiscal year.
- c) The Corporation's revenue and receipts for both unrestricted and restricted purposes during the fiscal year.

The report shall be accompanied by a pertinent report of independent accountants, or if there is no such report, the certificate of an authorized Officer of the Corporation that the report was prepared from the books and records of the Corporation without an audit.

#### **Article IX: Corporate Seal**

The seal of the Corporation, if one is adopted by the Board of Directors of the Corporation, shall contain the name of the Corporation and the word "Wisconsin."

#### **Article X: Indemnification**

**Section 1. Action Not in Name of Corporation.** The Corporation shall indemnify any person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a Director, officer, member, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, trustee, officer, member, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of this action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believe to be in or not opposed to the interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

**Section 2. Action in Name of Corporation.** The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of

the fact that such person is or was a Director, officer, member, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, trustee, officer, member, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

**Section 3. Successful Defense.** To the extent that a Director, officer, member, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 or 2, or in the defense of any claim, issue or matter therein, such person shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by such person in connection therewith.

**Section 4. Authorization of Indemnification Under Sections 1 or 2.** Any indemnification under Section 1 or 2, unless ordered by a court, shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Director, officer, member, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or 2. Such determination shall be made:

- a) By the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding; or
- b) If such quorum is not obtainable, or, even if obtainable a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion.

**Section 5. Advances for Expenses.** Expenses, including attorneys' fees, incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in Section 4 upon receipt of an undertaking by or on behalf of the Director, officer, member, employee or



agent to repay such amount unless it shall ultimately be determined that such person is entitled to be indemnified by the Corporation as authorized in this Section.

**Section 6. Non-Exclusive.** The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-Laws, agreement, vote of disinterested Directors or otherwise, both as to action in any such person's official capacity and as to action in another capacity which holding such office, and shall continue as to a person who has ceased to be a Director, officer, member, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

**Section 7. Insurance.** The Corporation may, upon resolution of its Board of Directors duly adopted, purchase and maintain insurance on behalf of any person who is or was a Director, officer, member, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under this provision of the Corporation's By-Laws.

#### **Article XI: Amendment**

These By-Laws may be amended or repealed in whole or in part, and new By-Laws may be adopted by the affirmative vote of a two-thirds majority of all of the Directors, who must be in attendance in person or by video or teleconference, provided that notice of the substance of any such amendment shall be sent to all Directors with the notice of such meeting. No proxy votes will be accepted for these amendments.

CERTIFICATE OF SECRETARY

I certify that I am the Secretary of Discovery World, Ltd. and that these are the By-Laws of the Corporation adopted by the Board of Directors on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, and that these By-Laws have not been amended or modified since that date.

Dated: \_\_\_\_\_, 20\_\_\_\_\_.

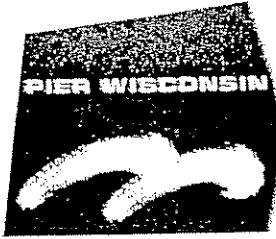
Executed at: \_\_\_\_\_.

---

Secretary  
Discovery World, Ltd.

## **IRS Letter of Determination**

The IRS Letter of Determination that follows is given to "Pier Wisconsin, Ltd.", not reflecting the legal name change that the organization underwent. The organization's legal name, however, is "Discovery World, Ltd." The IRS will soon issue a new letter with the correct name indicated.



CENTER FOR FRESHWATER EXPLORATION

November 10, 2004

Greetings:

Please be advised that effective October 28, 2004, Discovery World Museum has formally merged with Pier Wisconsin, Ltd., a Wisconsin not-for-profit company.

Pier Wisconsin, Ltd. is now the legal name of the corporation. Discovery World Museum continues to operate at its present location on 815 North James Lovell Street in Milwaukee. The Discovery World telephone number remains 414-765-9966.

Attached please find copies of

- 1) the Pier Wisconsin, Ltd. determination letter from the Internal Revenue Service, (Fed ID No. 39-1691578), and
- 2) the Pier Wisconsin, Ltd. sales tax exemption from the state of Wisconsin (CES No. 037599)

Should you have any questions, please contact our business office at 414-765-9966, ext. 225.

Chuck Ward  
President  
Pier Wisconsin, Ltd.

Internal Revenue Service

Department of the Treasury

P. O. Box 2508  
Cincinnati, OH 45201

Date: December 4, 2002

Person to Contact:  
Gordon Schnur 31-07654  
Customer Service Specialist

Toll Free Telephone Number:  
8:00 a.m. to 6:30 p.m. EST  
877-829-5500

Fax Number:  
513-263-3756

Federal Identification Number:  
39-1691578

Pier Wisconsin, LTD.  
% Milwaukee Maritime Center  
500 N. Harbor Dr.  
Milwaukee, WI 53202-5601

Dear Sir or Madam:

This is in response to the amendment to your organization's Articles of Incorporation filed with the state on July 25, 2002. We have updated our records to reflect the name change as indicated above.

Our records indicate that a determination letter issued in September 1991 granted your organization exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. That letter is still in effect.

Based on information subsequently submitted, we classified your organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section 509(a)(1) and 170(b)(1)(A)(vi).

This classification was based on the assumption that your organization's operations would continue as stated in the application. If your organization's sources of support, or its character, method of operations, or purposes have changed, please let us know so we can consider the effect of the change on the exempt status and foundation status of your organization.

Your organization is required to file Form 990, Return of Organization Exempt from Income Tax, only if its gross receipts each year are normally more than \$25,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of the organization's annual accounting period. The law imposes a penalty of \$20 a day, up to a maximum of \$10,000, when a return is filed late, unless there is reasonable cause for the delay.

All exempt organizations (unless specifically excluded) are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more paid to each employee during a calendar year. Your organization is not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, these organizations are not automatically exempt from other federal excise taxes.

Donors may deduct contributions to your organization as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to your organization or for its use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Pier Wisconsin, LTD  
39-1691578

Your organization is not required to file federal income tax returns unless it is subject to the tax on unrelated business income under section 511 of the Code. If your organization is subject to this tax, it must file an income tax return on the Form 990-T, Exempt Organization Business Income Tax Return. In this letter, we are not determining whether any of your organization's present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

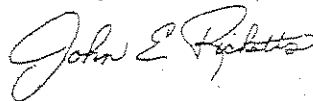
The law requires you to make your organization's annual return available for public inspection without charge for three years after the due date of the return. You are also required to make available for public inspection a copy of your organization's exemption application, any supporting documents and the exemption letter to any individual who requests such documents in person or in writing. You can charge only a reasonable fee for reproduction and actual postage costs for the copied materials. The law does not require you to provide copies of public inspection documents that are widely available, such as by posting them on the Internet (World Wide Web). You may be liable for a penalty of \$20 a day for each day you do not make these documents available for public inspection (up to a maximum of \$10,000 in the case of an annual return).

Because this letter could help resolve any questions about your organization's exempt status and foundation status, you should keep it with the organization's permanent records.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

This letter affirms your organization's exempt status.

Sincerely,



John E. Ricketts, Director, TE/GE  
Customer Account Services

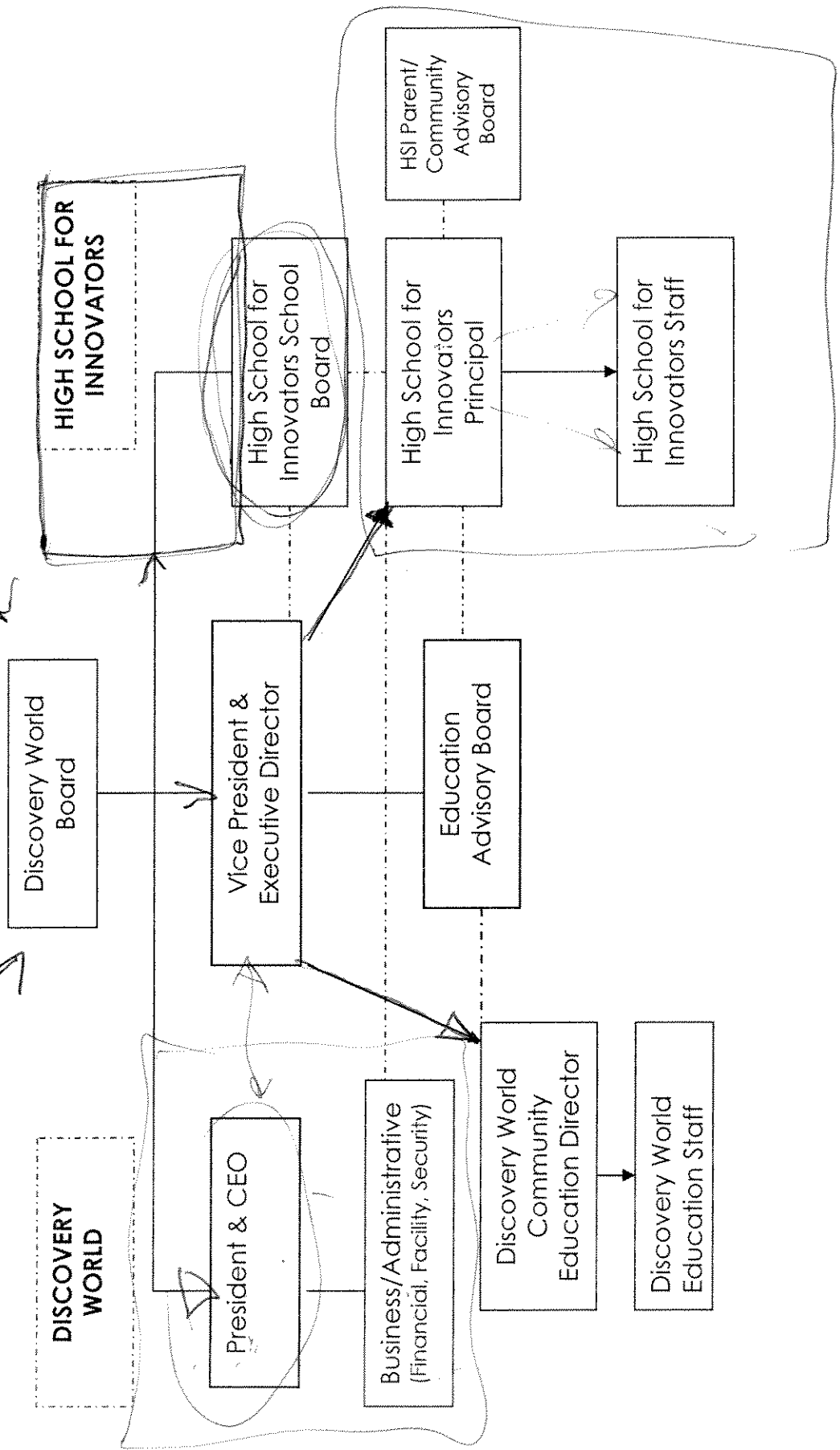


**ATTACHMENT C**

*Organizational chart*



# Discovery World High School for Innovators Organization Chart





**ATTACHMENT D**

*Personnel manual*

# **HIGH SCHOOL FOR INNOVATORS**

## **Personnel Manual**

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## **I. INTRODUCTION**

### **1.1 Preface**

Welcome to High School for Innovators, Ltd.!

We expect that, as an employee of High School for Innovators (HSI), you will find your employment to be both rewarding and challenging. Because the quality of our staff is the key to our success, we carefully select our new employees. In turn, we count on our employees to contribute to the success of HSI.

This manual has been designed by HSI and approved by its management team. The President and CEO is responsible for the implementation of the policies and procedures in this manual and is the final arbiter of any questions regarding their interpretation.

### **1.2 Purpose**

The purpose of this manual is to provide you, the employee, with general information regarding your employment at HSI. This manual is designed to familiarize you with our major policies as of this date and to provide a general description of the benefits currently provided by HSI. This manual is not intended to provide fixed rules for dealing with all problems that may arise in the workplace; rather, it sets forth general guidelines that are subject to modification or deviation at the discretion of HSI. This manual is not intended to and will not serve as a contract, nor will it create enforceable rights on the part of HSI employees. If you have questions that are not answered in this manual, or if you need additional information, check with your supervisor or with Human Resources.

### **1.3 Statement of At-Will Employment Status**

Employment at HSI is employment at-will. Employment at-will may be terminated in writing with or without cause and with or without notice at any time by the employee or by HSI, acting through Human Resources or the President and CEO.

Nothing in this manual or in any document or statement is intended to create a promise or representation of continued employment or to limit the right of HSI to terminate your employment at any time and for any reason, or for no reason, with or without notice.

No manager or employee of HSI has any authority to enter into any agreement for employment for any specified period of time or to make any agreement for employment with HSI other than at-will. Only the President and CEO of HSI has the authority to make any such agreement and any such agreement will be made only in writing.

### **1.4 Previously-Issued Manuals Superseded; Amendments**

This personnel manual contains the employment policies and practices currently in effect. All previously issued manuals and any inconsistent policy or benefit statements or memoranda are superseded.

HSI's employment practices and policies are subject to modification and further development. For this reason, HSI's employment policies are regularly under review and may be changed or terminated from time to time at the discretion of the President and CEO. Periodically, additions and deletions may be made to this manual to reflect changes in the applicable laws, business conditions and needs of HSI staff. The effective date of any amendment to this manual will be set forth on the respective new pages.

HSI will distribute any written changes to this manual to all employees, in advance if possible, so that employees will be aware of the new policies or procedures.

## **II. EMPLOYMENT POLICIES**

### **2.1 Equal Employment**

HSI is an equal opportunity employer and makes employment decisions on the basis of merit. We want to have the best available, most qualified person in every job. HSI's policy prohibits unlawful discrimination based on race, color, creed, sex (including gender harassment and harassment based on pregnancy, childbirth or related medical conditions), religion, marital status, age, national origin or ancestry, physical or mental disability, medical condition, sexual orientation or any other consideration made unlawful by applicable federal, state or local laws.

HSI is committed to complying with all applicable laws providing equal employment opportunities to individuals regardless of race, color, creed, sex, marital status, age, national origin, physical or mental disability, medical condition, ancestry, sexual orientation or any other consideration made unlawful by federal, state or local laws. This commitment extends to all persons involved in the operations of HSI and intends to prohibit unlawful discrimination by any employee of HSI, including managers and co-workers.

HSI complies with the Americans with Disabilities Act, which ensures equal opportunity to qualified individuals with disabilities.

If an employee believes that he or she has been subjected to any form of unlawful discrimination, the employee should provide a written complaint to his or her supervisor or to Human Resources. The complaint should be specific and should include the names of the individuals involved and the names of any witnesses. HSI will undertake an investigation and attempt to resolve the situation. If HSI determines that unlawful discrimination has occurred, remedial action will be taken commensurate with the severity of the offense. HSI also will seek to deter any future unlawful discrimination.

HSI will not retaliate against any employee for filing a complaint and will not knowingly permit retaliation by management or by an employee's co-workers.



## 2.2 Unlawful Harassment

HSI is committed to providing a work environment free of unlawful harassment. HSI's policy prohibits sexual harassment and harassment because of race, color, creed, sex (including gender harassment and harassment based on pregnancy, childbirth or related medical conditions), religion, marital status, age, national origin or ancestry, physical handicap, disability, medical condition, sexual orientation or any other consideration made unlawful by applicable federal, state or local laws. All such harassment is unlawful.

HSI's anti-harassment policy applies to all persons involved in the operation of HSI and prohibits unlawful harassment by any employee of HSI, including managers and co-workers, as well as by any person doing business with or for HSI.

Prohibited unlawful harassment because of sex, race, ancestry, physical handicap, mental condition, marital status, age or any other protected basis includes, but is not limited to, the following behavior:

- (a) Verbal conduct such as epithets, derogatory jokes or comments, slurs or unwanted sexual advances, invitations or comments;
- (b) Visual conduct such as derogatory and/or sexually oriented posters, photography, cartoons, drawings or gestures;
- (c) Physical conduct such as assault, unwanted touching, blocking normal movement or interfering with work because of sex, race or any other protected basis;
- (d) Threats or demands to submit to sexual requests as a condition of continued employment, or to avoid some other loss, and offers of employment benefits in return for sexual favors; and
- (e) Retaliation for having reported or threatened to report harassment.

If an employee believes that he or she has been unlawfully harassed, the employee should provide a written complaint to any HSI supervisor, Human Resources or the President and CEO of HSI as soon as possible after the incident. The complaint should include details of the incident or incidents, names of the individuals involved and names of any witnesses. Supervisors will refer all harassment complaints to Human Resources or President and CEO of HSI. HSI will undertake an investigation of the harassment allegations.

If HSI determines that unlawful harassment has occurred, effective remedial action will be taken in accordance with the circumstances involved. Any employee determined by HSI to be responsible for unlawful harassment will be subject to appropriate disciplinary action, up to and including termination. HSI will not retaliate against any employee for filing a complaint, and will not tolerate or permit retaliation by management, employees or co-workers.

HSI encourages all employees to report incidents of harassment forbidden by this policy immediately so that complaints can be quickly and fairly resolved. We would prefer to try to resolve situations internally and informally first. The Federal Equal Employment Opportunity Commission and the Wisconsin Department of Workforce Development investigate and prosecute complaints of prohibited harassment in employment. An employee who thinks that he or she has been harassed, or who has been retaliated against for resisting or complaining, may file a complaint with the appropriate agency. The nearest office is listed in the telephone book.

## **2.3 HIPAA**

HSI employees, volunteers and interns are expected to ensure compliance with HIPAA (Health Insurance Portability and Accountability Act) at all times. Compliance with this act involves implementation of standards governing electronic transactions and unique identifiers and regulations to ensure security and privacy. During their orientation, employees will be required to certify that they have received, read and understand the HIPAA compliance regulations provided by Human Resources.

## **2.4 Employment of Relatives**

No individual may be hired if he or she has an immediate family member on the HSI Board of Directors or in an administrative capacity (President and CEO, Manager, Supervisor), or in a supervisory capacity that exercises authority over the position sought. Any action that can be viewed as nepotism is not allowed. The only exception would be for intern positions. For the purpose of this section, immediate family is defined as spouse, domestic partner, siblings, parents, grandparents, children, parents-in-law, and grandchildren.

# **III. EMPLOYMENT CLASSIFICATIONS**

## **3.1 Definition**

The term *employee* includes all regular, full-time, part-time, on call or temporary employees, unless otherwise qualified in this manual.

## **3.2 Regular Staff**

A regular staff member is an employee who is employed in a full-time or part-time position that exceeds four months in duration.

## **3.3 Regular Full-Time Employees**

Regular full-time employees are those who are normally scheduled to work, and who do work, at least 35 hours per week. After completing associated waiting periods, regular full-time employees are eligible for the employment benefits described in this manual.

## **3.4 Regular Part-Time Employees**

Regular part-time employees are those who are scheduled to work, and who do work, less than 35 hours per week. Part-time employees may be assigned to a work schedule in advance or may work on an as-needed basis. Part time employees are eligible for some but not all employee benefits described in this manual.

## **3.5 Regular On-Call Employees**

Regular on-call employees are those who work on an as-needed basis. On-call employees are eligible for some but not all employee benefits described in this manual.

### **3.6 Temporary Employees**

Temporary employees are those who are employed for short-term assignments, not to exceed four months. If an assignment is extended beyond a four-month period, temporary employment will be converted to full-time or part-time employment, based on the number of hours per week to be worked.

Temporary employees are not eligible for employee benefits except where mandated by applicable law.

Time spent as a temporary employee does not count toward 90-day probation or the effective date of insurance benefits.

### **3.7 Exempt Employees**

Employees who are exempt from the overtime provisions of the Fair Labor Standards Act – generally executive, administrative and professional employees – will not receive overtime pay for hours worked in excess of 40 hours in a work week.

### **3.8 Nonexempt Employees**

Nonexempt employees are those entitled to overtime pay (time and one-half) for hours worked in excess of 40 per week, as required by the Fair Labor Standards Act and/or any applicable state laws. In computing hours worked in a work week, holidays, vacation, sick leave and other time off will be excluded from the computation.

## **IV. EMPLOYMENT PRACTICES**

### **4.1 New Employees**

All new employees will receive a written copy of the signed personnel action record which will include position, title, starting salary, immediate supervisor, department, reporting date and location, schedule of working hours and the length of the probationary period.

### **4.2 Job Descriptions**

All positions in HSI will have a job description that provides a uniform and consistent framework in which to define:

- (a) The essential functions and responsibilities of each position
- (b) The position to which the employee reports and
- (c) What positions, if any, the employee supervises.

Each new or revised job description becomes effective only after it is reviewed by Human Resources and approved by the functional manager and the President and CEO.

### **4.3 Probation**

- (a) Length of Probation Period: The first 90 days of continuous employment at HSI are considered a probation period. During this time, new employees will learn their responsibilities, get acquainted with other HSI employees and determine whether their jobs suit them. This period is also a time when a new employee's supervisor will closely monitor performance and HSI will make a determination whether to continue the employee's at-will employment.

Upon review by the supervisor, probation may be extended.

In cases in which a longer probation period is needed for adequate evaluation of performance, an employee's position description may specify an initial probationary period of more than 90 days.

- (b) Completion of Probation Period: Upon successful completion of 90 days' employment, the employee generally becomes eligible for health and other benefits as described in this manual, and accrual of paid leave is recorded, retroactive to the first day of employment.

Eligible employees will begin to receive insurance benefits after completing 90 days of employment. All insurance becomes effective the first day of the month after the end of the 90 days.

Completion of the probationary period does not entitle an employee to remain employed by HSI for any definite period of time. Both the employee and HSI are free, at any time, with or without notice and with or without cause, to terminate an employee's employment at HSI.

### **4.4 Work Schedules**

The standard work week for HSI will be Sunday 12:00 a.m. to Saturday, 11:59 p.m.

Employees must report on time and ready to work on the schedule authorized by their supervisors. Employees who find that they will be unable to report to work on time, or who are unable to report for a full day, must inform their immediate supervisor at least one hour before scheduled start time. Good and sufficient reason must be provided for any tardiness or absence.

All employees are expected to inform their supervisors as soon as possible when an emergency arises or when they must leave work early and are unable to keep their scheduled hours.

Requests for any changes in the established work schedule must be addressed in writing to the employee's supervisor and any changes in the work schedule must be authorized in advance, in writing, by the appropriate supervisor.

Non-exempt employees may occasionally be required to work overtime. Any overtime that is to be worked must be approved in advance by a supervisor. Overtime will be paid in accordance with applicable state and federal laws.

#### **4.5 Lunch Breaks**

Each full-time employee and part-time employee who works more than six hours per day may elect to take either a half-hour or full-hour lunch without pay as approved and scheduled by the supervisor. For day shift staff, lunch hours may be taken between 11:00 a.m. to 2:00 p.m. Supervisors may approve a different lunch hour for staff as needed.

#### **4.6 Performance Evaluations**

Performance evaluation is designed to improve the employee's understanding of job objectives and performance standards and to encourage employee development. A written performance evaluation of each new employee will be performed by his/her immediate supervisor at the end of the probationary period, and every year at the time of the employee's anniversary of employment. A supervisor will also evaluate an employee when there is documented concern about the employee's performance and as a prerequisite to any type of performance-related action to be taken.

After each performance evaluation, an employee will be required to sign the evaluation report, simply to acknowledge that the performance evaluation has been conducted by the employee's supervisor and discussed with the employee and that the employee is aware of its contents. Employees are entitled to receive a copy of the completed performance evaluation form. All performance appraisal documents, including any statements of disagreement, will be retained in the personnel file of the employee involved.

Any employee whose performance fails to meet an acceptable level will be notified in writing of those areas which his/her performance has been deficient. Continued deficient performance after written notice may result in disciplinary action up to and including dismissal.

#### **4.7 Relationship between Evaluation and Salary Increases, Promotions and Transfers**

Positive performance evaluations do not guarantee increases in salary or promotions. Salary increases and promotions are solely within the discretion of HSI and depend upon many factors in addition to performance. However, in general, employees whose annual performance evaluation demonstrates a high level of excellence may be eligible to receive a salary increase.

An employee who is promoted will be placed on a 90-day probationary period. The employee will continue to accrue and be able to use benefits. After the completion of the 90-day period, the standard 90-day evaluation will be completed. The anniversary date for the purpose of annual evaluation and salary increase will change to the date of promotion or transfer.

An employee who is transferred by administration to an equivalent position will not be placed on a 90-day probationary period and the anniversary date for performance evaluations and merit increases will not change.

For information on eligibility for promotions and transfers, see section 8.4.

#### **4.8 Personnel and Medical Records**

Personnel records, by individual, will be maintained centrally. Each file will contain the complete history of the person's employment with the agency, starting with the application and including all subsequent actions.

Employees have access to their own personnel file and may review and copy the contents of the file, as provided by law, in the presence of a HSI representative at a mutually convenient time.

The individual personnel file is regarded as confidential material and HSI will restrict disclosure of the contents of an employee's file to authorized individuals within HSI. No personnel information will be released to outside sources without the employee's written consent except in the case of investigations conducted by authorized law enforcement or local, state or federal investigative agencies, and except as provided in section 12.5 below.

Consultant records will be kept by the program supervisor, with the beginning and ending dates of service to HSI.

Health / medical and insurance records are not included in employee personnel files. These records are confidential. HSI will safeguard these records from disclosure and will divulge such information only (1) as allowed by law, (2) to the employee's personal physician upon written request or permission of the employee, or (3) as required for workers' compensation cases.

#### **4.9 Grievances**

- (a) **Informal Resolution:** In the event an employee has a grievance involving his/her working conditions, he/she should discuss this with his/her immediate supervisor as soon as reasonably practicable. The supervisor will attempt to resolve the situation promptly. If the issue is between two employees and is not job related, the employees should try to resolve their difference between themselves. If it is interfering with job performance, the supervisor should intervene promptly and attempt to resolve the matter. If the supervisor is unable to resolve the issue, then the formal grievance procedure should be followed.
- (b) **Formal Grievance Process:** If the grievance remains unresolved, the aggrieved employee will submit a written statement concerning the grievance within five (5) working days to the next higher level supervisor who will attempt to resolve the grievance within five (5) working days of receipt of the grievance. If the grievance is not resolved by the next higher level supervisor, the employee may continue to follow the same procedures and timeframes and pursue the grievance with the next higher level supervisor and to Human Resources. If the grievance remains unresolved, Human Resources must bring the matter to the President and CEO. The President and CEO will make every attempt to resolve the situation and provide a

written decision within ten (10) days of receipt of the grievance. The decision of the President and CEO will be final.

- (c) Exception to Requirement: If the employee grievance involves the employee's immediate supervisor, the employee is not required to attempt to resolve the issue with that supervisor before pursuing other remedies.
- (d) Grievances Involving the President and CEO: When a grievance involves an issue of safety or illegality or when the grievance is one involving the conduct of the President and CEO, and when the grievance cannot be resolved at the staff level, any member of the Executive Management Team may submit the grievance to the Chairperson(s) of the Board of Directors. The Chairperson(s), with the assistance of the Board's Executive Committee, will investigate the alleged grievance and render a decision. In such cases, the decision of the Board's Executive Committee will be final.

## **V. COMPENSATION AND REIMBURSEMENT**

### **5.1 Payment of Salaries**

Paychecks/direct deposits are issued bi-weekly. Please see the annual schedule of pay days for specific dates.

Any employee who finds an error in a paycheck/direct deposit should immediately report that error to Human Resources.

### **5.2 Overtime Policy**

HSI does not pay any additional salary to any exempt employee as "overtime pay." HSI provides compensation for all overtime hours worked by non-exempt employees in accordance with state and federal law. Nonexempt employees must obtain approval from their managers prior to working any overtime hours. Non-exempt employees who work overtime without approval may be subject to discipline up to and including termination.

### **5.3 Time-Keeping Requirements**

Calculations of employee time are essential at HSI and support a number of functions, including payroll administration, allocation of costs according to funding source, and disability insurance benefits. All employees are required to record time worked for each pay period and to comply with all time-keeping requirements and instructions. Recording the work time of another employee or allowing any other employee to record one's own work time, or allowing falsification of any time sheet, may subject an employee to discipline up to and including termination.

### **5.4 Advances Policy**

HSI policy prohibits advances against paychecks/direct deposits. No salary advances will be granted to any employee.

## **5.5 Payroll Deductions**

Earnings and payroll/direct deposit deductions are shown on a voucher enclosed with each paycheck/direct deposit. Deductions required by law are as follows:

- Federal and State Income Tax
- Social Security
- Garnishments (see section 5.6 below).

Deductions an employee may authorize include, but are not limited to, the following:

- Medical insurance
- Dental insurance
- Flex Plan
- Life Insurance
- 401K
- Reimbursements to HSI (e.g., for unearned leave)

Any questions about a paycheck should be directed to Human Resources.

## **5.6 Wage Garnishments**

Garnishment of wages results when an unpaid creditor has taken the matter to court. A garnishment is legal permission for creditors to collect part of an employee's pay directly from HSI. Although HSI does not wish to become involved in an employee's private matters, we are compelled by law to administer the court orders for garnishment of wages.

## **5.7 Reimbursement of Expenses Policy**

HSI will reimburse employees for expenses incurred in connection with fulfillment of their employment obligations, provided that:

- (a) Such expenses have been duly authorized in advance
- (b) The expenses incurred are reasonable and within allowable limits
- (c) Requests for reimbursement are submitted in a timely manner and in requisite form.

Refer to HSI's Expense Reimbursement Policy and Mileage Reimbursement Policy for specific information.

## **VI. LEAVE BENEFITS**

Each HSI department provides leave for employees according to the organization or entity with whom the department contracts. The following provisions regarding leave apply unless superseded by contract. These benefits apply to regular full-time personnel, and as stated for regular part-time and on-call employees:

### **6.1. Paid Leave**



### 6.1.1 Eligibility and Accrual of Paid Leave

- (a) Regular full-time employees will earn paid leave as follows:
  - First and second year: 8 hours per month
  - Third year: 8.66 hours per month
  - Forth year: 9.33 hours per month
  - Fifth year: 10 hours per month
  - Sixth year: 10.66 hours per month
  - Seventh year: 11.33 hours per month
  - Eighth year: 12 hours per month
  - Ninth year: 12.66 hours per month
  - Tenth year: 13.33 hours per month
  - Eleventh year: 14 hours per month
  - Twelfth year: 14.66 hours per month
  - Thirteenth year: 15.33 hours per month
  - Fourteenth year: 16 hours per month
  - Fifteenth year & up: 16.66 hours per month
- (b) Regular part-time employees will earn paid leave according to the schedule above based on the fraction of the full-time rate they work.
- (c) Regular on-call employees will not earn paid leave
- (d) Temporary employees will not earn paid leave.
- (e) Employees with previously approved benefits that exceed these limits will maintain their previous benefits.
- (f) Paid leave is earned monthly and posted quarterly. At the beginning of each calendar quarter, paid leave for the quarter will be posted to the beginning balance for that quarter.
- (g) Paid leave for new employees will not be accrued until after completion of 90 days of employment. Once that period is completed, the employee will be given credit for the first three months of accrued leave. If an employee begins during the first half of the month, full leave for the month will be earned. If the start date is after the 15th, no leave for the month will be earned.
- (h) Paid leave is not earned while on disability insurance, family medical leave or leave of absence.

### 6.1.2. Use of Paid Leave

- (a) Leave scheduling is at the discretion of the supervisor and must take into consideration the efficient operation of the program and/or agency.
- (b) Requests to take paid leave will be made in writing at least ten (10) working days in advance to the employee's immediate supervisor. In the case of sickness where advance request would not be possible, advance request will not be required. Any employee absent for more than three (3) days is required to notify his or her immediate supervisor of the date by when he or she will return to work, so that coverage of work responsibilities can be arranged. If a doctor's appointment, hospitalization or surgery is planned, employees are expected to request time in advance and to give the supervisor as much notice as possible.

- (c) When a leave due to illness extends beyond three (3) days, the employee is expected to present a doctor's authorization at the time of return to work. If the absence was due to illness of a family member, mental health or other individual health-related circumstance, the employee is expected to produce a physician's confirmation, if available.
- (d) No carry over of paid leave time will be permitted from one calendar year to the next without the express prior approval of the President and CEO.
- (e) When a holiday occurs during a period of paid leave, the employee's paid leave is not charged for the holiday taken.

#### 6.1.3. Use of Leave Prior to Accrual

- (a) At the discretion of the supervisor, one (1) to ten (10) days of paid leave may be taken for special circumstances prior to being earned, as long as the total leave used in the year including the time advanced does not exceed the amount of leave the employee would earn for that year.
- (b) Before a grant of unearned paid leave is made, an employee will be asked to authorize HSI in writing to deduct unearned paid leave taken from his or her final paycheck, if necessary.
- (c) If an employee leaves before the end of the quarter and has used all of the paid leave time for that quarter, the amount over what the employee would have earned through the date of termination will be deducted from the final paycheck.

#### 6.1.4. Pay in Lieu of Paid Leave

Employees terminating their employment, whether voluntary or involuntary, will be paid for accrued paid leave time if they have completed 90 days of employment.

### 6.2 Holidays

- (a) For Regular full-time employees, HSI will release a holiday schedule in December for the coming year. Below is a list of the minimum days that will be observed each year:

- New Years Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Day after Thanksgiving
- Christmas Day

A part-time employee, who is scheduled to work on a day which is a holiday, will receive pay for the holiday based on the number of hours he or she would normally have worked. If the employee works on the holiday, he or she will receive both normal pay and ½ holiday pay.

- (b) If a holiday occurs on Saturday, the preceding Friday will be observed; if a holiday occurs on a Sunday, the following Monday will be observed.

- (d) Employees with regular status will receive pay for holidays effective with their first day of full-time employment.

### **6.3. Family and Medical Leave**

HSI will grant up to 12 weeks of unpaid family and medical leave during any given 12-month period to eligible employees ("FMLA leave"), in accordance with the Family and Medical Leave Act of 1993 ("FMLA") and the Wisconsin Family Medical Leave Act ("WFMLA"). When the provisions of the FMLA and WFMLA conflict, the more liberal of the two statutes will apply.

6.3.1 Eligibility – All requests for FMLA leave must be approved by Human Resources.

- (a) The FMLA provides employees up to 12 workweeks of unpaid leave in any given 12-month period. To qualify to take FMLA leave under the FMLA, the employee must meet the following conditions:
- 1) The employee must have been employed by HSI for 12 months, or 52 weeks before taking FMLA leave. This 12 months or 52 weeks need not have been consecutive; and
  - 2) The employee must have worked at least 1,250 hours during the 12-month period immediately preceding the date when the FMLA leave is requested to commence.
- (b) The WFMLA provides employees up to:
- (i) six (6) weeks of unpaid leave for the birth, adoption or foster care placement of a child as defined below;
  - (ii) Up to two (2) weeks of unpaid leave for the employee to care for a seriously ill child, spouse or parent; and
  - (iii) Two (2) weeks of unpaid leave for the employee's own serious health condition as defined below. To qualify to take FMLA leave under the WFMLA, the employee must meet the following conditions:
    - 1) The employee must have been employed by HSI for more than 52 consecutive weeks; and
    - 2) The employee must have worked at least 1,000 hours during the 52-week period immediately preceding the requested FMLA leave.

6.3.2 Type of Leave Covered

HSI offers FMLA leave to eligible employees for the following reasons:

- (a) The birth of a child and in order to care for the child (within 12 months after the birth);
- (b) The placement of a child for adoption or foster care and to care for the newly placed child (within 12 months after the placement);
- (c) To care for an immediate family member with a serious health condition. "Immediate Family Member" is defined as the employee's child, spouse or parent for purposes of FMLA leave. "Child" includes the employee's biological children, adopted children, stepchildren, foster children or legal wards under the age of 18, or over the age of 18 if they are not capable of self-care because of a mental or physical disability. A family member also includes a spouse while legally married. A "parent" is defined as a biological parent, parent-in-law, adoptive parent or the person who legally acted in the capacity of the employee's parent while the employee was a child; or

- (d) The employee's own serious health condition – i.e., a condition that makes the employee unable to perform the functions of the employee's position. A serious health condition is defined as disabling physical or mental illness, injury, impairment or condition requiring either:
- (i) Inpatient care at a hospital, hospice or residential medical care facility, including any period of incapacity or any subsequent treatment in connection with such inpatient care; or
  - (ii) Continuing care by a licensed health care provider.

### 6.3.3 Intermittent Leave or a Reduced Work Schedule

The employee may take FMLA leave in 12 consecutive weeks, may use the FMLA leave intermittently (take a day periodically when needed over the year) or, under certain circumstances, may use the FMLA leave to reduce the workweek or work day, resulting in a reduced hour schedule. In all cases, the FMLA leave may not exceed a total of 12 workweeks over a 12-month period and must be approved by Human Resources. Provision of an intermittent or reduced work schedule following the birth or placement of a child is at the discretion of HSI.

### 6.3.4 Procedure for Requesting Leave

To be approved for FMLA leave, the employee requesting FMLA leave must provide written medical documentation to Human Resources using HSI's Request for FMLA Leave Form, supporting the employee's need for leave due to a serious health condition affecting the employee or an immediate family member. The employee must provide HSI with a 30-day advance notice. If the leave is not foreseeable, the employee must notify HSI Human Resources as soon as the employee learns of the need for FMLA leave. Employees who are to undergo planned medical treatment are required to make a reasonable effort to schedule the treatment at such a time as to minimize disruptions to HSI's operations.

### 6.3.5 Certification of the Serious Health Condition

HSI may require an employee to provide medical certification in a timely manner, on a Certification Form supplied by HSI, to support a request for leave to care for a spouse, parent or child or for the employee's own serious health condition. When FMLA leave is taken for an employee's own serious health condition, the medical certification may be required within 15 days of the request for FMLA leave.

HSI reserves the right to require a second or third opinion regarding a serious health condition. HSI further reserves the right to require recertification of a serious health condition every 30 days, or as it otherwise may deem necessary.

At the time an employee seeks reinstatement from FMLA leave due to the employee's own serious health condition, the employee must provide HSI with a certification from a health care provider that he or she is fit for duty and able to return to work. HSI may delay the reinstatement of an employee until the certification is provided. If the employee does not provide the

certification within a reasonable time of being requested to do so, the employee may be terminated.

#### 6.3.6 Employee Status and Benefits during FMLA Leave

HSI will maintain group health insurance coverage for employees on FMLA leave, where such insurance was provided before the FMLA leave was taken, and on the same terms as if the employee had continued to work. Employees may be required to continue making any required employee contributions for health insurance premiums. In such case, arrangements for payment of the employee's share will be made upon the approval of the FMLA leave. The failure to make the required contribution may result in the cancellation of the employee's insurance coverage.

If the employee chooses not to return to work for reasons other than a continued serious health condition of the employee or the employee's family member or a circumstance beyond the employee's control, HSI will require the employee to reimburse the company the amount it paid for the employee's health insurance premium during the FMLA leave.

HSI requires substitution, in whole or in part, of paid time off the employee has accrued for unpaid leave. HSI may run the FMLA leave concurrently with other qualifying leaves of absence, as allowed by law. Paid leave does not accrue while on FMLA leave.

#### 6.3.7 Employee Status after FMLA Leave

Most employees who take FMLA leave under this policy will be able to return to the same position or a position with equivalent status, pay, benefits and other employment terms.

Employees who fail to return to work at the end of the FMLA leave period, whose FMLA leave exceeds the statutory entitlement, or who expressly indicate that they will not return to work at all, will no longer be entitled to reinstatement or any of the other provisions of the FMLA or WFMLA.

### 6.4. Jury Duty

Jury duty is a responsibility that every staff member should accept. Employees must give their supervisors a copy of the notice from the court, to be placed in their personnel files. Employees who are called to jury duty will receive their regular pay and are expected to remit any amounts received for services to the court to HSI's General Fund.

An employee who is dismissed early by the court should report to work for the balance of the working day, if practical.

### 6.5 Bereavement Leave

Regular full-time employees will be granted paid leave of up to three (3) days to attend and/or arrange the funeral of an immediate family member. "Immediate family member" is defined as

a spouse, child, step-child, sibling, parent, parent-in-law, grandparent, grandchild or any individual residing in the employee's household.

If the death of the family member requires travel of over 500 miles, up to two days of additional paid leave may be granted for travel purposes.

Regular full-time employees may be required to give evidence of death of an immediate family member before any leave time is paid. This allowance will not be paid for any day for which the employee would not otherwise have been at work.

Employees may be granted an unpaid leave to attend the funeral of a person outside of the employee's immediate family.

### **6.6 Leave without Pay**

All other leaves are without pay and must be authorized in advance in writing by the employee's supervisor. Leave without pay is limited to three months in any 12-month period unless, in the judgment of the President and CEO, exceptional circumstances warrant the grant of additional leave without pay.

Except as provided in section 6.7 below, leave without pay is available only after an employee's paid leave has been exhausted.

No benefits accrue during leaves without pay. The employee will pay the full cost of insurance during leaves without pay.

### **6.7 Inclement Weather**

Employees are expected to make a reasonable attempt to get to work and to work the entire shift in all weather conditions. All time lost due to inclement weather will be charged to paid leave or to leave without pay.

Although an individual facility of HSI may close because of an Act of God, mechanical failures or other similar situation, the agency will remain open. Any employee who is sent home under such circumstances may elect to take the time as paid leave, if it has been accumulated, or as leave without pay.

### **6.8 Military Leave**

- (a) HSI complies with applicable federal law requirements pertaining to military leave.
- (b) Time off taken for military leave will not be considered vacation time; however, an employee may choose to use any accrued vacation leave in place of unpaid military leave.
- (c) Employees may continue their health coverage for up to 24 months while in the military. Whether or not such continuation is elected, employees have the right to be reinstated in HSI's health plan when they are reemployed, in accordance with the terms of that plan.

- (d) An employee who leaves HSI for military service may have the right to be reemployed to the job and benefits he or she would have attained had he or she not been absent due to military service – or, in some cases, a comparable job – provided that the employee:
  - (i) Provides the requisite advance notice of intent to take military leave,
  - (ii) Has five years or less of cumulative service in the uniformed services while with HSI,
  - (iii) Returns to work or applies for reemployment in a timely manner after conclusion of service – i.e., on the next regularly scheduled work day following a military leave of less than 31 days, or within 14 days following completion of more than 31 days of military service. In some instances, those deadlines may be extended, with the authorization of the President and CEO.
  - (iv) Has not received a disqualifying discharge or been separated from service under other than honorable conditions.

## **VII. OTHER BENEFITS**

### **7.1. Medical Insurance**

- (a) Medical coverage is provided by the agency to all regular full-time employees and to eligible members of their families, should they elect to enter the agency's insurance plan. For detailed information, see Human Resources.
- (b) For new employees, insurance coverage will be effective the first day of the month following completion of 90 days of employment.
- (c) The cost of the insurance will be covered by both HSI and the employee. The amount of the premium to be paid by the employee will be determined on an annual basis.

### **7.2. 401k Plan**

HSI provides a 401k plan for eligible employees. Human Resources will provide employees with detailed and current information on the provisions of HSI's 401k plan during orientation and, periodically, thereafter.

### **7.3 Worker's Compensation Insurance**

All employees are covered by Worker's Compensation Insurance paid entirely by the employer. Anyone sustaining injury while engaged in work for HSI must report the injury immediately to his/her supervisor and to Human Resources to protect the employee's and the employer's interests under the scope of Worker's Compensation.

### **7.4 FICA/Medicare Insurance**

All employees, full-time, part-time and on-call, regular and temporary, are covered by Social Security as required by law.

### **7.5 Unemployment Insurance**

The employer will provide coverage under and according to the Unemployment Compensation Law of the State of Wisconsin.

#### **7.6 Disability Insurance**

HSI makes available short-term disability insurance to regular employees who work more than 35 hours per week. For detailed information, see Human Resources.

### **VIII. EMPLOYEE DEVELOPMENT**

#### **8.1 Career Development**

HSI will provide employees with opportunities for career development and advancement, within available resources and to the extent that funds allow.

#### **8.2 Training**

In-service training will provide staff with the skills, training, and experience necessary to enable job performance. Attendance at approved training is recognized as an important means for staff development.

#### **8.3 Conferences**

In order to encourage professional development, employees will be eligible for attendance at professional conferences. Within the limitation of funds available, HSI will allow paid cost of expenses to employees whose attendance is beneficial to the development or improvement of agency service. Such conference attendance must be approved by the employee's supervisor and President and CEO in advance.

#### **8.4 Promotions and Transfers**

- (a) Open Positions: Employees are eligible to be considered for all opened positions. A promotion from within may occur without opening a position.
- (b) Promotions and Transfers within a Department: Employees may be considered for promotion within a department after successful completion of three months' employment.
- (c) Promotions and Transfers to another Department: Upon successful completion of one year of employment in a given department of HSI, employees are eligible to be promoted to another department or to apply for any vacancy at HSI, following the established application process. Such application may be made before the completion of one year's employment, if the employee's supervisor authorizes the application. Personnel records will be reviewed as a part of determining that they are qualified for the new position.

An employee who seeks to move to another department must notify his or her supervisor in advance of submitting an application and must provide at least two weeks' notice prior to leaving a position.



- (d) No Retaliation: Employees who apply for and do not attain a new position will not be subject to retaliatory conduct by supervisors or other co-workers.

### **8.5 Tuition Support**

HSI makes available tuition support according to the following guidelines, as resources permit:

- (a) Regular, full-time employees may apply for grants of up to \$1,000 per calendar year in tuition support for job-related college-level courses. Such application is made on a Tuition Support Request Form, which must be submitted to the employee's immediate supervisor and approved by the President and CEO. Tuition Support grants are limited and must be approved within 30 days prior to the start of the course for which tuition support is sought.
- (b) Reimbursement will be made upon submission of proof of successful completion of the course, which means that the employee must receive a grade of B or better.

### **8.6 Employer Tuition Refund Policy**

Any employee who has received more than \$500 from HSI to attend job-related classes, conferences or trainings is asked to remain an employee of HSI for at least one year following completion of the class, conference or training. If the employee voluntarily leaves employment at HSI before the expiration of this one-year period, the employee will be expected to reimburse HSI for the cost of employee education or training.

## **IX. CONDITIONS OF EMPLOYMENT AND STANDARDS OF CONDUCT**

### **9.1 General Policy Regarding Prohibited Conduct**

HSI sincerely believes in treating all employees with the dignity and respect they deserve. However, problems occasionally arise regarding the work, conduct or behavior of an employee. Whenever possible, employees will be given the opportunity to correct any such problems. The following is a list of the more common types of conduct that may result in disciplinary action and termination:

- (a) Falsification of employment records, employment information or other HSI records.
- (b) Recording the work time of another employee or allowing any other employee to record one's own work time, or allowing falsification of any time sheet.
- (c) Insubordination, including but not limited to failure or refusal to obey the orders or instructions of a supervisor or manager.
- (d) Unseemly, offensive or discourteous behavior in dealing with employees, co-workers, supervisors, clients and / or the public.
- (e) The use of abusive or threatening language, fighting, or attempting to injure others.
- (f) Failure to protect and keep safe any child or participant of HSI, or any conduct that endangers the safety of a child or other participant of HSI.
- (g) Being under the influence of alcoholic beverages, controlled substances or other drugs not prescribed by a physician that impair ability to perform work responsibilities.

- (h) Engaging in sexual activity, or otherwise conducting a personal relationship with a co-worker, when such conduct adversely affects job performance, employee morale or the public perception of HSI.
- (i) Failure to report an absence.
- (j) Working overtime without authorization or refusing to work assigned overtime.
- (k) Violations of HSI policy, poor work performance or other circumstances where HSI believes that discipline is appropriate.
- (l) Engaging in any illegal, unethical or inappropriate conduct, whether on or off duty, which is inconsistent with HSI's ethical standards and/or mission, which interferes with HSI's ability to carry out its mission, or which negatively affects HSI's image in the community.

These are merely some examples of improper conduct. This is not an exhaustive list of all conduct that may result in disciplinary action up to, and including termination of employment.

## **9.2 Appropriate Attire**

What we wear to work is a reflection of the pride we have in HSI. To favorably impress our supporters and clients, and to represent HSI properly, it is important for all employees to present a business-like appearance. All HSI employees are expected to dress in a clean, neat and professional manner appropriate to the circumstances both when working in HSI's offices or classrooms and when carrying out their duties at other locations.

Guidelines for proper dress for employees on HSI business include the following:

1. All employees should practice common sense rules of professionalism, neatness, good taste and comfort.
2. Jeans, tank tops, tee-shirts, shorts, jogging suits, sandals, tennis shoes, tight-fitting clothing and similar apparel are not permitted unless authorized by your supervisor and is considered necessary to better implement HSI's related activities and themes.
3. Provocative clothing, gang-related clothing or insignia (including tattoos), and facial rings or studs are not permitted under any circumstances.
4. Clothing must not constitute a safety hazard.

## **9.3 Conflict of Interest / Gifts and Gratuities**

No employee of HSI will hold any direct or indirect financial interest that may conflict or appear to conflict with the interests of HSI. Specifically:

- (a) Employees are expected to conduct themselves in good faith, for the purpose of advancing the objectives of HSI rather than the interests of self, friends or relatives, and with full advance disclosure in writing of any actual or potential conflict of interest -- or the appearance of a conflict.
- (b) No person will be employed by HSI when, in the judgment of the President and CEO, his/her term of employment or advancement or standards of conduct are subject to the authority of a HSI Board member or another employee who is related by blood or marriage.
- (c) No employee will participate in any decision regarding the making of grants or the purchase of equipment, services or supplies when said decision may result in financial gain to that employee or to his/her family members. To resolve any doubts as to whether a particular

person is a family member within the meaning of these guidelines, please consult Human Resources.

- (d) Employees will inform the Secretary of the Board of Directors, in writing, of any affiliation they may have with
  - (1) An actual or potential supplier of goods or services
  - (2) The recipient of grant funds or
  - (3) Any organization with competing or conflicting objectives.
- (e) HSI policy prohibits employees from soliciting or accepting loans (other than travel advances) and other than modest gifts (those with a value of \$25 or less) for personal use from vendors, donors or other employees, officers or Directors of HSI.

To resolve any doubt about the propriety of any particular conduct, please consult with Human Resources.

#### **9.4 Smoke-Free Environment Policy**

HSI, Ltd., is a smoke-free environment. In efforts to protect the health status of clients and employees, the use of smoking materials will not be permitted in any part of the buildings or vehicles nor within 20 feet of the entrance to any HSI building

#### **9.5 Drug-Free Workplace**

It is the policy of HSI, Ltd., to provide a workplace free from drugs and/or alcohol and from the effects of off-the-job drug and/or alcohol abuse that affects on-the-job safety or performance. The objectives of our drug abuse policy are to provide a safe and healthy workplace for all employees, children and families while at HSI and to prevent accidents.

To this end, employees are advised of the following conditions of employment regarding drugs and alcohol.

- (a) The unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in any facility or vehicle that HSI owns, rents, or leases.
- (b) Reporting for work under the influence of alcohol or other controlled substance or use of alcohol or other controlled substance during working hours is prohibited.
- (c) Any type of substance or alcohol abuse in the workplace poses a danger to the user, co-workers, families and children served by HSI. Any employee who needs assistance, such as counseling or rehabilitation, is encouraged to obtain such assistance and HSI will make every effort to assist the employee in locating help.
- (d) Employees are required to notify HSI of any criminal drug or alcohol statute arrest or conviction occurring in the workplace no later than five days after such conviction.

#### **9.6 Confidential Information**

During the course of fulfilling job requirements, employees may acquire confidential information from client records, correspondence, conversations, or other documentation. Discussion of such information, even on a casual basis with anyone, violates client or employee privacy and may compromise the agency's operations. Inquiries regarding confidential

information should be tactfully referred to a supervisor and personal opinion should not be given to others regarding clients or employees. Release of confidential information requires the signed authorization as necessary of a client or staff member. Release of confidential information without such authorization may subject employees to dismissal and/or criminal charges. During orientation, employees will sign a statement indicating they understand, acknowledge and will comply with confidentiality policies of HSI.

### **9.7 Media Contacts**

All calls responding to a press release should be forwarded to the contact person listed on the press release. All other inquiries should be referred to the President and CEO who may designate another individual to respond. Responses to inquiries from the media should be based on the subject matter.

### **9.8 Health and Safety**

Every employee is responsible for his/ her own safety as well as that of others in the workplace. To achieve our goal of maintaining a safe workplace, everyone must be safety-conscious at all times.

HSI employees have a responsibility to read, understand and comply with all applicable safety regulations and safety manuals, and to identify and report any unsafe or unhealthy working condition(s) to their supervisors. All employees are expected to know the emergency procedures for their office and building and to participate in emergency drills and periodic reviews of HSI safety procedures.

Any job-related illness or accident involving any employee must be reported to that employee's supervisor or to Human Resources immediately, whether or not the accident resulted in an injury.

### **9.9 Security**

The security of HSI offices and other buildings, as well as the welfare of HSI employees and clients, requires that every individual be constantly aware of potential security risks. Employees should immediately notify a manager when unknown persons are acting in a suspicious manner in or around HSI premises, or when keys or security passes, when applicable, are lost or misplaced.

### **9.10 Lobbying and Political Activity**

HSI will ensure that no federally appropriated funds are expended to influence or attempt to influence an officer or employee of any agency, member of Congress or officer or employee of Congress, or employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant or loan, or entering into any cooperative agreement or

the continuation, renewal, amendment, or modification of any federal contract, grant, loan or cooperative agreement.

Employment will not be offered as a consideration or reward for the political support of any political party or candidate for public office. Furthermore, in accepting employment all employees will adhere and agree to the following: "Under no circumstances will I participate or engage in partisan or non-partisan political activities during my working hours at HSI, Ltd., nor, at any time, in non-partisan or partisan political activities as a representative of the agency." This will be kept in the file of each employee.

No employee may use work time, property or materials of HSI to try to affect proposed legislation. HSI may respond to requests for information from local, state and federal officials. All such responses will be sent from the President and CEO's office. Should an employee be invited to testify at a hearing or other activity, permission will be obtained prior to such participation and testimony reviewed by the President and CEO.

### **9.11 Off Duty Conduct**

Employees are expected to conduct their personal affairs in a manner that does not adversely affect HSI's or their own integrity, reputation or credibility. Illegal or immoral off-duty conduct by an employee that adversely affects HSI's legitimate business interests or the employee's ability to perform his or her job will not be tolerated and may be cause for termination.

### **9.12 Background Checks**

Background checks may be conducted annually on all employees. Satisfactory background checks are a condition of continued employment at HSI.

### **9.13 Automobile Policy**

Any employee who drives a vehicle on HSI business must have a valid drivers' license, proper insurance, and a driving record that meets HSI's established safety standards. HSI drivers must comply with all traffic and parking laws and with HSI driving regulations. HSI drivers will be required to read and sign a copy of HSI's driving policy.

## **X. HSI FACILITIES**

### **10.1. Property Belonging to HSI**

All HSI property must be maintained properly according to HSI rules and regulations and must be used only for work-related purposes. HSI reserves the right to inspect all HSI property to ensure compliance with applicable rules and regulations, without notice to the employee and / or in the employee's absence.

All documents, computer files, photographs, recordings, correspondence and electronic mail messages created at or acquired by HSI in the course of conducting HSI business are the property of HSI. Any information or files stored, processed or transmitted using HSI facilities may be copied, accessed or disclosed by HSI.

In general, voice mail and electronic mail (e-mail) are to be used for business purposes only. We understand that employees may need to make or receive personal telephone calls, or receive personal messages from time to time. Be aware that HSI may have the need, and reserves the right, to listen to voice mail messages and to access e-mail messages without notice to the employee and/ or in the employee's absence. Messages in personal voice mail boxes or e-mail message centers may not be private.

Prior authorization must be obtained before an employee may remove any HSI property from the premises.

## **10.2 Employee Property**

Employees are urged not to bring personal valuables to work. If necessary to do so, all valuables should be kept in a secure location. HSI assumes no responsibility for the loss, theft or damage of an employee's personal valuables or other property brought to work.

## **10.3 Solicitations, Distributions and Sales**

Employees are to conduct only HSI business while at work. To avoid disruption of business activity, HSI permits employee solicitations and distributions of non-business materials only when:

- (a) The purpose is to benefit a not-for-profit organization or humanitarian cause
- (b) Participation is voluntary
- (c) The Human Resources Department has been informed in advance.

Any solicitation directed to all HSI employees must be approved by the President and CEO in advance.

Solicitations, distributions and sales by outside persons or organizations are prohibited without the approval of the President and CEO.

## **10.4 Bulletin Boards**

Only authorized personnel may post, take down or alter notices, signs, posters or other similar materials, whether on HSI bulletin boards or otherwise displayed.

## **10.5 Computer Policy**

All employees are expected to comply with the HSI Information Technology User Policy. Employees will be asked to sign a statement acknowledging that they have read and understand

the provisions of this policy. Employees may direct any questions about this policy to their supervisors or to Human Resources.

## **XI. DISCIPLINARY ACTIONS**

### **11.1 Policy**

Employees are expected to abide by all rules, regulations, policies and procedures of the agency. Violations may result in disciplinary action or termination.

### **11.2 Options**

Depending on the circumstances of the violation, the following Disciplinary Actions could apply:

- (a) **Verbal Warning:** The verbal warning is issued by the immediate supervisor and will be documented in the department file and in the employee's personnel file.
- (b) **Written Warning:** A written warning will specify the nature of the violation include any previous warnings (verbal or written) that have been issued to the employee regarding the same matter. A written warning must be signed by both the employee and the immediate supervisor. In addition, any written warning should be issued in the presence of, and signed by, a witness. An employee may refuse to sign a written warning.

A copy of the written warning, whether signed by the employee or not, will be provided to the employee and placed in the employee's personnel file.

- (c) **Disciplinary Probation:** Probation will be in writing from the immediate supervisor, signed by the employee, the employee's supervisor and approved by the President and CEO. The probation letter must contain the specifics of the violation and the criteria that must be met for the employee to be released from probation. A copy will be placed in the employee's personnel file.

Disciplinary probation may be for a period of up to 90 days. The probation letter must indicate that failure to comply with the terms of the release from probation will subject the employee to termination of employment.

- (d) **Suspension without Pay:** In cases in which a serious violation of HSI's policies and procedures is alleged, an employee may be suspended without pay by the President and CEO or his/her designee, pending an investigation of the alleged violation. This action must be accompanied by a written notice to the employee. If, upon completion of the investigation, it is determined that the allegation was unfounded, the employee will receive pay for the suspension period retroactively.
- (e) **Investigations:** A supervisor may need to investigate a matter further prior to taking disciplinary action. During an investigation, employees may be transferred to another department for up to five working days, when appropriate. The supervisor must complete the investigation and take disciplinary action, if warranted, within those five (5) working days. If a transfer to another department is not appropriate or no reasonable assignment is available, an employee may be suspended immediately without pay for up to five (5) working days while the supervisor completes the investigation.

- (f) **Involuntary Termination:** In the case of repeated violations and / or a serious violation of policy, the employee will be terminated. Poor performance may result in termination of employment or demotion.

## **XII. TERMINATION OF EMPLOYMENT**

### **12.1 Voluntary Resignation**

An employee who voluntarily resigns employment, or who fails to report to work for three (3) consecutive work days without notice to, or approval by, his or her supervisor, will be considered to have voluntarily terminated employment with HSI.

Employees are requested to provide at least two weeks' notice of voluntary resignation of employment. Those who hold positions at the supervisory level are asked to provide notice of at least 30 days.

Employees must return all HSI-owned property (including keys, identification badges, credit cards, supplies, documents, etc.) to their supervisor or to Human Resources immediately upon termination of employment.

### **12.2 Involuntary Terminations**

Violation of HSI policies, rules and standards of conduct, and violations of statutes or government regulations, may warrant disciplinary action as provided in section 11 and even termination. HSI's system of discipline is not formal and HSI may at any time utilize whatever form of discipline is deemed appropriate in the circumstances, up to and including termination of employment. HSI's system of discipline in no way limits or alters the at-will employment relationship.

### **12.3 Severance**

HSI does not pay severance compensation to employees who are terminated, whether the termination is voluntary or involuntary. Any exception to this policy may be made only with the prior written approval of the President and CEO, and any severance so approved will be paid only from unrestricted funds.

### **12.4 Reduction in Work Force**

Under some circumstances, including, for example, changes in funding or loss of contracts or grants, HSI may need to restructure or reduce its work force. If it becomes necessary to restructure our operations or reduce the number of employees, HSI will attempt to provide advance notice, if possible, so as to minimize the impact on those affected. If possible, employees subject to layoff will be informed of the nature of the layoff and the foreseeable duration of the layoff.

### **12.5 References for Employees**



All requests for references must be directed to Human Resources. No other supervisor or employee is authorized to release official references for current or former employees.

HSI's policy as to references for employees who have left HSI is to disclose only the dates of employment and the title of the last position held. If disclosure is authorized in writing, HSI will also provide a prospective employer with information on salary history at HSI.

## Acceptance Page of Employee Guidebook

### Receipt Card

While HSI believes wholeheartedly in the policies, practices, programs and procedures described in your employee guidebook, they are not conditions of employment. HSI reserves the right to modify, revoke, suspend, terminate or change any of the policies, practices, programs, rules and employee benefits, in whole or in part at any time, without notice. The language used in your employee guidebook is not intended to create a contract between HSI and any one or all of its employees. The information contained in this employee guidebook is presented in summary form as a matter of information only. If questions regarding the application of benefit information in this employee guidebook should arise, reference may be made to the appropriate unabridged policy maintained in the Business Office. The final decision on any question regarding interpretation of HSI policies rest with the executive management of HSI.

We ask that you sign this form indicating that you have received the guidebook, that you understand that it will be used as a guideline only and that you understand that you may terminate your employment at any time and that the company retains the same right.

This will acknowledge that I have received a copy of the HSI Employee Guidebook

Signature \_\_\_\_\_

Date \_\_\_\_\_



## **ATTACHMENT E**

*Operations Manual: As a new facility, we are still in the process of creating an Operations Manual but have included two key components, the Technology Policy and the Conflict of Interest Policy. The school board and the Discovery World at Pier Wisconsin board will work together to create this manual.*

# High School for Innovators

## CONFLICT AND DUALITY OF INTEREST POLICY

The High School for Innovators Board of Directors consistently follows a policy of avoiding any conflict of interest or the appearance of any conflict of interest on the part of its members and staff.

It is also recognized that Board members, committee members and staff will serve not only in their business role, but in many capacities in community with charitable agencies and institutions. Such roles may give rise to a dual interest, which is permissible and often beneficial to both organizations. For purposes of this policy statement, such shall be defined to be a *duality of interest or involvement*.

Dual roles can be misconstrued and thus a sensitivity is desirable to reduce or eliminate perceptions of favoritism.

A "conflict of interest" for the purpose of this policy is:

- A situation where a person holds a trustee or directorship or executive position in one business, agency or organization,
- serves on the Board or committees of High School for Innovators or is a staff member,
- and is in a position where the person's action in one capacity can or would serve to benefit one business or organization to the disadvantage of the other. A conflict can also exist where a person's dual positions compromise his or her objectivity in performing obligations of loyalty to either organization.

It is desirable that High School for Innovators has a written statement of a conflict of interest policy and establish appropriate procedures to implement that policy.

High School for Innovators' Board policy regarding conflicts or interest and duality of involvement is as follows:

1. No member of the High School for Innovators Board, and no member of the staff of the High School for Innovators, shall have any monetary benefit, direct or indirect, without first disclosing the duality of interest in any transaction with, any organization of the type described above.

2. No organization with which any member of the Board or the immediate family members of any such person is so affiliated shall receive any special consideration whatsoever by the Board or by the staff.

For the purpose of carrying out this policy, the Chair of the High School for Innovators Board is authorized and directed to cause to be prepared and distributed to all members of High School for Innovators Board and all such staff personnel, not less often than once each year hereafter, a questionnaire concerning such organizations with which each such person or his or her spouse may be affiliated. The President of High School for Innovators shall be responsible, on the basis of such questionnaires as well as in the regular process of staff review for identifying any such affiliation to the Board and to the staff at any time that any such organization is considered for projects.

It is also the responsibility of each Board member, committee member and High School for Innovators employee to inform the President or Chair of the Board or committee of any conflicting roles or dual roles they may have if such are not otherwise made known by the foregoing process.



Discovery World/Pier Wisconsin Inc.  
High School for Innovators

**Student Policy for Acceptable Use of Technology**

In a number of classes Discovery World's *High School for Innovators* is introducing students to 21<sup>st</sup> century technologies including electronic mail, other global information resources, and the Internet. We have developed a policy to enhance your child's education through the use of these technologies. This policy appears on the back of this contract. Your child will be able to communicate electronically with other computers on the information superhighway. The Internet allows your child the opportunity to immediately reach out to people and information anywhere in the world. Your child will become a member of a global community.

The vast majority of the information on the Internet has positive educational value. As with commercial TV programming, some of the content available to students might be considered in poor taste. We have special technology tools in place that will restrict access to adult material and undesirable topics. However, it is not possible to completely block out all objectionable topics. As parents and teachers we must teach our children to be responsible consumers of information. Your child will be encouraged to explore local and worldwide information sources in a responsible manner.

With this educational opportunity comes personal responsibility. Approved electronic activities must not contain profanity, obscene comments, sexually explicit material, expressions of bigotry, racism, or hate. Messages should not contain personal information that you would not want a stranger to have. This would include name, address, telephone numbers, charge cards numbers, social security numbers or other personal information. You and your child should read through the policy on the back of this sheet together.

Inappropriate use of our technology resources will result in the loss of the privilege to use this educational tool. Parents, remember that you are legally responsible for your child's actions. Please stress to your child the importance of following the policies on the back of this document.

Please indicate your acceptance of the terms of this policy by completing the lower portion of this document. These signatures indicate that you have read the document and that your child agrees to adhere to the policies regarding technology use. Please feel free to contact us if further clarification is needed.

\* \* \* \* \*

As a user of our technology resources, I understand the policy listed above and on the back of this contract. I realize that failure to follow this policy can result in the loss of this privilege.

\_\_\_\_\_  
Date                      Student Last Name (please print)                      First Name                      Init

I agree to let my child use the our technology resources.  YES  NO  
(check one)

\_\_\_\_\_  
Parent Signature                      Student Signature                      Teacher Signature

*(please see reverse side)*



Discovery World/Pier Wisconsin Inc.  
High School for Innovators

**Student Policy for Acceptable Use of Technology**

The use of our technology resources is a privilege, not a right, and inappropriate use will result in a cancellation of those privileges and possible disciplinary action in accordance with Discovery World's *High School for Innovators Student Handbook*.

**Netiquette**

- Be polite. Do not be abusive in any message to others.
- Use appropriate language. Do not use profanity, obscenities, sexually explicit material nor expressions of bigotry, racism, or hatred.
- Illegal activities are forbidden.
- Do not reveal personal information, addresses or telephone numbers of others.
- Do not use the network in such a way that you would disrupt the use of the network or other users.

**Security**

- Under no circumstances should you give anyone your password.
- Do not reveal your personal address or telephone number.
- Any user identified as a security risk or having a history of problems with other technology systems may be denied use of our technologies.
- Students have the right to appeal any restrictions or access privileges

**Vandalism**

- Vandalism is defined as any malicious attempt to harm or destroy electronic information including data or equipment and will result in disciplinary action.
- Uploading or creating computer viruses is considered vandalism.

**Rules and Code of Ethics**

- The student should act honorably and in a manner consistent with ordinary ethical obligations.
- The student will not use the technology resources for non-academic activities.
- The student will not make unauthorized copies of software in accordance with the copyright laws.
- The student should respect the rights and privacy of others.
- The student represents his/her school and should do so in ways that are positive.

Under the state statute section 947.0125 students may be subject to criminal sanctions, if by means of signs, signals, writing, images, sounds or data, they threaten, intimidate, abuse or harass another person through electronic mail or other computerized communication systems. E-mail accounts and file materials are not private in nature and remain subject to monitoring by the school district. Our network administrators, with due regard for the right of privacy of users and the confidentiality of their data, have the right to suspend or modify technology access privileges and examine files, passwords, accounting information, documents, tapes, and any other material that may aid in maintaining the integrity and efficient operation of the system. Designated staff may search the file system for potential violations and when there is evidence of a possible violation may view users' files, read mail, monitor keystrokes, and otherwise observe users' activities.



**ATTACHMENT F**

*Resumes of educational leader(s) and fiscal manager*

# PAUL J. KRAJNIAK

## **KEY ACCOMPLISHMENTS**

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### ***Development of Discovery World's THE EDGE: A 21<sup>st</sup> Century Learners Challenge***

- Lead Discovery World educators as they developed THE EDGE: A 21<sup>st</sup> Century Learners Challenge and piloted the program in partnership with the Private Industry Council of Milwaukee County.
- The new program will provide accelerated learning experiences in science and technology and workplace skills training for 60 Milwaukee Public High School Students as well as summer employment opportunities at the museum for up to 20 students completing the training program.
- A 12 week training program held on consecutive Saturday mornings at the museum will provide and an exciting off-school hour program, professional involvement, design/build/produce opportunities at Discovery World and in the community.

### ***Enhancement and Expansion of Connected Community of Learners***

- In partnership with the Milwaukee Public Schools (MPS), enhanced and expanded the *Connected Community of Learners*, a five-week summer school program designed to help middle school students meet science proficiency standards, with *New Space Architecture*.
- Piloted in 2003, *New Space Architecture* helps area middle and high school students meet proficiency standards through a unique science and technology curriculum involving real-world experiences, professional connections, and inquiry-based project activities.
- *New Space Architecture* uses the field of architecture as its focus and provides students opportunities to use math, science, communications and technology to develop competencies and skills such as teamwork, project management, drawing and materials identification through a real world design/build experience.

### ***Development and Implementation of Discovery World's Digital Literacy Accelerator for Young Innovators and Entrepreneurs***

- Lead the Discovery World team in fall 2001 to develop and begin Phase I implementation of the *Digital Literacy Accelerator for Young Innovators and Entrepreneurs*.
- This innovative educational initiative was designed to enhance student learning and motivate student interest in science and technology through the creation of television-ready content.
- LifeJet Studios Project, a year-long program in which 20 Milwaukee Public High School students attended daily classes at Discovery World during the academic year, was completed.
- Students enhanced their research, science, and communication and technology skills through this program as they produced an educational videotape focusing on the human genome in association with professionals and researchers from the UW-Madison Biotechnology Center.

### **Development of the Milwaukee Girls Science Partnership**

- Is a strong advocate for educating young girls, working diligently to counteract the stereotype that science, engineering, technology, and business education is for boys only.
- Lead the Discovery World team to develop the *Milwaukee Girls Science Partnership*, a community-based program designed to enhance science and technology skills and raise awareness for careers in engineering for underserved Milwaukee area middle school girls.
- The program provides 7 – 9<sup>th</sup> grade girls inquiry-based project experiences through a five-day summer camp program led by women and through on-going science activities offered at the museum during off-school hours.
- Trained high school age youth counselors, professionally led workshops and enhanced teacher training through credited course work at Milwaukee's Alverno College support this programmatic initiative.

### **Design of Discovery World's TechnoJungle Exhibit**

- Designed Discovery World's largest exhibit (it occupies 2,200 square feet).
- The technology exhibit replicates the living jungle and focuses students' attention on many of the design advances that technology has borrowed from the natural world

## **EMPLOYMENT**

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<b>Executive Director</b>	Discovery World	1994-Present
<b>Director Exhibits/Program Dev.</b>	Discovery World	1984-1994

*(Includes coordination of 36 five-to-seven-minute spots for PBS's Captain Kangaroo highlighting Discovery World's exhibits and shows in 1986)*

<b>Environmental and Set Designer</b>	1980-1999
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*(Created more than 40 designs for dance, theatre, and museums, including BRAIN OPERA for MIT Media Labs, VOLCANO SONGS for Meredith Monk, ARACE for Ping Chong, and a retrospective exhibit for the Walker Museum of Art in Minneapolis)*

<b>Teacher</b>	1974-1984
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*(Includes work at both experimental and traditional education institutions and schools such as Campus Elementary School, St. Leo's, Holy Angels, and Milwaukee Community School)*

## **EDUCATION**

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University of Wisconsin-Milwaukee B.F.A. in Sculpture and Education	1979
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## **PROFESSIONAL AFFILIATIONS AND VOLUNTEER ACTIVITIES**

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### **PROFESSIONAL AFFILIATIONS**

Crone, PhD, Wendy C., Assistant Professor, Engineering Physics, University of Wisconsin-

Madison. Engineering

Herman, PhD, Timothy M., Director, Center for Biomolecular Modeling, Milwaukee School of Engineering

Lexamond, Marty, Office of the Superintendent, High School Redesign, Milwaukee Public Schools. Milwaukee Public School

Randall, Jr., Gerard A., Chief Executive Officer, The Private Industry Council of Milwaukee County.

Staten MA, NBCT, Mary E., Science Curriculum Specialist-Division of Teacher and Learning.

Zinnen, PhD, Thomas M. Biotechnology Outreach, University of Wisconsin Biotechnology Center and UW-Extension.

VOLUNTEER ACTIVITIES

President	Milwaukee Arts Commission	1986
Member	Milwaukee Arts Commission	1981-1985

**Richard Gutierrez, MBA**  
4730 South Aspen Court  
New Berlin, Wisconsin 53151  
(414) 427-9825  
[mrkutier@gsb.uchicago.edu](mailto:mrkutier@gsb.uchicago.edu)

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## **CAREER SUMMARY**

Success driven professional with over 14 years of diverse experience in Manufacturing, Engineering, Finance and Investments. Strong interpersonal skills with experience in leading multiple cross-functional teams that surpassed project goals. Budget and scheduling responsibility on million-dollar manufacturing projects. Performed review of investment instruments and presented advantages and disadvantages to clients. Use of Spanish speaking and leadership skills to successfully complete international audit projects. Proven success in learning new skills and quickly applying them to achieve business goals. Involved in various charitable organizations including participation as an executive board member and Chair of the Finance and Audit Committee for a \$20 million nonprofit group.

## **CAREER HISTORY**

### **Discovery World, Milwaukee, Wisconsin (2005 – Current)**

Discovery World is an interactive museum created to inspire, motivate and delight children and adults about the interconnections among science, economics, and technology.

#### ***Controller (2005 – Current)***

- Development, analysis, and interpretation of statistical and accounting information in order to appraise operating results in terms of profitability, performance against budget, and other matters bearing on the fiscal soundness and operating effectiveness of the organization.
- Responsible for evaluating the performance of personnel in the Accounting Department and Human Resources.
- Maintain the company's system of accounts and keep books and records on all company transactions and assets.
- Establish major economic objectives and policies for the company and prepare reports that outline the company's financial position in the areas of income, expenses, and earnings based on past, present, and future operations.
- Coordinate and directs the preparation of the budget and financial forecasts, institutes and maintains other planning and control procedures (including the cost accounting system), and analyzes and reports variances.
- Responsibility for providing effective financial controls for the organization.

### **Jefferson Wells, Milwaukee, Wisconsin (2004 – 2005)**

Jefferson Wells is a growing global provider of professional services in the areas of risk, controls, compliance and financial process improvement.

#### ***Internal Controls Consultant (2004 – 2005)***

- Successfully completed Internal Audit projects for manufacturing, insurance and service companies both domestically and internationally.
- Worked on Sarbanes-Oxley project for large manufacturing company, including the use of a facilitative session approach to documentation phase of the process.
- Involved in successful completion of international audit, accounting for over \$2 million in recovered revenue.

### **Morgan Stanley, Wauwatosa, Wisconsin (2003 – 2004)**

Morgan Stanley is a \$36.5 billion global financial services firm that operates in Institutional Securities, Individual Investor Services, Investment Management and Credit Services.

***Financial Advisor (2003 – 2004)***

Successfully completed training program. Developed extensive networking and prospecting list.

- Obtained Series 7, 66, and 53 securities licenses.
- Obtained Wisconsin Life, Accident and Health licenses.
- Performed personal financial reviews, developed and implemented solutions.
- Developed multiple business marketing plans to build financial advising business.
- Presented financial service offerings to company management and union representatives.

***Rockwell Automation, Milwaukee, Wisconsin (1992 – 2003)***

Rockwell Automation is a \$4.3 billion leading global provider of industrial automation power, control and information solutions.

***Senior Corporate Internal Auditor (1999 – 2002)***

Planned and conducted financial and operational audits of company's domestic and international locations, assessing the business and analyzing its performance against company and industry standards. Performed critical review of location's income statement, balance sheet and cash flow statements. Developed recommendations and reported to top local and corporate leadership.

- Led audit team after five months in department, seven months earlier than standard.
- Integrated new technologies in investigation and reporting to facilitate communication at all stages of the audit process
- Participated on a team to assess and make improvements to audit procedures.
- Conducted three international audits focusing on logistics and consolidation in Europe, Asia-Pacific and Latin America.
- Developed and tested self-initiated travel cost reduction plan, resulting in a 40% reduction in travel costs.

***New Product Development Engineer (1997 – 1999)***

Developed tooling and created layouts of production area for new solid-state products. Developed schedules and budgets for the manufacture of small programmable logic controllers (PLC). Provided manufacturing and quality support for existing products in two states. Worked in matrix organization to bring new products to market.

- Team leader for industrialization group with \$1.2 million budget.
- Facilitated transfer of PLC line from Eau Claire, WI to Dublin, GA. Transfer completed with minimal interruption to production, on time and under budget.
- Led supplier selection group to identify sources of needed equipment and materials that maximized quality, improved availability and lowered costs.
- Developed product cost schedule to meet market target requirements
- Implemented the "theory of constraints" method of project scheduling, resulting in a 20% reduction in time to market of a new product.

***Cellular Manufacturing Supervisor (1994 - 1997)***

Oversaw the production of \$50 million annually of industrial automation products (push buttons, terminal blocks and hazardous location enclosures). Supervised 30 union employees across three shifts. Responsible for manufacturing processes that included plastic injection molding, stamping, and automated assembly.

- Improved on-time delivery from 80% to 99% through equipment improvements and personnel motivation.
- Ensured compliance with ISO 9001 Standards.
- Doubled production on several lines through innovative equipment modifications, process and layout improvements.
- Performed financial analysis to compare cost of purchasing \$1.5 million worth of equipment or producing products manually at overseas locations.
- Evaluated overseas suppliers of tooling based on quality and cost.



***Manufacturing Engineering Trainee (1992-1994)***

Hired into Engineering Development Program. Experiences in Plant Engineering, Quality, Test Engineering and Supervision.

- Headed project to renovate large office and lab area, completed on time and on budget.
- Developed testing procedures to minimize cost and increase throughput.
- Relayed out production line to increase through put increase efficiency and eliminate need for additional shift.

**EDUCATION**

**UNIVERSITY OF CHICAGO GRADUATE SCHOOL OF BUSINESS**, Chicago, Illinois  
Master of Business Administration, 2001, concentration in Finance and International Business

**MILWAUKEE SCHOOL OF ENGINEERING**, Milwaukee, Wisconsin  
Master of Science, Engineering Management, 1998, concentration in Marketing

**MILWAUKEE SCHOOL OF ENGINEERING**, Milwaukee, Wisconsin  
Bachelor of Science, Manufacturing Engineering Technology, 1992, graduated with Honors



**ATTACHMENT G**

*Financial statement for last full year for affiliated organization*

**PROJECTED INCOME AND EXPENSES  
FOR THE YEAR ENDING DECEMBER 31, 2005**

	Year		
<b>Income</b>			<b>% of Rev</b>
Admissions	224,476		7%
Annual Fund Raising Campaign	1,800,000		58%
Grants	127,334		4%
Memberships	53,330		2%
Special Events	16,600		1%
Theater Admissions and Rental	44,405		1%
Gift Shop	3,063		0%
Catering and Café Lease	0		0%
Parking and Leased Space	11,934		0%
Program Revenues	305,250		10%
Vessel Income	438,754		14%
Unrealized Gain/Loss on Investments	<b>(97,139)</b>		-3%
Other	187,396		6%
<b>Total Income</b>	<b>3,115,403</b>		100%
<b>Expenses</b>			
<b>Discovery World and Aquatarium</b>			
Educational Salaries	174,084		6%
Administration Salaries	239,254		8%
Building and Exhibit Salaries	388,669		12%
Sales / Marketing Expenses	271,579		9%
Operating Expenses	1,895,326		61%
Gift Shop Cost of Goods	0		0%
<b>S/V Denis Sullivan</b>			
Vessel Salaries	287,691		9%
Operating Expenses	263,219		8%
<b>Total Expenses</b>	<b>3,519,823</b>		113%
<b>Net</b>	<b>(404,420)</b>		-13%

**Note to 2005 Budget**

During 2005, Discovery World moved from a fiscal year of operation (July 1 - June 30) to a calendar year.

This resulted in a negative balance of revenues and expenses.

A supplementary operating grant received in early 2006 provided support to replace the lost revenues from attendance and membership during the transition to the new facility, thus eliminating any perceived deficit.



**ATTACHMENT H**

*Estimated budget*

## Charter School Budget Proposal Innovators

	Year 1	Percent of Total
<b>Revenue:</b>		
DPI Grant - pending	\$ 100,000	9.63%
Charter Grant - \$7,500 X 100 students	\$ 750,000	72.20%
Title I	\$ 13,190	1.27%
Title II	\$ 1,371	0.13%
Title IV	\$ 1,000	0.10%
Title V	\$ 717	0.07%
Special Ed. Reimbursement - 28%	\$ 14,560	1.40%
Special Ed. Flow Through - \$1,800 x 10 Students	\$ 18,000	1.73%
Tuition Reimbursement	\$ -	0.00%
Fund Raising	\$ 140,000	13.48%
<b>Total Revenue:</b>	<b>\$ 1,038,838</b>	<b>100.00%</b>
<b>Administrative Expenses:</b>		
Administrative Fee: 1%	\$ 7,500	0.73%
Rent: 8,000 sqft X \$19.00/sqft	\$ 152,000	14.74%
Build Out of School Area	\$ 80,000	7.76%
Debt Service	\$ 22,750	2.21%
Consulting	\$ 10,000	0.97%
<b>Administrative Personnel:</b>		
Principal (75% administrative)	\$ 60,000	5.82%
Secretary	\$ 25,000	2.42%
<b>Total Administrative Personnel</b>	<b>\$ 85,000</b>	<b>8.24%</b>
Administrative Benefits- 30% Total Admin. Personnel	\$ 25,500	2.47%
<b>Contracted Services - Administrative:</b>		
Benefit Administration Fees	\$ 150	0.01%
Employee Verification Fees	\$ 250	0.02%
401K Administration Fees	\$ 210	0.02%
Legal Fees	\$ 5,000	0.48%
Audit Fees	\$ 7,500	0.73%
Payroll Fees	\$ 425	0.04%
Liability Insurance	\$ 3,500	0.34%
<b>Total Contracted Services - Administrative:</b>	<b>\$ 17,035</b>	<b>1.65%</b>
<b>Buildings and Grounds:</b>		
Utilities	Incl.	
Maintenance	Incl.	
Housekeeping	Incl.	
Telephone	\$ 3,600	0.35%
Equipment Maintenance	\$ 3,000	0.29%
<b>Total Buildings and Grounds:</b>	<b>\$ 6,600</b>	<b>0.64%</b>
<b>Other Expenses:</b>		
Office Supplies	\$ 7,000	0.68%
Marketing	\$ 3,000	0.29%
Reproduction Costs	\$ 4,000	0.39%
Postage	\$ 1,500	0.15%
Staff Development/Travel	\$ 3,500	0.34%
Computer Supplies	\$ 3,000	0.29%



Purchased Services	\$ 12,000	1.16%
Total Other Expenses:	\$ 34,000	3.30%
<b>Total Administrative Costs</b>	\$ 440,385	42.70%
<b>Instructional Expenses:</b>		
Instructional Personnel		
Principal (25% Instructional)	\$ 20,000	1.94%
Teachers - 5	\$ 200,000	19.39%
Guidance Counselor -1	\$ 40,000	3.88%
Educational Assistant	\$ 20,000	1.94%
Total Instructional Personnel	\$ 280,000	27.15%
Instructional Benefits- 30% Total Instruct. Personnel	\$ 84,000	8.14%
Computer and Other Electronic Office Equipment	\$ 65,000	6.30%
Other Instructional Expenses		
Instructional Supplies	\$ 21,000	2.04%
Tuition	\$ -	0.00%
Textbooks	\$ 22,000	2.13%
Computer Consulting Fee	\$ 3,000	0.29%
Field Trips/Transportation	\$ 5,000	0.48%
Printing	\$ 1,500	0.15%
Postage	\$ 2,000	0.19%
Software License fees	\$ 9,000	0.87%
General Services	\$ 7,000	0.68%
Staff Development/Travel	\$ 20,000	1.94%
Instructional Equipment	\$ 65,000	6.30%
Assessment Equipment	\$ 6,500	0.63%
Total Other Instruct. Expenses:	\$ 162,000	15.71%
<b>Total Instructional Expenses</b>	\$ 591,000	57.30%
<b>Total Expenses</b>	\$ 1,031,385	100.00%
<b>Net</b>	\$ 7,453	

Number of Students	100
Grant per student	7500
Special Ed Salary	40000
Special Ed Benefits	30%
Special Ed Reimburse.	28%
Special Ed Students	10
Special Ed Flow Thru.	1800

Admin Fee	1%
Sqft	8000
\$/sqft	19
Loan Amount	350000
Interest %	6.50%

Fringe Benefits %	30%
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# of teachers	5
Average Salary	40000

Principal Salary	80000
Percent Admin	75%
Percent Instruct.	25%

## Charter School Budget Proposal Innovators

	Year 1	Year 2	Year 3
<b>Revenue:</b>			
DPI Grant - pending	\$ 100,000	\$ -	\$ -
Charter Grant - \$7,500 X students	\$ 750,000	\$1,125,000	\$1,500,000
Title I	\$ 13,190	\$ 13,190	\$ 13,190
Title II	\$ 1,371	\$ 1,371	\$ 1,371
Title IV	\$ 1,000	\$ 1,000	\$ 1,000
Title V	\$ 717	\$ 717	\$ 717
Special Ed. Reimbursement - 28%	\$ 14,560	\$ 14,560	\$ 14,560
Special Ed. Flow Through - \$1,800 x 10% of Students	\$ 18,000	\$ 27,000	\$ 36,000
Tuition Reimbursement	\$ -	\$ -	\$ -
Fund Raising	\$ 140,000	\$ 100,000	\$ 100,000
<b>Total Revenue:</b>	<b>\$1,038,838</b>	<b>\$1,282,838</b>	<b>\$1,666,838</b>
<b>Administrative Expenses:</b>			
Administrative Fee: 1%	\$ 7,500	\$ 11,250	\$ 15,000
Rent: 8,000 sqft (2)	\$ 152,000	\$ 184,000	\$ 224,000
Build Out of School Area (3)	\$ 80,000	\$ 20,000	\$ -
Debt Service	\$ 22,750	\$ -	\$ -
Consulting	\$ 10,000	\$ 10,000	\$ -
<b>Administrative Personnel:</b>			
Principal (75% administrative)	\$ 60,000	\$ 62,400	\$ 64,896
Secretary	\$ 25,000	\$ 26,000	\$ 27,040
<b>Total Administrative Personnel</b>	<b>\$ 85,000</b>	<b>\$ 88,400</b>	<b>\$ 91,936</b>
Administrative Benefits- 30% Total Admin. Personnel	\$ 25,500	\$ 26,520	\$ 27,581
<b>Contracted Services - Administrative:</b>			
Benefit Administration Fees	\$ 150	\$ 158	\$ 165
Employee Verification Fees	\$ 250	\$ 263	\$ 276
401K Administration Fees	\$ 210	\$ 221	\$ 232
Legal Fees	\$ 5,000	\$ 5,250	\$ 5,513
Audit Fees	\$ 7,500	\$ 7,875	\$ 8,269
Payroll Fees	\$ 425	\$ 446	\$ 469
Liability Insurance	\$ 3,500	\$ 3,675	\$ 3,859
<b>Total Contracted Services - Administrative:</b>	<b>\$ 17,035</b>	<b>\$ 17,887</b>	<b>\$ 18,781</b>
<b>Buildings and Grounds:</b>			
Utilities	Incl.	Incl.	Incl.
Maintenance	Incl.	Incl.	Incl.
Housekeeping	Incl.	Incl.	Incl.
Telephone	\$ 3,600	\$ 3,780	\$ 3,969
Equipment Maintenance	\$ 3,000	\$ 3,150	\$ 3,308
<b>Total Buildings and Grounds:</b>	<b>\$ 6,600</b>	<b>\$ 6,930</b>	<b>\$ 7,277</b>
<b>Other Expenses:</b>			
Office Supplies	\$ 7,000	\$ 7,350	\$ 7,718
Marketing	\$ 3,000	\$ 3,150	\$ 3,308
Reproduction Costs	\$ 4,000	\$ 4,200	\$ 4,410
Postage	\$ 1,500	\$ 1,575	\$ 1,654
Staff Development/Travel	\$ 3,500	\$ 3,675	\$ 3,859
Computer Supplies	\$ 3,000	\$ 3,150	\$ 3,308

Purchased Services	\$ 12,000	\$ 12,600	\$ 13,230
Total Other Expenses:	\$ 34,000	\$ 35,700	\$ 37,485
<b>Total Administrative Costs</b>	\$ 440,385	\$ 400,687	\$ 422,059
<b>Instructional Expenses:</b>			
Instructional Personnel			
Principal (25% Instructional)	\$ 20,000	\$ 20,800	\$ 21,632
Teachers	\$ 200,000	\$ 329,600	\$ 466,796
Guidance Counselor	\$ 40,000	\$ 82,400	\$ 84,872
Educational Assistant	\$ 20,000	\$ 41,200	\$ 63,654
Total Instructional Personnel	\$ 280,000	\$ 474,000	\$ 636,954
Instructional Benefits- 30% Total Instruct. Personnel	\$ 84,000	\$ 142,200	\$ 191,086
Computer and Other Electronic Office Equipment	\$ 65,000	\$ 35,000	\$ 25,000
Other Instructional Expenses			
Instructional Supplies	\$ 21,000	\$ 15,000	\$ 10,000
Tuition	\$ -	\$ -	\$ -
Textbooks	\$ 22,000	\$ 15,000	\$ 10,000
Computer Consulting Fee	\$ 3,000	\$ 1,000	\$ -
Field Trips/Transportation	\$ 5,000	\$ 5,250	\$ 5,513
Printing	\$ 1,500	\$ 1,575	\$ 1,654
Postage	\$ 2,000	\$ 2,100	\$ 2,205
Software License fees	\$ 9,000	\$ 9,450	\$ 9,923
General Services	\$ 7,000	\$ 7,350	\$ 7,718
Staff Development/Travel	\$ 20,000	\$ 20,000	\$ 25,000
Instructional Equipment	\$ 65,000	\$ 40,000	\$ 20,000
Assessment Equipment	\$ 6,500	\$ 6,825	\$ 7,166
Total Other Instruct. Expenses:	\$ 162,000	\$ 123,550	\$ 99,178
<b>Total Instructional Expenses</b>	\$ 591,000	\$ 774,750	\$ 952,218
<b>Total Expenses</b>	\$1,031,385	\$1,175,437	\$1,374,277
<b>Net</b>	\$ 7,453	\$ 107,401	\$ 292,561

	Year 1	Year 2	Year 3
Number of Stude	100	150	200
Grant per studen	7500	7500	7500
Special Ed Salary	40000	40000	40000
Special Ed Benef	30%	30%	30%
Special Ed Reimi	28%	28%	28%
Special Ed Stude	10	15	20
Special Ed Flow	1800	1800	1800
Admin Fee	1%	1%	1%
Sqft	8000	8000	8000
\$/sqft	19	23	28
Loan Amount	350000	0	0
Interest %	6.50%	6.50%	6.50%
Fringe Benefits %	30%	30%	30%
# of teachers	5	8	11
Average Salary	40000	41200	42436
# of Counselors	1	2	2
Average Salary	40000	41200	42436
# of Ed Assist.	1	2	3
Average Salary	20000	20600	21218
Principal Salary	80000		
Percent Admin	75%		
Percent Instrct	25%		



**ATTACHMENT I**

*Monthly cash flow projection for first year of operation as charter school*

**Charter School Budget Proposal - Innovators  
Cash Flow - Year One**

	Budget	July	August	September	October	November	December	January	February	March	April	May	June	Annual Total
<b>Revenue:</b>														
DPI Grant - pending	\$ 100,000	\$ -	\$ -	\$ 35,000	\$ 9,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 100,000
Charter Grant	\$ 750,000	\$ -	\$ -	\$ 187,500	\$ -	\$ -	\$ 187,500	\$ -	\$ -	\$ 187,500	\$ -	\$ -	\$ 187,500	\$ 750,000
Title I	\$ 13,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,190	\$ -	\$ -	\$ -	\$ -	\$ 13,190
Title II	\$ 1,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,371	\$ -	\$ -	\$ -	\$ -	\$ 1,371
Title IV	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000
Title V	\$ 717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 717	\$ -	\$ -	\$ -	\$ -	\$ 717
Special Ed. Reimbursement	\$ 14,560	\$ -	\$ -	\$ -	\$ -	\$ 14,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,560
Special Ed. Flow Through	\$ 18,000	\$ -	\$ -	\$ -	\$ -	\$ 9,000	\$ -	\$ -	\$ -	\$ 9,000	\$ -	\$ -	\$ -	\$ 18,000
Tuition Reimbursement	\$ 140,000	\$ -	\$ -	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,000
Fund Raising	\$ 1,038,835	\$ -	\$ -	\$ 257,500	\$ 9,000	\$ 21,560	\$ 238,500	\$ 7,000	\$ 58,278	\$ 194,500	\$ 7,000	\$ 51,000	\$ 194,500	\$ 1,038,835
<b>Total Revenue:</b>	\$ 2,800,000	\$ -	\$ -	\$ 567,500	\$ 18,000	\$ 38,560	\$ 426,500	\$ 14,000	\$ 176,268	\$ 511,500	\$ 14,000	\$ 108,000	\$ 426,500	\$ 2,800,000
<b>Administrative Expenses:</b>														
Administrative Fee	\$ 7,500	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 7,500
Rent, 8,000 sqft	\$ 152,000	\$ 12,667	\$ 12,667	\$ 12,667	\$ 12,667	\$ 12,667	\$ 12,667	\$ 12,667	\$ 12,667	\$ 12,667	\$ 12,667	\$ 12,667	\$ 12,667	\$ 152,000
Build Out of School Area	\$ 80,000	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,000
Debt Service	\$ 22,750	\$ 1,896	\$ 1,896	\$ 1,896	\$ 1,896	\$ 1,896	\$ 1,896	\$ 1,896	\$ 1,896	\$ 1,896	\$ 1,896	\$ 1,896	\$ 1,896	\$ 22,750
Consulting	\$ 10,000	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 10,000
Total Administrative Personnel	\$ 65,000	\$ 7,083	\$ 7,083	\$ 7,083	\$ 7,083	\$ 7,083	\$ 7,083	\$ 7,083	\$ 7,083	\$ 7,083	\$ 7,083	\$ 7,083	\$ 7,083	\$ 65,000
Administrative Benefits	\$ 25,500	\$ 2,125	\$ 2,125	\$ 2,125	\$ 2,125	\$ 2,125	\$ 2,125	\$ 2,125	\$ 2,125	\$ 2,125	\$ 2,125	\$ 2,125	\$ 2,125	\$ 25,500
Total Contracted Services	\$ 17,035	\$ 1,420	\$ 1,420	\$ 1,420	\$ 1,420	\$ 1,420	\$ 1,420	\$ 1,420	\$ 1,420	\$ 1,420	\$ 1,420	\$ 1,420	\$ 1,420	\$ 17,035
Total Buildings and Grounds:	\$ 6,600	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 6,600
Total Other Expenses:	\$ 34,000	\$ 2,833	\$ 2,833	\$ 2,833	\$ 2,833	\$ 2,833	\$ 2,833	\$ 2,833	\$ 2,833	\$ 2,833	\$ 2,833	\$ 2,833	\$ 2,833	\$ 34,000
<b>Total Administrative Costs</b>	\$ 440,385	\$ 110,032	\$ 30,032	\$ 30,032	\$ 30,032	\$ 30,032	\$ 30,032	\$ 30,032	\$ 30,032	\$ 30,032	\$ 30,032	\$ 30,032	\$ 30,032	\$ 440,385
<b>Instructional Expenses:</b>														
Total Instructional Personnel	\$ 280,000	\$ 23,333	\$ 23,333	\$ 23,333	\$ 23,333	\$ 23,333	\$ 23,333	\$ 23,333	\$ 23,333	\$ 23,333	\$ 23,333	\$ 23,333	\$ 23,333	\$ 280,000
Instructional Benefits	\$ 84,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 84,000
Computer Office Equipment	\$ 65,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,000
Other Instructional Expenses	\$ 21,000	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 21,000
Tuition	\$ 22,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,000
Textbooks	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000
Computer Consulting Fee	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Field Trips/Transportation	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 1,500
Printing	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 2,000
Postage	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000
Software License fees	\$ 7,000	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 7,000
General Services	\$ 20,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 20,000
Staff Development/Travel	\$ 65,000	\$ 52,000	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 65,000
Instructional Equipment	\$ 6,500	\$ 542	\$ 542	\$ 542	\$ 542	\$ 542	\$ 542	\$ 542	\$ 542	\$ 542	\$ 542	\$ 542	\$ 542	\$ 6,500
Assessment Equipment	\$ 152,000	\$ 99,167	\$ 9,667	\$ 9,667	\$ 9,667	\$ 9,667	\$ 9,667	\$ 9,667	\$ 9,667	\$ 9,667	\$ 9,667	\$ 9,667	\$ 9,667	\$ 152,000
Total Other Instruct. Expenses:	\$ 591,000	\$ 194,500	\$ 40,000	\$ 40,000	\$ 39,750	\$ 33,500	\$ 33,500	\$ 34,750	\$ 38,500	\$ 34,750	\$ 33,500	\$ 34,750	\$ 33,500	\$ 591,000
<b>Total Instructional Expenses</b>	\$ 1,031,385	\$ 304,532	\$ 70,032	\$ 70,032	\$ 69,782	\$ 63,532	\$ 63,532	\$ 64,782	\$ 68,532	\$ 64,782	\$ 63,532	\$ 64,782	\$ 63,532	\$ 1,031,385
<b>Net</b>	\$ 7,453	\$ (304,532)	\$ (70,032)	\$ 187,468	\$ (60,782)	\$ (41,972)	\$ 174,968	\$ (57,782)	\$ (10,254)	\$ 129,718	\$ (56,532)	\$ (13,782)	\$ 130,968	\$ 7,453
Previous Month Balance	\$ -	\$ -	\$ 468	\$ 500	\$ 968	\$ 250	\$ 778	\$ 190	\$ 28	\$ 718	\$ (0)	\$ 468	\$ 750	\$ -
Balance	\$ (304,532)	\$ (70,500)	\$ 186,968	\$ (61,750)	\$ (42,222)	\$ 174,190	\$ (57,972)	\$ (10,282)	\$ 129,000	\$ (56,532)	\$ (14,250)	\$ 130,218	\$ -	\$ -
Line of Credit Activity	\$ 305,000	\$ 71,000	\$ (186,000)	\$ 62,000	\$ 43,000	\$ (174,000)	\$ 58,000	\$ 11,000	\$ (129,000)	\$ 57,000	\$ 15,000	\$ (130,218)	\$ -	\$ -
Month Ending Balance	\$ -	\$ 468	\$ 500	\$ 968	\$ 250	\$ 778	\$ 190	\$ 28	\$ 718	\$ (0)	\$ 468	\$ 750	\$ -	\$ -





**ATTACHMENT J**

*Accounting policies and procedures manual*

# **High School for Innovators (HSI)**

## **Accounting Policies and Procedures Manual**

## SECTION I – Fiscal Management Systems and Internal Controls

### 1.1 Fiscal Management Systems

The HSI Fiscal Management System includes extensive record keeping for accumulating and recording individual grant activities. The primary objective of the system is to insure that record keeping identifies separately the revenues and expenses for each grant providing a summary of financial information that enables the preparation of periodic reports required by granting agencies. The following basic elements are an integral part of the HSI Fiscal Management System:

#### Operating Controls:

- A budgetary system effectively measures progress towards predetermined goals and objectives
- Financial reporting systems allow managers to assess performance and identify substandard performance and adverse trends
- Financial record keeping systems exist in support of financial transactions and include the appropriate means of accumulating and maintaining supporting documentation

#### Accounting Controls:

- Separation of duties to insure that no single employee is in a position to authorize, execute, and disburse funds
- A well-defined system to insure that goods and services obtained are approved by employees with the appropriate authority
- Timely reviews of financial activity by management at various levels and, where appropriate, internal audit
- An annual external audit, as required by OMB Circular A-133, is performed by a qualified and independent firm of Certified Public Accountants
- It is the policy of HSI to retain a qualified person to manage the Accounting Department.

#### Compliance Controls:

- All costs and expenditures are reviewed at supervisory and Accounting Department levels for allowability, allocability, documentation, the nature of the expenditure(s) restraints or requirements imposed by such factors as sound business practices, arms-length bargaining, federal, state, and other laws and regulations, and market prices for comparable goods and services. Consideration is also given to the

necessity of the costs/expenditures and any alternatives to outright purchase.

#### Sub-grantee Monitoring:

- Subcontractors are monitored for reporting, record keeping, and control requirements and are typically required to provide independent audit reports and certificates of coverage. Certificates of coverage must be sent to the Accounting Department and must be kept current.

#### Written Documentation:

- Internal operating and accounting controls are documented and staff are trained on procedures for authorizing and executing expenditures during staff training sessions.

HSI maintains grant accounting systems and procedures in compliance with Office of Management and Budget (OMB) cost principles described in OMB Circulars A-87, A-21, and A-122.

### 1.2 Definition of HSI Internal Control System

Management is responsible for establishing and maintaining a system of controls that provide reasonable assurance of:

- a. Effective and efficient operations, including the effective use of HSI resources;
- b. Reliable, timely, and accurate financial information;
- c. Compliance with applicable laws, regulations, policies and procedures;
- d. Adequate safekeeping of HSI assets; and,
- e. Accomplishing established goals and objectives for operations and programs.

### 1.3 Internal Control Self-Assessment

Periodically, or at least annually, the CFO, or designee, performs a documented self-assessment designed to measure the extent to which HSI internal controls are sufficient to provide reasonable assurance over ongoing operations and financial processes. In conducting the self-assessment, the following items are considered:

- a. Liquidity of HSI assets and the use of these assets in ongoing operations (i.e., cash flow);
- b. Personnel changes, particularly those that directly affect the security of operations and data;
- c. Competency, integrity, and sufficiency of personnel, as reflected in performance evaluations;

- d. Changes in the external regulatory environment, including the extent to which such regulatory changes affect HSI operations;
- e. Changes in the internal operating environment, such as management turnover, changes in information technology capabilities, program and funding changes, anticipated changes in transaction volumes or changes in operating procedures;
- f. Results of the most recent audit, including corrective action planned or required to be taken;
- g. Requests for information, including those made by external sources as well as management requests, including the ability of HSI to respond to those requests; and,
- h. Opportunities for HSI to expand or change current operations, including the extent to which such opportunities are likely to significantly affect HSI resources.

#### **1.4 Communication to Management and the Board of Directors**

The CFO, or designee, communicates the findings, results and recommendations developed in response to the internal control self-assessment performed to Management and the Board of Directors. Such communication is timely so as to allow Management and the Board to address policy and procedure considerations required for the continuous improvement of HSI internal controls.

#### **1.5 Ongoing Maintenance of Financial Procedures**

The CFO, or designee, is responsible for establishing and maintaining a financial procedures manual that provides an up-to-date description of all accounting and financial-related operations and for ensuring the timely and accurate communication of new or revised financial procedures. Any new procedures are communicated in writing to the appropriate personnel.

#### **1.6 Cost Allow-ability, Allocability, Timeliness, and Reasonableness**

OMB Circular 122, Cost Principles for Non-profit Organizations, forms the basis for the HSI approach to insuring that all costs incurred by HSI in its' various programs are reasonable, allowable, and timely.

At HSI, there are two main levels of cost control:

- a. The department level;
- b. Central administration and finance.

Systems and training are directed to insuring that personnel at these two levels of cost initiation and review have the proper tools to carry out the cost control concepts enumerated below.

All costs must be:

- a. Necessary and reasonable for proper and efficient program administration and properly allocable thereto. A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining the reasonability of a given cost, consideration shall be given to:
  - Whether the cost is ordinary and necessary to the operation of the program, organization, or to the performance of the award
  - The restraints or requirements imposed by such factors as sound business practices, arms-length bargaining, laws and regulations, and terms and conditions of the program
  - The market prices for comparable goods and services
  - Whether the individuals involved acted with prudence considering their responsibilities to the agency, the public at large, and the granting agency
- b. Incurred in accordance with the agency's established procurement policies
- c. Directly attributable to specific work under a grant or to the normal administration of the grant and therefore allowable for reimbursement. Costs that result in personal benefit are not allowable. A cost is allocable/directly attributable to a program if the goods and services involved are chargeable or assignable to the program in proportion to the relative benefits received.
- d. Authorized by the agency administrator or funding agency and not prohibited by federal, state or local laws.
- e. In conformance with any applicable limitations or exclusions be they award related or by virtue of any federal or state law or other governing limitations as to types or amounts of cost items.
- f. Consistent with policies, regulations, and procedures that apply uniformly to both financially assisted activities and to other activities of the organization.
- g. Accorded consistent treatment. Consequently, a cost may not be assigned to a program as a direct cost if any other cost under the same circumstances has been charged to a program as an indirect cost.
- h. Determined in accordance with generally accepted accounting principles or other accounting method appropriate to the circumstances.
- i. Distinct from (not allocable to or included as a cost of) any other federal, state, or other agency financed program in either the current or prior period.
- j. Net of all applicable credits. Applicable credits are receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable as direct or indirect costs, including discounts or rebates subsequently received for prior purchases.
- k. Supported by the agency's accounting records and be adequately documented.

## **1.7 Accounting Department Oversight of Grants**

On an ongoing basis and wherever possible, the HSI Accounting Department working with program managers and other program people, looks at financial data in relation to operating data to arrive at meaningful unit cost information with which to better evaluate grant performance.

- All grants are monitored closely to insure that only obligations incurred during the funding period are allowable costs for the grants. Particular care is taken as an individual grant approaches termination.
- In general, most grants have a 90 day period after grant termination to liquidate obligations incurred during the funding period. It is HSI policy to insure that this 90 day or alternate time period is met to insure that all obligations are satisfied. In the event a carryover of un-obligated funds is permitted, carryover balances may be charged for costs resulting from obligations of the subsequent period.
- It is not the practice of HSI to request funds from grantors prior to issuing checks in payment of grant obligations. Therefore, interest on government advances is not an issue.
- Program income on a grant is added to the original grant amount and spent on eligible grant obligations.
- Depending on the grantor agency involved and the applicable federal requirements and specific terms of the grant contract, it is the practice of HSI to obtain prior approval for program and budget related changes.

## **1.8 Uniform Budgeting**

HSI has developed an agency wide method of budgeting grant/program expenditures. Key program managers and certain other personnel are involved in the agency wide budgeting process.

## **1.9 Documentation Requirements**

Whenever, in this Financial Management Procedures Manual, it is necessary for one individual to review another's work, that review must be evidenced by the reviewing person's initials or signature.

## **1.10 Prior Approval of Bank Accounts**

Any time a HSI bank account is to be opened or closed; prior approval of the transaction must be obtained from the Board of Directors. Such approval must be evidenced by a resolution duly made, seconded and approved at a Board meeting or by a consent in lieu of meeting in accordance with the bylaws of the organization. The Board's approval of the opening or closing of a bank account shall be documented in the minutes of the Board meeting in which they were adopted or, if the approval is by a consent in lieu of meeting, the approval shall be made a part of the Board records.

## **1.11 Compliance with Financial Management Procedures**



Compliance with the provisions in these Financial Management Procedures is mandatory and any failure to comply with the requirements set forth in these procedures may result in discipline, up to and including termination.

## **Section II – Cash Receipts and Line of Credit**

### **2.1 Deposits**

The Accounting Department makes daily deposits of all cash receipts.

### **2.2 Securing Cash Receipts**

All cash received is to be turned in daily to the Accounting Supervisor (or, in their absence to the Accounting Assistant) together with a completed Cash Receipts Form.

The Accounting Department is responsible for ensuring that all cash receipts are forwarded to the Accounting Supervisor in a timely manner. This person is responsible for restrictively endorsing checks immediately upon receipt and providing the maximum safekeeping for all cash receipts on the premises. Cash receipts awaiting deposit or preparation for deposit are kept in a secured area until the deposit is made.

### **2.3 Preparing the Deposit**

The Accounting Supervisor prepares the deposit ticket and forwards it with all cash, checks and supporting documentation to the appropriate designee for verification of the deposit and for actual bank deposit.

### **2.4 Daily Deposit Report**

The Accounting Supervisor prepares the Daily Deposit Report, using the bank deposit ticket and supporting documentation.

### **2.5 Cash Receipts Documentation**

The person making the actual bank deposit returns with the bank deposit receipt for verification that all funds received were deposited intact and that the total amount of cash receipts as recorded on the Daily Deposit Report agrees with the bank deposit receipt total. The Accounting Supervisor attaches the bank deposit receipt to the Daily Deposit Report.

## **Section III – Cash Disbursements**

### **3.1 Verification of Receipt of Goods and Services**

Any individual authorizing the purchase of any goods or services is responsible for verifying the receipt of goods and services prior to approving the vendor invoice or receiving document and submitting documents to the Accounting Department for payment. See Purchasing Manual for receipt verification procedures.

### **3.2 Vendor Payment Authorization**

Department managers/supervisors are responsible for payment authorizations on all purchases made by their department as outlined in the Purchasing Manual.

Such payment approval is indicated by an appropriate signature on a purchasing document that indicates the goods or services as reported on the vendor invoice agree with the actual goods or services received.

Upon receipt by the Accounting Department, the Accounting Supervisor will review invoices and process them for payment.

See Purchasing Manual for specific approval requirements.

See Purchasing Manual for instructions on properly preparing purchase orders.

### **3.3 Documentation to Support Cash Disbursements**

The primary objectives for accounts payable and cash disbursements are to ensure that:

- a. Disbursements are properly authorized
- b. Invoices are processed in a timely manner
- c. Vendor credit terms and operating cash are managed for maximum benefits

An original invoice from the vendor is required as supporting documentation for all payments. Checks will not be processed where invoice copies, facsimiles of vendor invoices, and vendor statements have been submitted as supporting documentation. Exceptions to this policy will be approved by the CFO.

If the original invoice has been lost or misplaced, a duplicate original invoice from the vendor is obtained. The vendor should be instructed to clearly label the document as a "duplicate original".

All vendor and expense reimbursement checks are produced in accordance with the following guidelines:

- a. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment policies described in this manual and elsewhere.
- b. Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors.
- c. Generally, all vendors are to be paid within 45 days of submitting a proper invoice upon delivery of the requested goods or services.
- d. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in the bank prior to the release of any checks.
- e. Checks are used in numerical order (unused checks are stored in a locked safe in the accounting department).
- f. Checks are never made payable to "bearer" or "cash"
- g. Checks are never signed prior to being prepared

### **3.4 Invoice Processing and Invoice Auditing**

The Accounting Supervisor is responsible for processing invoices, supplying missing information, and clarifying questionable issues. This includes verifying that the invoices are mathematically accurate by recalculating quantity times unit price extensions, cash discounts, and the sum of all items to verify the invoice total.

### **3.5 Data Entry in PeachTree**

Once the invoices are properly prepared, they are ready for input into the PeachTree System. If an invoice is for a vendor not already set up in PeachTree, the Accounting Supervisor sets up a new vendor record.

The Accounting Supervisor then enters the invoices into the PeachTree system's required fields comparing the remit-to address on the invoice to the PeachTree address. Upon successfully entering the invoice, the invoice is initialed and as being entered into VAM and filed in the "to be paid" file.

### **3.6 Record-Keeping Associated with Independent Contractors**

The Accounting Department obtains a completed Form W-9 or equivalent substitute documentation from all vendors to whom payments are made. A cumulative payment record is maintained in PeachTree of all vendors to whom a Form 1099 is required to be issued at year-end.

### **3.7 Printing the Checks**

The Accounting Supervisor is responsible for printing the accounts payable laser checks.

After the checks are printed, the Accounting Supervisor compares each check to the vendor invoice(s) to ensure that the check has been issued to the proper payee and that the supporting documentation has the appropriate management authorization.

Any checks determined to be incorrect are voided immediately, and the vendor invoice pulled for re-processing with the next accounts payable check run. All accounts payable reports relative to that voided invoice will reflect that a check was voided.

After the checks have been printed, one copy of the check stub is matched and attached to the supporting documentation and given to the CFO, together with a check register of all printed checks. All Accounts Payable invoices are cancelled by writing on the invoice to avoid duplicate payment.

The CFO reviews the checks and signs the check register, again verifying that the check payee and referenced invoices actually matches the approved supporting documentation. The checks and supporting documentation are then sent to either the CEO or the COO for a second signature.

The signed checks are given to the Accounting Assistant for mailing. All supporting documentation is filed.

### **3.8 Distribution of Accounts Payable Reports and Vendor Invoices**

The Accounting Supervisor is responsible for maintaining all AP reports for each check run on file in the Accounting Department.

### **3.9 Distribution of Accounts Payable Checks**

The Accounting Department makes every effort to ensure that checks are mailed directly to the vendor upon completion of the accounts payable process.

HSI departments are encouraged to make arrangements with the Accounting Department to pick up checks that are not mailed directly to the vendor.

Undistributed checks must be returned to the Accounting Department by the next business day for safe-keeping until such time as distribution can be made.

Checks more than 90 days old will be handled in accordance with Section XXXXX of these procedures.

### **3.10 Custody and safeguarding of Blank Check Stock**

The Accounting Department is responsible for maintaining custody of all blank checks on hand.

All blank check stock is maintained in a locked secure location and is accessible only to authorized personnel – i.e., the CFO, COO and the President and CEO only.

### **3.11 Replenishing Blank Check Stock**

The Accounting Supervisor monitors the blank check stock to determine the appropriate time to reorder blank checks and notifies the CFO in writing of the need to replenish the blank check stock. The CFO provides written approval to place the order.

When the checks are received, it is the responsibility of the Accounting Supervisor, or designee, to ensure the accuracy of the order. Any problems noted with a check order are reported to the vendor for immediate resolution.

### **3.12 Routing Checks to the Accounting Department**

All checks generated internally, including accounts payable checks, payroll checks, non-federal checks, and manual checks, which are determined to be void, are submitted to the Accounting Supervisor.

### **3.13 Follow-up Action Required for Void Checks**

Checks returned due to an incorrect payee address are corrected and re-mailed immediately. The Accounting Supervisor is responsible for updating the PeachTree system to reflect the correct mailing address and for providing the CFO with documentation of the change.

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "VOID". All voided checks are retained to aid in preparation of the bank reconciliation.

Stop payment orders may be made for checks lost in the mail or for other valid reasons. Stop payments are processed by telephone instruction and written authorization to the bank by the Accounting Supervisor.

### **3.14 Recording Void Checks**

The Accounting Supervisor processes the void checks through the VAM accounts payable system. The Accounting Supervisor, or designee is responsible for preparing any journal entries required to record void checks for that month that were not automatically voided through the appropriate PeachTree system.

### **3.15 Filing Void Checks**

The Accounting Supervisor is responsible for filing void checks in check number order with all other canceled checks returned by the bank.

### **3.16 Record Retention**

The void check logs will be retained on file in the Accounting Department in accordance with the agency record retention policies.

### **3.17 Travel and Per Diem Advances - Employee and Management Responsibility**

Any employee in need of a travel advance submits a Travel Advance Request to the Accounting Assistant. It is the employee's responsibility to ensure that the Request form has been completed accurately, has been approved by the appropriate person, has supporting documentation attached, and has been submitted within the required time period to allow time for the Accounting Department to process the request.

It is the Department Manager's responsibility to ensure that the employee's request is reasonable and complies with all applicable HSI procedures. In approving the travel or per diem advance, the Department manager is representing that:

- a. The request is reasonable, is for the purpose of travel activity directly related to the employee's work responsibilities, and is not for personal needs;
- b. The request does not exceed the number of days of travel;
- c. The request has been verified for mathematical accuracy by recalculating the number of days traveled times daily travel rates, and the sum of all items has been verified; and,
- d. There are sufficient budgeted funds in the general ledger account to be charged for the travel or per diem advance.

### **3.18 Due Dates for Submitting Travel and Per Diem Advance Requests**

All Travel Advance Request Forms must be submitted no later than five (5) working days in advance of the first day of scheduled travel.

Any requests received later than the five working day advance period may be denied.

### **3.19 Emergency Travel and Per Diem Advance Requests**

Emergency travel and per diem advance requests are required to be approved in advance by the President, or his designee, prior to processing. Emergency requests do not include situations where an employee failed to submit the request form in a timely manner.

### **3.20 Completing Travel Advance Request Form**

All employees requesting a travel or per diem advance must use the Travel Advance Request Form. Funds are advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance. Travel advances are to be

used only for the purpose intended. The employee is responsible for providing a specific description as to the nature of the travel request and must attach any documentation, such as copies of travel brochures, conference registrations, hotel and air fare confirmations, travel itineraries, etc. in support of the request. The minimum amount of a per diem reimbursement is \$35 per day.

The Travel Advance Request Form will specify that the employee authorizes deduction of a travel advance from a future paycheck if the travel advance is not otherwise timely accounted for, as provided in Section XXXXX below.

### **3.21 Travel Advance Request Form Processing and Control**

Travel Advance Requests are subject to the same level of controls as defined in the section for Accounts Payable processing. The Advance Request form serves as the primary source document for travel advance expenditure processing and should contain the same payment processing information as that of a vendor's original invoice.

When the advance check has been prepared, the Accounting Department will send the check to the employee. The original advance request is attached to the check stub, along with any supporting documentation, and retained as with other disbursements.

### **3.22 Travel Report**

Upon completion of the trip, the employee is responsible for ensuring that any advance received is reported in the Advance Per Diem Received box on the Travel Report. This amount is deducted from the Grand Total of all travel expenses reported to arrive at a net travel reimbursement amount due to the employee.

### **3.23 Travel Advances and Employee Expense Reimbursement Policy**

As provided in Section 8 below, HSI employees may be entitled to reimbursement for ordinary and necessary business-related expenses. Reimbursement requests must be submitted to the Accounting Department on a HSI Travel Report that has been approved by the department or area office manager within five (5) working days of the completion of the travel. It is the policy of HSI that employees use the utmost discretion when incurring expenses on behalf of HSI. The spending philosophy applicable to expense reimbursements is to treat HSI funds conservatively and with a cost-conscious perspective.

### **3.24 HSI Travel Reporting Responsibilities**

Supervisors are responsible for ensuring that:

- a. The Travel Report as completed by the employee is an accurate representation of reimbursable travel activity in accordance with HSI policies and procedures;



- b. All items requiring a receipt have been appropriately substantiated and the receipt(s) have been attached to the Travel Report;
- c. Travel for conferences, trainings or meetings has an agenda attached;
- d. The Travel Report represents current activity and has not been previously submitted to the Accounting Department for reimbursement; (copies and facsimiles not acceptable);
- e. Any advance provided to the employee relative to travel and mileage activity has been deducted from the requested reimbursement, and the employee is aware that, if advances are not reported within two weeks after travel, the advance checks can be deducted from the employee's payroll checks.
- f. All mathematical calculations (i.e., miles x per mile rate; sum of items listed, etc.) have been verified for accuracy and reasonableness. Department Managers are responsible for ensuring that:
- g. The Travel Report has been signed by both the employee and the Department Manager; and,
- h. The expenses as reported are budgeted for or that sufficient funds are otherwise available for such purposes.

### **3.25 Travel Report Responsibilities - Accounting Department**

HSI reimburses travelers only for those business-related costs that are reasonably incurred, according to the guidelines set forth in Section 8.

The Accounting Department is responsible for ensuring that Travel Reports submitted for reimbursement are properly substantiated and are reasonable in accordance with standard mileage and travel policies.

### **3.26 Travel Report Process Controls**

Travel Reports, including the process to pay or reimburse employees for travel-related expenditures, are subject to the same level of controls as defined in Section 3 for Accounts Payable processing. Travel Reports serve as the primary source document for employee expenditure processing and should contain the same payment processing information as that of a vendor's original invoice.

### **3.27 Procedures to Supplement Current Personnel Policy**

These procedures serve to supplement, and not be a substitute for, the HSI Travel Policies Section which addresses Employee Expenses relative to travel.

### **3.28 Check Requests**

At times it is necessary to prepay for goods or services. Acceptable reasons for utilizing this form includes pre-registration at a seminar, or if a vendor will not provide the required service without being paid in advance. Whatever the reason, a check request

form is filled out requesting funds be paid to a specific vendor for that specific good or service. Such check requests must be accompanied by an estimate or other independent documentation of the price of the goods or services to be purchased.

In some instances there may not be any supporting documentation at the time the request is made. In those cases, upon payment a receipt or invoice is returned to accounting to be attached to the check request.

Check Requests are required to be approved in advance according to the same criteria as purchase orders.

**3.29 Debit and credit cards: See Section IX of HSI's Purchasing Manual.**

## **Section IV - Payroll**

### **4.1 Personnel Action Record Forms and W-4 Forms**

Managers and supervisors are responsible for ensuring that a Notice for Payroll Enrollment & Changes form is completed for new hires, or to record any changes relative to an employee's payroll or employment status. All new employees must also complete a W-4 and a WT4 Form for tax withholding purposes.

### **4.2 Due Dates for Time Sheet Submission to the Accounting Department**

Managers and supervisors are responsible for the timely and accurate submission of Notice for Payroll Enrollment & Changes form and new W-4 Forms during each pay period. They must approve all time sheets and submit all timesheets according to the Payroll Cut off schedule distributed by the Accounting Department in the beginning of the year.

### **4.3 Responsibility for Completing Time Sheets**

Each HSI employee is responsible for completing an accurate record of time worked. All employees are required to complete a Time Sheet (on line or hand punch) documenting the hours worked for each pay period. Employees enter their time daily by time period, site, grant (program) and activity. The notes section of the daily time sheet is used for approvals of any exceptions to applicable policies.

Supervisors are responsible for preparation and submission of time sheets for staff under their supervision, if such staff are, sick, or out of the office on the submission due date and if the time sheet has not already been prepared by the employee.

Employee Responsibilities:

- Account for 100% of time worked in a day.
- Holidays, funeral leave, and paid leave will be charged proportionately, based on the Grants and Activity codes charged during the current pay period.
- At the end of the pay period, employees are to make sure all hours are recorded (as paid or unpaid) for all days worked. Errors noted by the supervisors are to be corrected by the employee and/or the supervisor before the timesheet is submitted to the Accounting Department.

Additional Responsibilities - Managers and Supervisors:

- As a general rule, time worked by managers and supervisors is to be charged to Grants based on time reported on the Schedule of Allocation of Time.
- Managers and supervisors are to review and approve employee's timesheets for release to the Accounting Department.

#### **4.4 Time Sheet Authorizations**

A supervisor or manager approval provides verification that (a) the individual has worked the reported hours in the specific program areas noted, (b) there are sufficient budgeted funds available (i.e., grant funding) to pay for the individuals' time worked, and (c) management has reviewed and verified the employee allocation worksheet.

#### **4.5 Accounting Department Responsibilities**

All employee timesheets and allocation worksheets are to be reviewed by Accounting Department for completeness, accuracy and approval. The Accounting Assistant will ensure that errors noted are corrected by the respective supervisor or manager promptly and before transfer of time records to Pay Checks.

#### **4.6 Payroll Schedule**

The length of each pay period is Bi-weekly. Checks will be issued prior to the close of the regular working day. When a pay day falls on an official holiday or weekend, checks will be issued the preceding work day.

#### **4.7 Payroll Deductions**

There are several types of deductions that are statutory deductions to be made from an employee's payroll check. There are other deductions which an employee can request or authorize be made from his/her check.

##### **1. Statutory Deductions**

- a. FICA Taxes (Social Security): HSI contributes a like amount which is credited to the employee's Social Security Account. Payroll deductions for social security (FICA) are paid to the federal government to fund the social security benefit program.
- b. Federal Income Tax withholding
- c. State Income Tax withholding
- d. Other court or federally-mandated deductions include but are not limited to Wage Garnishments, Child Support, Bankruptcy, etc.
- e. Travel advances, as authorized by the employee, if the per diem report has not been submitted within the five day limit upon return.

##### **2. Voluntary Deductions - All voluntary deductions require the written authorization of the employee. They include:**

- a. 403B Employee Contributions
- b. Other voluntary deductions such as Capital Campaign and United Way.

- c. Employee share of Health Insurance premiums and other voluntary insurance premiums
- d. Section 125 Cafeteria Plan Deductions
- e. Child care payments
- f. Repayments for equipment loss or damage

#### **4.8 Preparing the Payroll**

Accounting Department employees review all time records for accuracy and completeness. The Accounting Department Staff ensures that a Notice for Payroll Enrollment & Changes form and tax forms (W4 and WT4) are completed for all new hires. All other changes, such as promotions, job classification changes, pay rate changes, deduction changes, etc., are required to be reported on a Notice for Payroll Enrollment & Changes form and submitted by the employee's immediate supervisor. Such changes are forwarded to Human Resources and entered into the payroll system.

#### **4.9 Time Entry and Auditing of Data Entry**

The Accounting Assistant is responsible for updating Excel spreadsheets for pay rate schedules, allocations, leave and benefits and is responsible for maintaining all payroll information entered into the payroll system. Upon completion of payroll additions and changes, an Adjustments Batch is created. Payroll is then processed for submission to the payroll processing agency.

#### **4.10 Generating the Payroll Checks and Direct Deposits and Payroll Review.**

The Accounting Assistant receives notification that payroll has been completed. A Payroll Report is generated and submitted, with all documentation, to the CFO for review.

#### **4.11 Distributing the Payroll Checks and Filing Payroll Documentation**

The Payroll Service provider will deliver checks and direct deposit remittances advices in sealed envelopes and the Accounting Assistant is responsible for ensuring secure safekeeping of all checks until such time as the checks are distributed.

Undistributed checks are maintained in the safe until they are distributed, or until disposition is required under Section 9 of these procedures.

All payroll reports are retained on file by the designated Accounting Department employee.

#### **4.12 Processing Payroll Withholdings**

Federal, state and unemployment taxes, along with wage garnishments, are electronically debited from HSI's bank accounts according to the Service provider schedule.

#### **4.13 Authorization to Perform Payroll Fund Transfers**

The Accounting Supervisor has been authorized to perform fund transfers from the operating account to the payroll account in an amount not to exceed the net payroll for each pay period. The Accounting Supervisor is responsible for assigning fund transfer authorizations and for monitoring all fund transfer activity.

#### **4.14 Performing Payroll Fund Transfers**

Upon completion of the payroll, the Accounting Supervisor, or designee, performs an electronic transfer of funds from the HSI operating account into the HSI payroll account in the amount of the net payroll.

#### **4.15 Verification of Payroll Fund Transfers**

During the month-end bank account reconciliation, the CFO is responsible for ensuring that the written confirmations issued by the bank throughout the month for payroll fund transfers agrees with the corresponding net payrolls.

Written confirmations of payroll fund transfers are retained with the daily bank balancing reports on file in the Accounting Department.

#### **4.16 Recording Payroll Fund Transfers in the General Ledger**

The Accounting Supervisor is responsible for preparing and posting the journal entry to record the transfer of funds for the net payroll. The journal entry is approved by the CFO or designee.

## **Section V – Petty Cash**

### **5.1 Purpose of a Petty Cash Fund**

Petty cash funds may be established for the purpose of enabling a HSI office to purchase small-dollar items necessary for day-to-day operations. Petty cash funds should not be used to make loans, cover cash shortages, accumulate cash overages, or cash personal checks. The Accounting Assistant is responsible for administration and oversight of all petty cash funds.

### **5.2 Establishing a Petty Cash Fund**

All requests to establish a petty cash fund must be made in writing to the Accounting Supervisor. The written request must include the following:

- a. The individual making the request and the department/area office location where the funds will be held;
- b. The custodian of the fund and where the funds will be secured;
- c. The amount requested to establish the fund; and,
- d. A brief reason for the request.

The written request serves as supporting documentation for issuance of the petty cash check to establish the fund.

### **5.3 Petty Cash Disbursements**

All disbursements must be approved in advance by the Custodian and must be documented by a receipt.

### **5.4 Replenishing Petty Cash Funds**

The Petty Cash Custodian completes the check request for petty cash reimbursement and submits the check request with all receipts to the Accounting Department for reimbursement as necessary and at the end of each fiscal period. No reimbursements will be issued without a check request accompanied by the proper supporting documentation for the disbursements, such as a cash register receipt. All requests must be signed by both the custodian and the custodian's Department Manager.

Petty cash fund reimbursement checks are made payable to: Employee c/o HSI - Petty Cash Custodian.

### **5.5 Custodian Responsibilities**

In addition to the duties outlined above, the Custodian is responsible for ensuring that:

- a. The petty cash box contains receipts and cash totaling the amount of the fund at all times;
- b. Any irregularities in the fund are immediately reported in writing to the Department Manager and the Accounting Department.
- c. Requests to replenish the fund are timely.

## **5.6 Accounting Department Responsibilities**

In addition to processing the Petty Cash Reimbursement checks in accordance with accounts payable procedures, the Accounting Supervisor provides follow-up where variances in the funds and the receipts are noted. In addition, the Accounting Supervisor, or designee, is authorized to conduct periodic surprise cash counts of petty cash funds for the purpose of monitoring compliance with these procedures. Failure to comply with written petty cash policies and procedures or notice of other irregularities will result in cash confiscation and / or appropriate corrective action.



## **Section VI – Accounts Receivable**

### **6.1 Department Manager Responsibilities**

Each Department Manager is responsible for ensuring that program reports generated for billing purposes are submitted to the Accounting Department according to the due dates required under the applicable contracts.

### **6.2 Agency Billing Procedure**

HSI, Inc. will complete the required billing procedures for the various funding sources in accordance with individual contract requirement and due dates. The format used will be that described and required in the contract. Billing is completed in accordance with documented enrollment, attendance and participation records. Documentation to substantiate any request will be maintained on file.

Financial information needed to determine liability and payment source will be collected upon enrollment into a program. This includes Third-Party, Individual or Other-Party payment sources.

Invoicing to Private Pay clients is completed weekly per documented enrollment, attendance and participation records.

If a Third-Party payment source is identified, billing will be completed per payment source requirement.

### **6.3 Sample Contract Billing Requirement**

HSI will comply with all contract requirements, including those regarding billing. The following is one example of a contract requirement with which the agency will comply:

“Contractors shall have E-Mail access and the ability to submit electronic, Internet based on-line invoices to Milwaukee County DHHS Accounting or designee. All billing and invoice formats and procedures shall be determined by Milwaukee County.

“Contractor shall provide County with billings for services provided in accordance with Exhibit II, Payment Method and shall be paid in accordance therewith. Contractor agrees to comply with all policies and procedures related to documentation of services provided under this contract as a condition of billing for said services, and shall submit to County billing reports for services provided on or before the fifth (5<sup>th</sup>) working day of the month following delivery of purchased services. Payment by County of Contractor’s invoice does not absolve the Contractor from a final accounting and settlement upon submission and review of Contractor’s annual audit, or from audit recoveries arising from an on-site audit of Contractor’s case records or other documentation in support of services billed. Billing reports received twenty (20) days after the termination of this Contract will not be considered for payment by County.

#### **6.4 Documentation Requirements**

All reviews of one individual's work by another must be evidenced by the reviewing person's initials or signature.

#### **6.5 Receipt of Funds**

The Accounting Department manages the receipt of revenue for HSI to ensure the funds are deposited in a timely and accurate manner. All HSI programs receive revenue from outside providers, agencies of clients and remit the funds to the Accounting Department for deposit to the appropriate bank account.

## **Section VII – General Accounting and Financial Reporting**

### **7.1 Preparation of Journal Entries**

The Accounting Department is responsible for preparing journal entries using the standard Journal Entry Form. The person preparing the journal entry(ies) initials the journal entry(ies) and assigns a Journal Entry Number.

### **7.2 Authorization**

All journal entries are reviewed and approved by the CFO prior to data entry into the general ledger system. Each journal entry is assigned a PeachTree Batch Number from the PeachTree system.

### **7.3 End of Month Due Date Schedule**

The CFO, or designee, will regularly ask Managers and Supervisors for information required by the Accounting Department in order to produce timely and accurate monthly financial reports. Department Managers and supervisors are responsible for complying with requirements and due dates as defined by the Accounting Department.

### **7.4 End of Month Financial Reporting**

The Accounting Department generally completes a month no later than the 15<sup>th</sup> business day of the following month in order to generate financial reports. The CFO, or designee, may need to prepare accounting estimates for timing differences that result from delays in information received by the established due dates or for funding source reporting requirements. Financial reports are produced by the 17<sup>th</sup> business day of the month.

### **7.5 Adjustments to Inter-company Accounts**

Inter-company accounts will be reset each year by the appropriate software consultant, following the completion of the annual audit and acceptance of the audit findings.

### **7.6 Communicating Financial Report Information**

The CFO is responsible for distributing the monthly financial report to management by the 20<sup>th</sup> business day of the month. In addition, the monthly financial reports shall be presented to the Board of Directors' Finance and Audit Committee at their next regularly scheduled meeting following the 15<sup>th</sup> business day of the month.

The CFO, or his designee, communicates with the President or designee at more frequent intervals should financial trends or projections indicate significant changes or impact on day-to-day operations or the overall financial condition of HSI.

## **7.7 Responsibility for Financial Conditions**

All HSI Department Managers are responsible for reviewing financial reports specific to their area of responsibility.

HSI Department Managers work with the CFO or the Accounting Supervisor to address significant spending variances and to develop or modify operating procedures to promote sound financial management practices.

## **Section IIX – Cost Allocations**

### **8.1 Introduction**

The main objective of the Finance and Accounting Department at HSI is to assign as many costs as possible directly to specific departments, based on the supporting documentation.

This section sets forth the methodology used by the HSI Accounting department to allocate costs that cannot be directly identified with or charged to a specific department or program. This allocation method assigns costs on a ratable basis by the most accurate means possible, to facilitate sharing of common costs in a manner that reflects the amount actually used.

### **8.2 Cost Department Pools**

In general, operating costs are charged directly to the specific departments or programs incurring the expense. However, there are four departments that capture costs that cannot be directly charged to any specific department or program. Those departments are: Administration, Development, Facilities, and Marketing. These four departments are the primary subjects of this section.

### **8.3 Space costs (Facilities)**

1. Leased facility rental expense is directly charged to specific departments or programs based on square footage used.
2. Owned facilities are allocated facility usage fees, based on square footage used.
3. The expenses captured within the Facilities Department are allocated out to the other departments. The costs are allocated out to those departments based on the percentage of each department / facility's square footage to the total square footage of all HSI properties.
4. The Facilities department captures costs associated with maintaining the owned and leased facilities of HSI. Included in this department are:
  - Salaries and Benefits
  - Equipment (not charged to a specific department or funding source)
  - Equipment Repairs/Maintenance
  - Cleaning and Janitorial Supplies
  - Telephone Maintenance
  - Utilities (not charged to a specific department or funding source)
  - Depreciation (not charged to a specific department or funding source)

- Building Repair and Maintenance (not charged to a specific building)
- Real Estate Taxes (not charged to a specific department or funding source)
- Rental of Storage
- Janitorial Services / Trash Removal
- Vehicle Repairs and maintenance
- Purchased Services
- Insurance (not charged to a specific department or funding source)

#### **8.4 Administrative Costs - General**

The Administration department accounts for the indirect administrative costs of running HSI. Included in this department are salaries and expenses related to:

- – Executive Management
- – Accounting Department
- – Resource Development
- – Personnel Department
- -- Information Technology

Administrative cost limitations set by applicable grant requirements (contractual and regulatory) are observed. Administrative costs in excess of grant limitations are charged to HSI non-federal funds.

Administrative costs are allocated out to all other departments, except for costs that are deemed unallowable. Unallowable expenses are interest, late fees, bad debt expense, tax penalties, and return of funding. The remaining allowable expenses are allocated out based on the allocation scheme for the year, prepared and approved with the annual budget.

#### **8.5 Administrative Costs – Procedures for Allocating Costs Billed on Common Invoices**

1. Office Supplies are directly charged to the department or program using the supplies.
2. Copier lease expenses and copy usage charges are directly charged to the department or program using the copiers.
3. Cellular phone charges are directly charged to the department or program to which the cell phone user is charged.
4. Local, long distance and data line phone charges are directly allocated to each department based on the number of phones in each department as a percentage of the total number of phones.
5. Gasoline for HSI vehicles is directly charged to the department to which the vehicle is assigned.
6. Property insurance is allocated based on property values.

7. Liability insurances are charged directly to the department or program for which the insurance is needed.

### **8.6 Fund Development Expense**

Fund development costs, in excess of any revenues received, are allocated to the other departments. This allocation is based on the percentage of revenues received by each of the four departments.

### **8.7 Marketing**

Costs captured in the Marketing Department are allocated out to the other departments. The costs are allocated to each department based how each department benefits from the activities performed by Marketing.

### **8.8 Payroll, Payroll Taxes and Fringe Benefits**

Payroll, Payroll Taxes and Fringe Benefit actual costs are charged to the specific department to which they relate. In multi-grant departments, these costs are allocated to the specific grants or funding sources to which they relate based on actual salaries and wages charged to the grants or other funding sources on a monthly basis.

### **8.9 Multi-grant allocations**

Costs within multi-grant departments are further allocated to the specific grants or funding sources related to those departments. Costs that cannot be directly charged to specific grants or funding sources will be allocated among the multiple grants using FTEs as a basis for the allocation. Three-digit grant/funding source numbers are used to segregate costs within departments.

## **Section IV – Travel Expenses**

### **9.1 Introduction**

Reimbursement of travel and mileage expenses is based on the Standardized Government Travel Regulations and HSI internal policies. Reimbursement rates may be superseded by any specific grant restrictions that call for a lower reimbursement rate.

All travel and mileage is authorized by the employee's immediate supervisor. In addition, all out-of-state travel and mileage must have the advance authorization of the Department Manager.

1. Suites and other upgraded rooms at hotels are not allowed;
2. Travelers should stay in standard rooms.
3. When utilizing rental cars, travelers should rent midsize or smaller vehicles and share rental cars whenever possible.
4. Business-related long-distance telephone calls while away on business travel are permitted, but should be kept to a minimum; Expense reports should explain long-distance charges.

### **9.2 Use of Vehicle**

In order to receive reimbursement for the rental of a vehicle for travel on agency business, the employee must submit a written justification of the need for the rental car, signed by his or her Department Manager, along with a receipt indicating the cost distribution of the amount expended.

When driving rental vehicles on agency business, employees must claim, on behalf of the agency, all discounts offered by the rental agency. The employee is to do all that is possible and practical to obtain exemption from applicable local and state taxes. A waiver eliminating the deductible for collision type losses may be available for an additional charge. Unless the rented vehicle is to be used outside the continental United States or the waiver is provided at no charge, the employee should not accept the waiver.

### **9.3 Other Forms of Travel**

Employees may use the following forms of transportation, with prior approval of the immediate supervisor and the Department Manager, as stipulated below:

- a. Public Transportation: Use of local public transportation for HSI business is allowable, particularly when this mode of transportation is less expensive than reimbursing the employee for mileage.
- b. Air Travel: Travel by air must be in coach or tourist class.



- c. Trains: Train accommodations when traveling during the day must be in coach class, if available. If coach fare is not available during the day, one may occupy one seat in a sleeping berth or parlor car. Where night travel is involved, one standard lower berth is authorized.
- d. Taxicabs, shuttles and limousines: Employees will be reimbursed for taxi fares plus tip for travel between the employee's home or office whichever is applicable, and a common carrier terminal. Taxicab tips will be limited to 10% of the fare. Limousine service is to be used when the fare is less than that of a taxicab. Taxicab/limo expenses are to be reported on the HSI Travel Report Form and are to be supported by receipts.

#### **9.4 Expenses - Vehicles**

Employees using their personal automobiles for HSI business will be reimbursed at or below the current rate allowable under the Standard Government Travel Regulations. Reimbursement will include parking fees, parking meter fees, and bridge, road and tunnel tolls.

When an employee's business trip requires traveling from or returning to his/her home, mileage is paid for the lesser number of miles traveled between home and destination or office and destination.

Each employee is expected to keep a record of business miles traveled and expenses incurred to include points of travel and times of arrival/departure, and the purpose of the trip and related participant information, if appropriate. These records must be submitted to the employee's immediate supervisor on a monthly basis for review and approval. It is the immediate supervisor's responsibility to verify the accuracy of the report and the necessity and reasonableness of the travel. These reports will also be reviewed by the Accounting Department and returned to the immediate supervisor if not accurate or if information is missing. Employees will not be reimbursed for miles traveled while lost.

Parking ramp or parking lot expenses require a receipt. The receipt is to be attached to the HSI mileage report.

The standard used by the Accounting Department is the odometer readings for mileage from origin to destination. If miles change due to detours, the additional mileage should be listed and identified as such on the report. If no supporting documentation is included, the extra miles will not be paid.

HSI will not reimburse employees for parking tickets, speeding tickets or any other traffic violation which is incurred as a result of their travel, nor will the agency be held responsible for violations which occur when a staff member is using another person's or any agency vehicle. The latter shall also include tickets issued to HSI vehicles whether or not ticketing occurs during working hours. Tickets, fines or other costs, e.g., towing associated with a parking or traffic violation, shall be the responsibility of the employee.

## 9.5 Expenses – Other

When overnight travel of one or more days is involved, employees may request a per diem, which shall not exceed the anticipated number of days of travel. The minimum per diem reimbursement is \$35 per day. Travel advances are to be submitted a minimum of three weeks in advance to the Department Manager in order to insure that there is sufficient time for the Department Manager to process the request. The Department Manager is responsible for seeing that the advance request is approved and submitted to the Accounting Department no later than 5 working days prior to the commencement of the travel. While it is not always possible to give a full three week's notice for a travel advance, all efforts are to be made to give as much notice as possible.

Once the employee has completed the travel, he/she is expected to complete a HSI travel report form. HSI will pay the standard per diem allowance for M&IE (meals and incidental expenses) which is in accordance with the GSA Federal Register when overnight lodging is involved. (Higher rates apply for certain communities as per the Appendix 1-A of the Federal Travel Regulations.) M&IE will cover the cost of meals, tips, laundering/cleaning of clothing and transportation costs to restaurants as well as telegrams or telephone calls to arrange for lodging while on travel status.

HSI will pay the actual cost of lodging not to exceed the amounts as stated in the GSA Federal Register (higher rates apply for certain communities as per the Appendix 1-A of the Federal Travel Regulations.) To access these amounts, use the travel link at <http://policyworks.gov/org/main/mt/homepage/mtt/perdiem/perd04d.html>. Any exceptions to these amounts must have written justification accompanying the travel report. If lodging is prepaid, it is the responsibility of the employee to provide the Accounting Department with a copy of the hotel bill. Future travel reports will not be processed or reimbursed until the bill is received

Receipts for hotels are required. If the hotel cost is less than the rate allowable, only actual cost will be reimbursed.

The report must be completed, approved and filed within five working days of completion of travel. If the report is not filed within five days, the travel advance will be deducted from the employee's next pay check, as provided under Sections 3 above.

Per Diem is calculated on a calendar day, midnight to midnight basis. Per Diem is paid for overnight trips.

Transportation to and from airports, terminals, parking at terminals, and transportation to hotels is allowable. Travel to the nearest restaurant is considered part of transportation costs if a restaurant is not available in the hotel.

If a meal is provided while on travel status through payment of a registration or similar fee, deductions from the per diem are to be made in accordance with Federal Travel Regulations.

HSI will not provide reimbursement for expenses incurred by an employee's spouse or traveling companion where that individual is not an employee of HSI and where that individual has not been otherwise authorized for travel.

Employees conducting HSI business, who must utilize public telephones while traveling, will be reimbursed for the cost of the call made. If the call is to another HSI office, it should be made collect, unless the call is local.

## **9.6 Drivers License and Vehicle Insurance**

All HSI employees required to drive as part of their normal work duties are required to maintain a valid driver's license in accordance with applicable state law.

Proof of liability insurance must be filed with the Human Resources Department each time the policy coverage expires. Acceptable forms of proof are a Certificate of Insurance which an insurance agent can provide, a copy of the declaration page of the insurance policy or a renewal notice. Forms must show the name of the insurance agency, policy number, effective dates of coverage and the name of the employee. The employee's insurance coverage must equal or exceed state minimum requirements. Such proof of insurance must be in effect and received in the HR Department before travel expense reimbursement will be made.

## Section X – Bank Reconciliations

### 10.1 Bank Statements

Bank statements and cancelled checks for the operating and payroll accounts will be received directly, unopened, by the CFO for review before they are turned over to the Accounting Supervisor for reconciliation. The CFO will also review the reconciliation after it is prepared.

### 10.2 Outstanding Checks

HSI will follow state required procedures for escheating unclaimed funds to the Wisconsin State Treasury, Unclaimed Property Unit for the following:

<u>Property Type</u>	<u>Dormancy Period</u>
Un-cashed payroll checks	1 year
Un-cashed vendor checks, accounts payable, refunds due, or any other un-cashed checks.	5 years

An internal system for the purpose of ensuring that checks do not become dormant has been developed.

1. All checks will bear the statement "Void after 60 days".
2. At the end of every quarter, the Accounting Supervisor will review outstanding checks.
  - a. Letters will be sent to every vendor or other entity or employee who has not cashed checks before the 60 day period expired, advising them that the check has expired and requesting that they call the Accounting Department to have another check issued.
  - b. If there is no response, no additional action will be taken at that time, but a list will be maintained for future reference. Should the vendor, employee or other entity call at any time during before 180 days have passed, the original check will be voided and a new check sent to the vendor.
  - c. If a check goes un-cashed for more than six months, a second letter will be sent requesting a call to the Accounting Department. If during the next 90 days the vendor, employee, or other entity should call and ask that a check be reissued, a stop payment will be put on the original check and a new check will be issued.
  - d. If a payroll check remains un-cashed for one year, then these funds will be forwarded to the Wisconsin State Treasury, Unclaimed Property Unit. If an employee contacts HSI regarding payroll check issued more than 12

months ago, the employee will be referred to the Wisconsin State Treasury, Unclaimed Property Unit to claim funds.

- e. All other checks that remain un-cashed for 12 months or more will be placed in a doubtful account and held there until either the payees of the checks contact HSI for payment or until 5 years has passed from the date of issuance, at which time the funds will be sent to the Wisconsin State Treasury.

If a vendor or other entity contacts HSI for payment after the 5 years have expired, HSI will refer them to the Wisconsin State Treasury, Unclaimed Property Unit, to claim their funds.

### **10.3 Reconciling the Bank Accounts**

The Accounting Supervisor, or designee, is responsible for preparing a documented bank reconciliation for each operating account and payroll account. The bank balance must be reconciled to the corresponding cash account in the general ledger. Any variances in the reconciliations are investigated and resolved as soon as possible and no later than by the next monthly close. Unresolved variances are reported to the CFO for further follow-up. All reconciliations are kept on file in the Accounting Department.

### **10.4 Adjustments**

As a result of the bank reconciliation process, it may be necessary to make adjustments for items such as non-sufficient funds (NSF) checks, bank service fees, interest earned, etc. The Accounting Supervisor is responsible for preparing the necessary journal entries to record such adjustments in the general ledger. In order to maintain timely financial information, all adjustments are entered and posted to the general ledger as each account is reconciled.

### **10.5 Reconciliation Review**

The CFO is responsible for reviewing the completed bank reconciliations on a monthly basis, to ensure that:

1. All accounts have been satisfactorily reconciled
2. All necessary adjustments have been made
3. HSI has complied with escheat procedures
4. Any variances have been resolved
5. Any unusual or extraordinary items have been identified and investigated.

## **Section XI – Capitalization Policy for Capitalized Assets**

### **11.1 Scope**

This policy establishes requirements for the recording of capital assets in the HSI fixed asset accounting system to enable HSI to identify the location, use, and status of its capital assets.

### **11.2 Capital Assets**

Capital assets are nonexpendable tangible personal and real property having a useful life of more than one year and an acquisition cost of more than \$1,000 per unit. In the event that a group of like assets are purchased at the same time, with the same purchase order, where the aggregate total of the purchases totals \$1,000 or more excluding shipping, such items will be capitalized. (For example: 50 \$20 chairs, or 10 \$100 window blinds.) In some cases, items will be expensed, rather than capitalized, when applicable grant provisions so require.

### **11.3 Acquisition Cost**

Acquisition cost means the net invoice unit price of a capital asset, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.

Ancillary charges, such as protective in-transit insurance, freight, and installation shall be included in the acquisition cost.

If acquisition occurs through a capital lease, the CFO will research available terms and will be responsible for negotiating leases with appropriate rates of interest and other lease provisions.

### **11.4 Real Property**

Title to real property acquired under a grant vests in HSI upon acquisition. Except as otherwise provided by law, real property is used for the originally authorized purpose(s) as long as it is needed for that purpose and HSI does not dispose of or encumber its title or other interests. When real property is no longer needed for the originally authorized purpose, HSI requests disposition instructions from the awarding agency to include retention of title, sale of the property, or transfer of title. Appropriate payments to/from HSI may be required to make all parties to the transaction whole.

### **11.5 Equipment**

Title to equipment acquired under a grant vests in HSI upon acquisition. Uses of equipment are as follows:

- a. In the program for which acquired, even if the program is no longer supported by agency funds
- b. In other program(s) currently or previously supported by another agency
- c. In other program(s) currently or previously supported by another agency if such use will not interfere with use in the program for which originally acquired. First preference is given to other programs of the original awarding agency. User fees may be appropriate.
- d. Unless otherwise permitted, equipment is not to be used to provide services for a fee to compete unfairly with private companies that provide equivalent services.
- e. Original equipment may be used as trade in or as a source of cash for replacement equipment, with permission.

### **11.6 Fixed Assets Schedule**

A fixed assets schedule will be maintained and will include the following information:

- a. A description of the asset.
- b. Manufacturer's serial number, model number, Federal stock number, or other identification number.
- c. Source of asset, including the HSI grant number.
- d. Whether title vests with HSI or the Federal Grantor.
- e. Acquisition date (or date received, if the asset was furnished by the Federal Government) and cost.
- f. Information regarding the percentage of Grantor participation in the cost of the asset (not applicable to assets furnished by the Federal Government).
- g. Location and condition of asset and the date the information was reported.
- h. Disposition data, including date of disposal and sale price or the method used to determine current fair market value where HSI compensates the Federal awarding agency for its share.

### **11.7 Financial Statement Presentation**

Capital assets purchased with grantor funds will be acquired only with prior approval from the Grantor. In accordance with the grantor approval and for grant accounting purposes, capital assets purchased with grant award funds are charged to expense in the period of purchase instead of being depreciated over useful lives. As a result, the cost of the assets purchased during the year is reflected as an expense in the statement of revenue, expenses, and changes in net assets. For balance sheet purposes, the cost of capital assets purchased with grant funds are recorded as assets with accumulated depreciation calculated over the estimated useful lives of the assets. Appropriate adjustments are made to fund balances to reflect depreciation net of the total write-off of the assets for grant reporting purposes.

Capital assets purchased with non-grantor funds are capitalized at cost and depreciated over their estimated useful lives using the straight line depreciation method with 1/2 years' depreciation taken in the year of addition and 1/2 year in the year of disposal.

### 11.8 Physical Inventory of Assets

A physical inventory of assets shall be taken and the results reconciled with the asset records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the reasons for the difference. Each inventory will include verification of the existence, current utilization, and continued need for each asset.

### 11.9 Effective Date

This revised asset capitalization policy shall be effective retroactive to January 2006.

#### HSI Useful Lives of Capital Assets

Buildings:	
New	35 years
Used/remodeling of existing structures	25 15 years
Leasehold improvements	Over term of lease
Computers	3 years
Office equipment	3 years (or 5? MD?)
Telephone systems	5 years
Vans	4 years
Autos	4 years
Playground equipment	5 years
Day care equipment	5 years
Multi-passenger buses	5 years
Office Furniture	7 years



# **High School for Innovators**

## **Business Operations Manual**

## SECTION I – Fiscal Management Systems and Internal Controls

### 1.1 Fiscal Management Systems

The HSI Fiscal Management System includes extensive record keeping for accumulating and recording individual grant activities. The primary objective of the system is to insure that record keeping identifies separately the revenues and expenses for each grant providing a summary of financial information that enables the preparation of periodic reports required by granting agencies. The following basic elements are an integral part of the HSI Fiscal Management System:

#### Operating Controls:

- A budgetary system effectively measures progress towards predetermined goals and objectives
- Financial reporting systems allow managers to assess performance and identify substandard performance and adverse trends
- Financial record keeping systems exist in support of financial transactions and include the appropriate means of accumulating and maintaining supporting documentation

#### Accounting Controls:

- Separation of duties to insure that no single employee is in a position to authorize, execute, and disburse funds
- A well-defined system to insure that goods and services obtained are approved by employees with the appropriate authority
- Timely reviews of financial activity by management at various levels and, where appropriate, internal audit
- An annual external audit, as required by OMB Circular A-133, is performed by a qualified and independent firm of Certified Public Accountants
- It is the policy of HSI to retain a qualified person to manage the Accounting Department.

#### Compliance Controls:

- All costs and expenditures are reviewed at supervisory and Accounting Department levels for allowability, allocability, documentation, the nature of the expenditure(s) restraints or requirements imposed by such factors as sound business practices, arms-length bargaining, federal, state, and other laws and regulations, and market prices for comparable goods and services. Consideration is also given to the

necessity of the costs/expenditures and any alternatives to outright purchase.

#### Sub-grantee Monitoring:

- Subcontractors are monitored for reporting, record keeping, and control requirements and are typically required to provide independent audit reports and certificates of coverage. Certificates of coverage must be sent to the Accounting Department and must be kept current.

#### Written Documentation:

- Internal operating and accounting controls are documented and staff are trained on procedures for authorizing and executing expenditures during staff training sessions.

HSI maintains grant accounting systems and procedures in compliance with Office of Management and Budget (OMB) cost principles described in OMB Circulars A-87, A-21, and A-122.

## 1.2 Definition of HSI Internal Control System

Management is responsible for establishing and maintaining a system of controls that provide reasonable assurance of:

- a. Effective and efficient operations, including the effective use of HSI resources;
- b. Reliable, timely, and accurate financial information;
- c. Compliance with applicable laws, regulations, policies and procedures;
- d. Adequate safekeeping of HSI assets; and,
- e. Accomplishing established goals and objectives for operations and programs.

## 1.3 Internal Control Self-Assessment

Periodically, or at least annually, the CFO, or designee, performs a documented self-assessment designed to measure the extent to which HSI internal controls are sufficient to provide reasonable assurance over ongoing operations and financial processes. In conducting the self-assessment, the following items are considered:

- a. Liquidity of HSI assets and the use of these assets in ongoing operations (i.e., cash flow);
- b. Personnel changes, particularly those that directly affect the security of operations and data;
- c. Competency, integrity, and sufficiency of personnel, as reflected in performance evaluations;

- d. Changes in the external regulatory environment, including the extent to which such regulatory changes affect HSI operations;
- e. Changes in the internal operating environment, such as management turnover, changes in information technology capabilities, program and funding changes, anticipated changes in transaction volumes or changes in operating procedures;
- f. Results of the most recent audit, including corrective action planned or required to be taken;
- g. Requests for information, including those made by external sources as well as management requests, including the ability of HSI to respond to those requests; and,
- h. Opportunities for HSI to expand or change current operations, including the extent to which such opportunities are likely to significantly affect HSI resources.

#### **1.4 Communication to Management and the Board of Directors**

The CFO, or designee, communicates the findings, results and recommendations developed in response to the internal control self-assessment performed to Management and the Board of Directors. Such communication is timely so as to allow Management and the Board to address policy and procedure considerations required for the continuous improvement of HSI internal controls.

#### **1.5 Ongoing Maintenance of Financial Procedures**

The CFO, or designee, is responsible for establishing and maintaining a financial procedures manual that provides an up-to-date description of all accounting and financial-related operations and for ensuring the timely and accurate communication of new or revised financial procedures. Any new procedures are communicated in writing to the appropriate personnel.

#### **1.6 Cost Allow-ability, Allocability, Timeliness, and Reasonableness**

OMB Circular 122, Cost Principles for Non-profit Organizations, forms the basis for the HSI approach to insuring that all costs incurred by HSI in its' various programs are reasonable, allowable, and timely.

At HSI, there are two main levels of cost control:

- a. The department level;
- b. Central administration and finance.

Systems and training are directed to insuring that personnel at these two levels of cost initiation and review have the proper tools to carry out the cost control concepts enumerated below.

All costs must be:

- a. Necessary and reasonable for proper and efficient program administration and properly allocable thereto. A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining the reasonability of a given cost, consideration shall be given to:
  - Whether the cost is ordinary and necessary to the operation of the program, organization, or to the performance of the award
  - The restraints or requirements imposed by such factors as sound business practices, arms-length bargaining, laws and regulations, and terms and conditions of the program
  - The market prices for comparable goods and services
  - Whether the individuals involved acted with prudence considering their responsibilities to the agency, the public at large, and the granting agency
- b. Incurred in accordance with the agency's established procurement policies
- c. Directly attributable to specific work under a grant or to the normal administration of the grant and therefore allowable for reimbursement. Costs that result in personal benefit are not allowable. A cost is allocable/directly attributable to a program if the goods and services involved are chargeable or assignable to the program in proportion to the relative benefits received.
- d. Authorized by the agency administrator or funding agency and not prohibited by federal, state or local laws.
- e. In conformance with any applicable limitations or exclusions be they award related or by virtue of any federal or state law or other governing limitations as to types or amounts of cost items.
- f. Consistent with policies, regulations, and procedures that apply uniformly to both financially assisted activities and to other activities of the organization.
- g. Accorded consistent treatment. Consequently, a cost may not be assigned to a program as a direct cost if any other cost under the same circumstances has been charged to a program as an indirect cost.
- h. Determined in accordance with generally accepted accounting principles or other accounting method appropriate to the circumstances.
- i. Distinct from (not allocable to or included as a cost of) any other federal, state, or other agency financed program in either the current or prior period.
- j. Net of all applicable credits. Applicable credits are receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable as direct or indirect costs, including discounts or rebates subsequently received for prior purchases.
- k. Supported by the agency's accounting records and be adequately documented.

## 1.7 Accounting Department Oversight of Grants

On an ongoing basis and wherever possible, the HSI Accounting Department working with program managers and other program people, looks at financial data in relation to operating data to arrive at meaningful unit cost information with which to better evaluate grant performance.

- All grants are monitored closely to insure that only obligations incurred during the funding period are allowable costs for the grants. Particular care is taken as an individual grant approaches termination.
- In general, most grants have a 90 day period after grant termination to liquidate obligations incurred during the funding period. It is HSI policy to insure that this 90 day or alternate time period is met to insure that all obligations are satisfied. In the event a carryover of un-obligated funds is permitted, carryover balances may be charged for costs resulting from obligations of the subsequent period.
- It is not the practice of HSI to request funds from grantors prior to issuing checks in payment of grant obligations. Therefore, interest on government advances is not an issue.
- Program income on a grant is added to the original grant amount and spent on eligible grant obligations.
- Depending on the grantor agency involved and the applicable federal requirements and specific terms of the grant contract, it is the practice of HSI to obtain prior approval for program and budget related changes.

## **1.8 Uniform Budgeting**

HSI has developed an agency wide method of budgeting grant/program expenditures. Key program managers and certain other personnel are involved in the agency wide budgeting process.

## **1.9 Documentation Requirements**

Whenever, in this Financial Management Procedures Manual, it is necessary for one individual to review another's work, that review must be evidenced by the reviewing person's initials or signature.

## **1.10 Prior Approval of Bank Accounts**

Any time a HSI bank account is to be opened or closed; prior approval of the transaction must be obtained from the Board of Directors. Such approval must be evidenced by a resolution duly made, seconded and approved at a Board meeting or by a consent in lieu of meeting in accordance with the bylaws of the organization. The Board's approval of the opening or closing of a bank account shall be documented in the minutes of the Board meeting in which they were adopted or, if the approval is by a consent in lieu of meeting, the approval shall be made a part of the Board records.

## **1.11 Compliance with Financial Management Procedures**

Compliance with the provisions in these Financial Management Procedures is mandatory and any failure to comply with the requirements set forth in these procedures may result in discipline, up to and including termination.

## **Section II – Cash Receipts and Line of Credit**

### **2.1 Deposits**

The Accounting Department makes daily deposits of all cash receipts.

### **2.2 Securing Cash Receipts**

All cash received is to be turned in daily to the Accounting Supervisor (or, in their absence to the Accounting Assistant) together with a completed Cash Receipts Form.

The Accounting Department is responsible for ensuring that all cash receipts are forwarded to the Accounting Supervisor in a timely manner. This person is responsible for restrictively endorsing checks immediately upon receipt and providing the maximum safekeeping for all cash receipts on the premises. Cash receipts awaiting deposit or preparation for deposit are kept in a secured area until the deposit is made.

### **2.3 Preparing the Deposit**

The Accounting Supervisor prepares the deposit ticket and forwards it with all cash, checks and supporting documentation to the appropriate designee for verification of the deposit and for actual bank deposit.

### **2.4 Daily Deposit Report**

The Accounting Supervisor prepares the Daily Deposit Report, using the bank deposit ticket and supporting documentation.

### **2.5 Cash Receipts Documentation**

The person making the actual bank deposit returns with the bank deposit receipt for verification that all funds received were deposited intact and that the total amount of cash receipts as recorded on the Daily Deposit Report agrees with the bank deposit receipt total. The Accounting Supervisor attaches the bank deposit receipt to the Daily Deposit Report.



## **Section III – Cash Disbursements**

### **3.1 Verification of Receipt of Goods and Services**

Any individual authorizing the purchase of any goods or services is responsible for verifying the receipt of goods and services prior to approving the vendor invoice or receiving document and submitting documents to the Accounting Department for payment. See Purchasing Manual for receipt verification procedures.

### **3.2 Vendor Payment Authorization**

Department managers/supervisors are responsible for payment authorizations on all purchases made by their department as outlined in the Purchasing Manual.

Such payment approval is indicated by an appropriate signature on a purchasing document that indicates the goods or services as reported on the vendor invoice agree with the actual goods or services received.

Upon receipt by the Accounting Department, the Accounting Supervisor will review invoices and process them for payment.

See Purchasing Manual for specific approval requirements.

See Purchasing Manual for instructions on properly preparing purchase orders.

### **3.3 Documentation to Support Cash Disbursements**

The primary objectives for accounts payable and cash disbursements are to ensure that:

- a. Disbursements are properly authorized
- b. Invoices are processed in a timely manner
- c. Vendor credit terms and operating cash are managed for maximum benefits

An original invoice from the vendor is required as supporting documentation for all payments. Checks will not be processed where invoice copies, facsimiles of vendor invoices, and vendor statements have been submitted as supporting documentation. Exceptions to this policy will be approved by the CFO.

If the original invoice has been lost or misplaced, a duplicate original invoice from the vendor is obtained. The vendor should be instructed to clearly label the document as a "duplicate original".

All vendor and expense reimbursement checks are produced in accordance with the following guidelines:

- a. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment policies described in this manual and elsewhere.
- b. Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors.
- c. Generally, all vendors are to be paid within 45 days of submitting a proper invoice upon delivery of the requested goods or services.
- d. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in the bank prior to the release of any checks.
- e. Checks are used in numerical order (unused checks are stored in a locked safe in the accounting department).
- f. Checks are never made payable to "bearer" or "cash"
- g. Checks are never signed prior to being prepared

### **3.4 Invoice Processing and Invoice Auditing**

The Accounting Supervisor is responsible for processing invoices, supplying missing information, and clarifying questionable issues. This includes verifying that the invoices are mathematically accurate by recalculating quantity times unit price extensions, cash discounts, and the sum of all items to verify the invoice total.

### **3.5 Data Entry in PeachTree**

Once the invoices are properly prepared, they are ready for input into the PeachTree System. If an invoice is for a vendor not already set up in PeachTree, the Accounting Supervisor sets up a new vendor record.

The Accounting Supervisor then enters the invoices into the PeachTree system's required fields comparing the remit-to address on the invoice to the PeachTree address. Upon successfully entering the invoice, the invoice is initialed and as being entered into VAM and filed in the "to be paid" file.

### **3.6 Record-Keeping Associated with Independent Contractors**

The Accounting Department obtains a completed Form W-9 or equivalent substitute documentation from all vendors to whom payments are made. A cumulative payment record is maintained in PeachTree of all vendors to whom a Form 1099 is required to be issued at year-end.

### **3.7 Printing the Checks**

The Accounting Supervisor is responsible for printing the accounts payable laser checks.

After the checks are printed, the Accounting Supervisor compares each check to the vendor invoice(s) to ensure that the check has been issued to the proper payee and that the supporting documentation has the appropriate management authorization.

Any checks determined to be incorrect are voided immediately, and the vendor invoice pulled for re-processing with the next accounts payable check run. All accounts payable reports relative to that voided invoice will reflect that a check was voided.

After the checks have been printed, one copy of the check stub is matched and attached to the supporting documentation and given to the CFO, together with a check register of all printed checks. All Accounts Payable invoices are cancelled by writing on the invoice to avoid duplicate payment.

The CFO reviews the checks and signs the check register, again verifying that the check payee and referenced invoices actually matches the approved supporting documentation. The checks and supporting documentation are then sent to either the CEO or the COO for a second signature.

The signed checks are given to the Accounting Assistant for mailing. All supporting documentation is filed.

### **3.8 Distribution of Accounts Payable Reports and Vendor Invoices**

The Accounting Supervisor is responsible for maintaining all AP reports for each check run on file in the Accounting Department.

### **3.9 Distribution of Accounts Payable Checks**

The Accounting Department makes every effort to ensure that checks are mailed directly to the vendor upon completion of the accounts payable process.

HSI departments are encouraged to make arrangements with the Accounting Department to pick up checks that are not mailed directly to the vendor.

Undistributed checks must be returned to the Accounting Department by the next business day for safe-keeping until such time as distribution can be made.

Checks more than 90 days old will be handled in accordance with Section XXXXX of these procedures.

### **3.10 Custody and safeguarding of Blank Check Stock**

The Accounting Department is responsible for maintaining custody of all blank checks on hand.

All blank check stock is maintained in a locked secure location and is accessible only to authorized personnel – i.e., the CFO, COO and the President and CEO only.

### **3.11 Replenishing Blank Check Stock**

The Accounting Supervisor monitors the blank check stock to determine the appropriate time to reorder blank checks and notifies the CFO in writing of the need to replenish the blank check stock. The CFO provides written approval to place the order.

When the checks are received, it is the responsibility of the Accounting Supervisor, or designee, to ensure the accuracy of the order. Any problems noted with a check order are reported to the vendor for immediate resolution.

### **3.12 Routing Checks to the Accounting Department**

All checks generated internally, including accounts payable checks, payroll checks, non-federal checks, and manual checks, which are determined to be void, are submitted to the Accounting Supervisor.

### **3.13 Follow-up Action Required for Void Checks**

Checks returned due to an incorrect payee address are corrected and re-mailed immediately. The Accounting Supervisor is responsible for updating the PeachTree system to reflect the correct mailing address and for providing the CFO with documentation of the change.

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "VOID". All voided checks are retained to aid in preparation of the bank reconciliation.

Stop payment orders may be made for checks lost in the mail or for other valid reasons. Stop payments are processed by telephone instruction and written authorization to the bank by the Accounting Supervisor.

### **3.14 Recording Void Checks**

The Accounting Supervisor processes the void checks through the VAM accounts payable system. The Accounting Supervisor, or designee is responsible for preparing any journal entries required to record void checks for that month that were not automatically voided through the appropriate PeachTree system.

### **3.15 Filing Void Checks**

The Accounting Supervisor is responsible for filing void checks in check number order with all other canceled checks returned by the bank.

### **3.16 Record Retention**

The void check logs will be retained on file in the Accounting Department in accordance with the agency record retention policies.

### **3.17 Travel and Per Diem Advances - Employee and Management Responsibility**

Any employee in need of a travel advance submits a Travel Advance Request to the Accounting Assistant. It is the employee's responsibility to ensure that the Request form has been completed accurately, has been approved by the appropriate person, has supporting documentation attached, and has been submitted within the required time period to allow time for the Accounting Department to process the request.

It is the Department Manager's responsibility to ensure that the employee's request is reasonable and complies with all applicable HSI procedures. In approving the travel or per diem advance, the Department manager is representing that:

- a. The request is reasonable, is for the purpose of travel activity directly related to the employee's work responsibilities, and is not for personal needs;
- b. The request does not exceed the number of days of travel;
- c. The request has been verified for mathematical accuracy by recalculating the number of days traveled times daily travel rates, and the sum of all items has been verified; and,
- d. There are sufficient budgeted funds in the general ledger account to be charged for the travel or per diem advance.

### **3.18 Due Dates for Submitting Travel and Per Diem Advance Requests**

All Travel Advance Request Forms must be submitted no later than five (5) working days in advance of the first day of scheduled travel.

Any requests received later than the five working day advance period may be denied.

### **3.19 Emergency Travel and Per Diem Advance Requests**

Emergency travel and per diem advance requests are required to be approved in advance by the President, or his designee, prior to processing. Emergency requests do not include situations where an employee failed to submit the request form in a timely manner.

### **3.20 Completing Travel Advance Request Form**

All employees requesting a travel or per diem advance must use the Travel Advance Request Form. Funds are advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance. Travel advances are to be

used only for the purpose intended. The employee is responsible for providing a specific description as to the nature of the travel request and must attach any documentation, such as copies of travel brochures, conference registrations, hotel and air fare confirmations, travel itineraries, etc. in support of the request. The minimum amount of a per diem reimbursement is \$35 per day.

The Travel Advance Request Form will specify that the employee authorizes deduction of a travel advance from a future paycheck if the travel advance is not otherwise timely accounted for, as provided in Section XXXXX below.

### **3.21 Travel Advance Request Form Processing and Control**

Travel Advance Requests are subject to the same level of controls as defined in the section for Accounts Payable processing. The Advance Request form serves as the primary source document for travel advance expenditure processing and should contain the same payment processing information as that of a vendor's original invoice.

When the advance check has been prepared, the Accounting Department will send the check to the employee. The original advance request is attached to the check stub, along with any supporting documentation, and retained as with other disbursements.

### **3.22 Travel Report**

Upon completion of the trip, the employee is responsible for ensuring that any advance received is reported in the Advance Per Diem Received box on the Travel Report. This amount is deducted from the Grand Total of all travel expenses reported to arrive at a net travel reimbursement amount due to the employee.

### **3.23 Travel Advances and Employee Expense Reimbursement Policy**

As provided in Section 8 below, HSI employees may be entitled to reimbursement for ordinary and necessary business-related expenses. Reimbursement requests must be submitted to the Accounting Department on a HSI Travel Report that has been approved by the department or area office manager within five (5) working days of the completion of the travel. It is the policy of HSI that employees use the utmost discretion when incurring expenses on behalf of HSI. The spending philosophy applicable to expense reimbursements is to treat HSI funds conservatively and with a cost-conscious perspective.

### **3.24 HSI Travel Reporting Responsibilities**

Supervisors are responsible for ensuring that:

- a. The Travel Report as completed by the employee is an accurate representation of reimbursable travel activity in accordance with HSI policies and procedures;

- b. All items requiring a receipt have been appropriately substantiated and the receipt(s) have been attached to the Travel Report;
- c. Travel for conferences, trainings or meetings has an agenda attached;
- d. The Travel Report represents current activity and has not been previously submitted to the Accounting Department for reimbursement; (copies and facsimiles not acceptable);
- e. Any advance provided to the employee relative to travel and mileage activity has been deducted from the requested reimbursement, and the employee is aware that, if advances are not reported within two weeks after travel, the advance checks can be deducted from the employee's payroll checks.
- f. All mathematical calculations (i.e., miles x per mile rate; sum of items listed, etc.) have been verified for accuracy and reasonableness. Department Managers are responsible for ensuring that:
- g. The Travel Report has been signed by both the employee and the Department Manager; and,
- h. The expenses as reported are budgeted for or that sufficient funds are otherwise available for such purposes.

### **3.25 Travel Report Responsibilities - Accounting Department**

HSI reimburses travelers only for those business-related costs that are reasonably incurred, according to the guidelines set forth in Section 8.

The Accounting Department is responsible for ensuring that Travel Reports submitted for reimbursement are properly substantiated and are reasonable in accordance with standard mileage and travel policies.

### **3.26 Travel Report Process Controls**

Travel Reports, including the process to pay or reimburse employees for travel-related expenditures, are subject to the same level of controls as defined in Section 3 for Accounts Payable processing. Travel Reports serve as the primary source document for employee expenditure processing and should contain the same payment processing information as that of a vendor's original invoice.

### **3.27 Procedures to Supplement Current Personnel Policy**

These procedures serve to supplement, and not be a substitute for, the HSI Travel Policies Section which addresses Employee Expenses relative to travel.

### **3.28 Check Requests**

At times it is necessary to prepay for goods or services. Acceptable reasons for utilizing this form includes pre-registration at a seminar, or if a vendor will not provide the required service without being paid in advance. Whatever the reason, a check request

form is filled out requesting funds be paid to a specific vendor for that specific good or service. Such check requests must be accompanied by an estimate or other independent documentation of the price of the goods or services to be purchased.

In some instances there may not be any supporting documentation at the time the request is made. In those cases, upon payment a receipt or invoice is returned to accounting to be attached to the check request.

Check Requests are required to be approved in advance according to the same criteria as purchase orders.

**3.29 Debit and credit cards: See Section IX of HSI's Purchasing Manual.**



## **Section IV - Payroll**

### **4.1 Personnel Action Record Forms and W-4 Forms**

Managers and supervisors are responsible for ensuring that a Notice for Payroll Enrollment & Changes form is completed for new hires, or to record any changes relative to an employee's payroll or employment status. All new employees must also complete a W-4 and a WT4 Form for tax withholding purposes.

### **4.2 Due Dates for Time Sheet Submission to the Accounting Department**

Managers and supervisors are responsible for the timely and accurate submission of Notice for Payroll Enrollment & Changes form and new W-4 Forms during each pay period. They must approve all time sheets and submit all timesheets according to the Payroll Cut off schedule distributed by the Accounting Department in the beginning of the year.

### **4.3 Responsibility for Completing Time Sheets**

Each HSI employee is responsible for completing an accurate record of time worked. All employees are required to complete a Time Sheet (on line or hand punch) documenting the hours worked for each pay period. Employees enter their time daily by time period, site, grant (program) and activity. The notes section of the daily time sheet is used for approvals of any exceptions to applicable policies.

Supervisors are responsible for preparation and submission of time sheets for staff under their supervision, if such staff are, sick, or out of the office on the submission due date and if the time sheet has not already been prepared by the employee.

Employee Responsibilities:

- Account for 100% of time worked in a day.
- Holidays, funeral leave, and paid leave will be charged proportionately, based on the Grants and Activity codes charged during the current pay period.
- At the end of the pay period, employees are to make sure all hours are recorded (as paid or unpaid) for all days worked. Errors noted by the supervisors are to be corrected by the employee and/or the supervisor before the timesheet is submitted to the Accounting Department.

Additional Responsibilities - Managers and Supervisors:

- As a general rule, time worked by managers and supervisors is to be charged to Grants based on time reported on the Schedule of Allocation of Time.
- Managers and supervisors are to review and approve employee's timesheets for release to the Accounting Department.

#### **4.4 Time Sheet Authorizations**

A supervisor or manager approval provides verification that (a) the individual has worked the reported hours in the specific program areas noted, (b) there are sufficient budgeted funds available (i.e., grant funding) to pay for the individuals' time worked, and (c) management has reviewed and verified the employee allocation worksheet.

#### **4.5 Accounting Department Responsibilities**

All employee timesheets and allocation worksheets are to be reviewed by Accounting Department for completeness, accuracy and approval. The Accounting Assistant will ensure that errors noted are corrected by the respective supervisor or manager promptly and before transfer of time records to Pay Checks.

#### **4.6 Payroll Schedule**

The length of each pay period is Bi-weekly. Checks will be issued prior to the close of the regular working day. When a pay day falls on an official holiday or weekend, checks will be issued the preceding work day.

#### **4.7 Payroll Deductions**

There are several types of deductions that are statutory deductions to be made from an employee's payroll check. There are other deductions which an employee can request or authorize be made from his/her check.

##### **1. Statutory Deductions**

- a. FICA Taxes (Social Security): HSI contributes a like amount which is credited to the employee's Social Security Account. Payroll deductions for social security (FICA) are paid to the federal government to fund the social security benefit program.
- b. Federal Income Tax withholding
- c. State Income Tax withholding
- d. Other court or federally-mandated deductions include but are not limited to Wage Garnishments, Child Support, Bankruptcy, etc.
- e. Travel advances, as authorized by the employee, if the per diem report has not been submitted within the five day limit upon return.

##### **2. Voluntary Deductions - All voluntary deductions require the written authorization of the employee. They include:**

- a. 403B Employee Contributions
- b. Other voluntary deductions such as Capital Campaign and United Way.

- c. Employee share of Health Insurance premiums and other voluntary insurance premiums
- d. Section 125 Cafeteria Plan Deductions
- e. Child care payments
- f. Repayments for equipment loss or damage

#### **4.8 Preparing the Payroll**

Accounting Department employees review all time records for accuracy and completeness. The Accounting Department Staff ensures that a Notice for Payroll Enrollment & Changes form and tax forms (W4 and WT4) are completed for all new hires. All other changes, such as promotions, job classification changes, pay rate changes, deduction changes, etc., are required to be reported on a Notice for Payroll Enrollment & Changes form and submitted by the employee's immediate supervisor. Such changes are forwarded to Human Resources and entered into the payroll system.

#### **4.9 Time Entry and Auditing of Data Entry**

The Accounting Assistant is responsible for updating Excel spreadsheets for pay rate schedules, allocations, leave and benefits and is responsible for maintaining all payroll information entered into the payroll system. Upon completion of payroll additions and changes, an Adjustments Batch is created. Payroll is then processed for submission to the payroll processing agency.

#### **4.10 Generating the Payroll Checks and Direct Deposits and Payroll Review.**

The Accounting Assistant receives notification that payroll has been completed. A Payroll Report is generated and submitted, with all documentation, to the CFO for review.

#### **4.11 Distributing the Payroll Checks and Filing Payroll Documentation**

The Payroll Service provider will deliver checks and direct deposit remittances advices in sealed envelopes and the Accounting Assistant is responsible for ensuring secure safekeeping of all checks until such time as the checks are distributed.

Undistributed checks are maintained in the safe until they are distributed, or until disposition is required under Section 9 of these procedures.

All payroll reports are retained on file by the designated Accounting Department employee.

#### **4.12 Processing Payroll Withholdings**

Federal, state and unemployment taxes, along with wage garnishments, are electronically debited from HSI's bank accounts according to the Service provider schedule.

#### **4.13 Authorization to Perform Payroll Fund Transfers**

The Accounting Supervisor has been authorized to perform fund transfers from the operating account to the payroll account in an amount not to exceed the net payroll for each pay period. The Accounting Supervisor is responsible for assigning fund transfer authorizations and for monitoring all fund transfer activity.

#### **4.14 Performing Payroll Fund Transfers**

Upon completion of the payroll, the Accounting Supervisor, or designee, performs an electronic transfer of funds from the HSI operating account into the HSI payroll account in the amount of the net payroll.

#### **4.15 Verification of Payroll Fund Transfers**

During the month-end bank account reconciliation, the CFO is responsible for ensuring that the written confirmations issued by the bank throughout the month for payroll fund transfers agrees with the corresponding net payrolls.

Written confirmations of payroll fund transfers are retained with the daily bank balancing reports on file in the Accounting Department.

#### **4.16 Recording Payroll Fund Transfers in the General Ledger**

The Accounting Supervisor is responsible for preparing and posting the journal entry to record the transfer of funds for the net payroll. The journal entry is approved by the CFO or designee.

## **Section V – Petty Cash**

### **5.1 Purpose of a Petty Cash Fund**

Petty cash funds may be established for the purpose of enabling a HSI office to purchase small-dollar items necessary for day-to-day operations. Petty cash funds should not be used to make loans, cover cash shortages, accumulate cash overages, or cash personal checks. The Accounting Assistant is responsible for administration and oversight of all petty cash funds.

### **5.2 Establishing a Petty Cash Fund**

All requests to establish a petty cash fund must be made in writing to the Accounting Supervisor. The written request must include the following:

- a. The individual making the request and the department/area office location where the funds will be held;
- b. The custodian of the fund and where the funds will be secured;
- c. The amount requested to establish the fund; and,
- d. A brief reason for the request.

The written request serves as supporting documentation for issuance of the petty cash check to establish the fund.

### **5.3 Petty Cash Disbursements**

All disbursements must be approved in advance by the Custodian and must be documented by a receipt.

### **5.4 Replenishing Petty Cash Funds**

The Petty Cash Custodian completes the check request for petty cash reimbursement and submits the check request with all receipts to the Accounting Department for reimbursement as necessary and at the end of each fiscal period. No reimbursements will be issued without a check request accompanied by the proper supporting documentation for the disbursements, such as a cash register receipt. All requests must be signed by both the custodian and the custodian's Department Manager.

Petty cash fund reimbursement checks are made payable to: Employee c/o HSI - Petty Cash Custodian.

### **5.5 Custodian Responsibilities**

In addition to the duties outlined above, the Custodian is responsible for ensuring that:

- a. The petty cash box contains receipts and cash totaling the amount of the fund at all times;
- b. Any irregularities in the fund are immediately reported in writing to the Department Manager and the Accounting Department.
- c. Requests to replenish the fund are timely.

## **5.6 Accounting Department Responsibilities**

In addition to processing the Petty Cash Reimbursement checks in accordance with accounts payable procedures, the Accounting Supervisor provides follow-up where variances in the funds and the receipts are noted. In addition, the Accounting Supervisor, or designee, is authorized to conduct periodic surprise cash counts of petty cash funds for the purpose of monitoring compliance with these procedures. Failure to comply with written petty cash policies and procedures or notice of other irregularities will result in cash confiscation and / or appropriate corrective action.

## **Section VI – Accounts Receivable**

### **6.1 Department Manager Responsibilities**

Each Department Manager is responsible for ensuring that program reports generated for billing purposes are submitted to the Accounting Department according to the due dates required under the applicable contracts.

### **6.2 Agency Billing Procedure**

HSI, Inc. will complete the required billing procedures for the various funding sources in accordance with individual contract requirement and due dates. The format used will be that described and required in the contract. Billing is completed in accordance with documented enrollment, attendance and participation records. Documentation to substantiate any request will be maintained on file.

Financial information needed to determine liability and payment source will be collected upon enrollment into a program. This includes Third-Party, Individual or Other-Party payment sources.

Invoicing to Private Pay clients is completed weekly per documented enrollment, attendance and participation records.

If a Third-Party payment source is identified, billing will be completed per payment source requirement.

### **6.3 Sample Contract Billing Requirement**

HSI will comply with all contract requirements, including those regarding billing. The following is one example of a contract requirement with which the agency will comply:

“Contractors shall have E-Mail access and the ability to submit electronic, Internet based on-line invoices to Milwaukee County DHHS Accounting or designee. All billing and invoice formats and procedures shall be determined by Milwaukee County.

“Contractor shall provide County with billings for services provided in accordance with Exhibit II, Payment Method and shall be paid in accordance therewith. Contractor agrees to comply with all policies and procedures related to documentation of services provided under this contract as a condition of billing for said services, and shall submit to County billing reports for services provided on or before the fifth (5<sup>th</sup>) working day of the month following delivery of purchased services. Payment by County of Contractor’s invoice does not absolve the Contractor from a final accounting and settlement upon submission and review of Contractor’s annual audit, or from audit recoveries arising from an on-site audit of Contractor’s case records or other documentation in support of services billed. Billing reports received twenty (20) days after the termination of this Contract will not be considered for payment by County.

#### **6.4 Documentation Requirements**

All reviews of one individual's work by another must be evidenced by the reviewing person's initials or signature.

#### **6.5 Receipt of Funds**

The Accounting Department manages the receipt of revenue for HSI to ensure the funds are deposited in a timely and accurate manner. All HSI programs receive revenue from outside providers, agencies of clients and remit the funds to the Accounting Department for deposit to the appropriate bank account.



## **Section VII – General Accounting and Financial Reporting**

### **7.1 Preparation of Journal Entries**

The Accounting Department is responsible for preparing journal entries using the standard Journal Entry Form. The person preparing the journal entry(ies) initials the journal entry(ies) and assigns a Journal Entry Number.

### **7.2 Authorization**

All journal entries are reviewed and approved by the CFO prior to data entry into the general ledger system. Each journal entry is assigned a PeachTree Batch Number from the PeachTree system.

### **7.3 End of Month Due Date Schedule**

The CFO, or designee, will regularly ask Managers and Supervisors for information required by the Accounting Department in order to produce timely and accurate monthly financial reports. Department Managers and supervisors are responsible for complying with requirements and due dates as defined by the Accounting Department.

### **7.4 End of Month Financial Reporting**

The Accounting Department generally completes a month no later than the 15<sup>th</sup> business day of the following month in order to generate financial reports. The CFO, or designee, may need to prepare accounting estimates for timing differences that result from delays in information received by the established due dates or for funding source reporting requirements. Financial reports are produced by the 17<sup>th</sup> business day of the month.

### **7.5 Adjustments to Inter-company Accounts**

Inter-company accounts will be reset each year by the appropriate software consultant, following the completion of the annual audit and acceptance of the audit findings.

### **7.6 Communicating Financial Report Information**

The CFO is responsible for distributing the monthly financial report to management by the 20<sup>th</sup> business day of the month. In addition, the monthly financial reports shall be presented to the Board of Directors' Finance and Audit Committee at their next regularly scheduled meeting following the 15<sup>th</sup> business day of the month.

The CFO, or his designee, communicates with the President or designee at more frequent intervals should financial trends or projections indicate significant changes or impact on day-to-day operations or the overall financial condition of HSI.

## **7.7 Responsibility for Financial Conditions**

All HSI Department Managers are responsible for reviewing financial reports specific to their area of responsibility.

HSI Department Managers work with the CFO or the Accounting Supervisor to address significant spending variances and to develop or modify operating procedures to promote sound financial management practices.

## Section IIX – Cost Allocations

### 8.1 Introduction

The main objective of the Finance and Accounting Department at HSI is to assign as many costs as possible directly to specific departments, based on the supporting documentation.

This section sets forth the methodology used by the HSI Accounting department to allocate costs that cannot be directly identified with or charged to a specific department or program. This allocation method assigns costs on a ratable basis by the most accurate means possible, to facilitate sharing of common costs in a manner that reflects the amount actually used.

### 8.2 Cost Department Pools

In general, operating costs are charged directly to the specific departments or programs incurring the expense. However, there are four departments that capture costs that cannot be directly charged to any specific department or program. Those departments are: Administration, Development, Facilities, and Marketing. These four departments are the primary subjects of this section.

### 8.3 Space costs (Facilities)

1. Leased facility rental expense is directly charged to specific departments or programs based on square footage used.
2. Owned facilities are allocated facility usage fees, based on square footage used.
3. The expenses captured within the Facilities Department are allocated out to the other departments. The costs are allocated out to those departments based on the percentage of each department / facility's square footage to the total square footage of all HSI properties.
4. The Facilities department captures costs associated with maintaining the owned and leased facilities of HSI. Included in this department are:
  - Salaries and Benefits
  - Equipment (not charged to a specific department or funding source)
  - Equipment Repairs/Maintenance
  - Cleaning and Janitorial Supplies
  - Telephone Maintenance
  - Utilities (not charged to a specific department or funding source)
  - Depreciation (not charged to a specific department or funding source)

- Building Repair and Maintenance (not charged to a specific building)
- Real Estate Taxes (not charged to a specific department or funding source)
- Rental of Storage
- Janitorial Services / Trash Removal
- Vehicle Repairs and maintenance
- Purchased Services
- Insurance (not charged to a specific department or funding source)

#### **8.4 Administrative Costs - General**

The Administration department accounts for the indirect administrative costs of running HSI. Included in this department are salaries and expenses related to:

- – Executive Management
- – Accounting Department
- – Resource Development
- – Personnel Department
- -- Information Technology

Administrative cost limitations set by applicable grant requirements (contractual and regulatory) are observed. Administrative costs in excess of grant limitations are charged to HSI non-federal funds.

Administrative costs are allocated out to all other departments, except for costs that are deemed unallowable. Unallowable expenses are interest, late fees, bad debt expense, tax penalties, and return of funding. The remaining allowable expenses are allocated out based on the allocation scheme for the year, prepared and approved with the annual budget.

#### **8.5 Administrative Costs – Procedures for Allocating Costs Billed on Common Invoices**

1. Office Supplies are directly charged to the department or program using the supplies.
2. Copier lease expenses and copy usage charges are directly charged to the department or program using the copiers.
3. Cellular phone charges are directly charged to the department or program to which the cell phone user is charged.
4. Local, long distance and data line phone charges are directly allocated to each department based on the number of phones in each department as a percentage of the total number of phones.
5. Gasoline for HSI vehicles is directly charged to the department to which the vehicle is assigned.
6. Property insurance is allocated based on property values.

7. Liability insurances are charged directly to the department or program for which the insurance is needed.

### **8.6 Fund Development Expense**

Fund development costs, in excess of any revenues received, are allocated to the other departments. This allocation is based on the percentage of revenues received by each of the four departments.

### **8.7 Marketing**

Costs captured in the Marketing Department are allocated out to the other departments. The costs are allocated to each department based how each department benefits from the activities performed by Marketing.

### **8.8 Payroll, Payroll Taxes and Fringe Benefits**

Payroll, Payroll Taxes and Fringe Benefit actual costs are charged to the specific department to which they relate. In multi-grant departments, these costs are allocated to the specific grants or funding sources to which they relate based on actual salaries and wages charged to the grants or other funding sources on a monthly basis.

### **8.9 Multi-grant allocations**

Costs within multi-grant departments are further allocated to the specific grants or funding sources related to those departments. Costs that cannot be directly charged to specific grants or funding sources will be allocated among the multiple grants using FTEs as a basis for the allocation. Three-digit grant/funding source numbers are used to segregate costs within departments.

## Section IV – Travel Expenses

### 9.1 Introduction

Reimbursement of travel and mileage expenses is based on the Standardized Government Travel Regulations and HSI internal policies. Reimbursement rates may be superseded by any specific grant restrictions that call for a lower reimbursement rate.

All travel and mileage is authorized by the employee's immediate supervisor. In addition, all out-of-state travel and mileage must have the advance authorization of the Department Manager.

1. Suites and other upgraded rooms at hotels are not allowed;
2. Travelers should stay in standard rooms.
3. When utilizing rental cars, travelers should rent midsize or smaller vehicles and share rental cars whenever possible.
4. Business-related long-distance telephone calls while away on business travel are permitted, but should be kept to a minimum; Expense reports should explain long-distance charges.

### 9.2 Use of Vehicle

In order to receive reimbursement for the rental of a vehicle for travel on agency business, the employee must submit a written justification of the need for the rental car, signed by his or her Department Manager, along with a receipt indicating the cost distribution of the amount expended.

When driving rental vehicles on agency business, employees must claim, on behalf of the agency, all discounts offered by the rental agency. The employee is to do all that is possible and practical to obtain exemption from applicable local and state taxes. A waiver eliminating the deductible for collision type losses may be available for an additional charge. Unless the rented vehicle is to be used outside the continental United States or the waiver is provided at no charge, the employee should not accept the waiver.

### 9.3 Other Forms of Travel

Employees may use the following forms of transportation, with prior approval of the immediate supervisor and the Department Manager, as stipulated below:

- a. Public Transportation: Use of local public transportation for HSI business is allowable, particularly when this mode of transportation is less expensive than reimbursing the employee for mileage.
- b. Air Travel: Travel by air must be in coach or tourist class.

- c. Trains: Train accommodations when traveling during the day must be in coach class, if available. If coach fare is not available during the day, one may occupy one seat in a sleeping berth or parlor car. Where night travel is involved, one standard lower berth is authorized.
- d. Taxicabs, shuttles and limousines: Employees will be reimbursed for taxi fares plus tip for travel between the employee's home or office whichever is applicable, and a common carrier terminal. Taxicab tips will be limited to 10% of the fare. Limousine service is to be used when the fare is less than that of a taxicab. Taxicab/limo expenses are to be reported on the HSI Travel Report Form and are to be supported by receipts.

#### **9.4 Expenses - Vehicles**

Employees using their personal automobiles for HSI business will be reimbursed at or below the current rate allowable under the Standard Government Travel Regulations. Reimbursement will include parking fees, parking meter fees, and bridge, road and tunnel tolls.

When an employee's business trip requires traveling from or returning to his/her home, mileage is paid for the lesser number of miles traveled between home and destination or office and destination.

Each employee is expected to keep a record of business miles traveled and expenses incurred to include points of travel and times of arrival/departure, and the purpose of the trip and related participant information, if appropriate. These records must be submitted to the employee's immediate supervisor on a monthly basis for review and approval. It is the immediate supervisor's responsibility to verify the accuracy of the report and the necessity and reasonableness of the travel. These reports will also be reviewed by the Accounting Department and returned to the immediate supervisor if not accurate or if information is missing. Employees will not be reimbursed for miles traveled while lost.

Parking ramp or parking lot expenses require a receipt. The receipt is to be attached to the HSI mileage report.

The standard used by the Accounting Department is the odometer readings for mileage from origin to destination. If miles change due to detours, the additional mileage should be listed and identified as such on the report. If no supporting documentation is included, the extra miles will not be paid.

HSI will not reimburse employees for parking tickets, speeding tickets or any other traffic violation which is incurred as a result of their travel, nor will the agency be held responsible for violations which occur when a staff member is using another person's or any agency vehicle. The latter shall also include tickets issued to HSI vehicles whether or not ticketing occurs during working hours. Tickets, fines or other costs, e.g., towing associated with a parking or traffic violation, shall be the responsibility of the employee.

## 9.5 Expenses – Other

When overnight travel of one or more days is involved, employees may request a per diem, which shall not exceed the anticipated number of days of travel. The minimum per diem reimbursement is \$35 per day. Travel advances are to be submitted a minimum of three weeks in advance to the Department Manager in order to insure that there is sufficient time for the Department Manager to process the request. The Department Manager is responsible for seeing that the advance request is approved and submitted to the Accounting Department no later than 5 working days prior to the commencement of the travel. While it is not always possible to give a full three week's notice for a travel advance, all efforts are to be made to give as much notice as possible.

Once the employee has completed the travel, he/she is expected to complete a HSI travel report form. HSI will pay the standard per diem allowance for M&IE (meals and incidental expenses) which is in accordance with the GSA Federal Register when overnight lodging is involved. (Higher rates apply for certain communities as per the Appendix 1-A of the Federal Travel Regulations.) M&IE will cover the cost of meals, tips, laundering/cleaning of clothing and transportation costs to restaurants as well as telegrams or telephone calls to arrange for lodging while on travel status.

HSI will pay the actual cost of lodging not to exceed the amounts as stated in the GSA Federal Register (higher rates apply for certain communities as per the Appendix 1-A of the Federal Travel Regulations.) To access these amounts, use the travel link at <http://policyworks.gov/org/main/mt/homepage/mtt/perdiem/perd04d.html>. Any exceptions to these amounts must have written justification accompanying the travel report. If lodging is prepaid, it is the responsibility of the employee to provide the Accounting Department with a copy of the hotel bill. Future travel reports will not be processed or reimbursed until the bill is received

Receipts for hotels are required. If the hotel cost is less than the rate allowable, only actual cost will be reimbursed.

The report must be completed, approved and filed within five working days of completion of travel. If the report is not filed within five days, the travel advance will be deducted from the employee's next pay check, as provided under Sections 3 above.

Per Diem is calculated on a calendar day, midnight to midnight basis. Per Diem is paid for overnight trips.

Transportation to and from airports, terminals, parking at terminals, and transportation to hotels is allowable. Travel to the nearest restaurant is considered part of transportation costs if a restaurant is not available in the hotel.



If a meal is provided while on travel status through payment of a registration or similar fee, deductions from the per diem are to be made in accordance with Federal Travel Regulations.

HSI will not provide reimbursement for expenses incurred by an employee's spouse or traveling companion where that individual is not an employee of HSI and where that individual has not been otherwise authorized for travel.

Employees conducting HSI business, who must utilize public telephones while traveling, will be reimbursed for the cost of the call made. If the call is to another HSI office, it should be made collect, unless the call is local.

## **9.6 Drivers License and Vehicle Insurance**

All HSI employees required to drive as part of their normal work duties are required to maintain a valid driver's license in accordance with applicable state law.

Proof of liability insurance must be filed with the Human Resources Department each time the policy coverage expires. Acceptable forms of proof are a Certificate of Insurance which an insurance agent can provide, a copy of the declaration page of the insurance policy or a renewal notice. Forms must show the name of the insurance agency, policy number, effective dates of coverage and the name of the employee. The employee's insurance coverage must equal or exceed state minimum requirements. Such proof of insurance must be in effect and received in the HR Department before travel expense reimbursement will be made.

## Section X – Bank Reconciliations

### 10.1 Bank Statements

Bank statements and cancelled checks for the operating and payroll accounts will be received directly, unopened, by the CFO for review before they are turned over to the Accounting Supervisor for reconciliation. The CFO will also review the reconciliation after it is prepared.

### 10.2 Outstanding Checks

HSI will follow state required procedures for escheating unclaimed funds to the Wisconsin State Treasury, Unclaimed Property Unit for the following:

<u>Property Type</u>	<u>Dormancy Period</u>
Un-cashed payroll checks	1 year
Un-cashed vendor checks, accounts payable, refunds due, or any other un-cashed checks.	5 years

An internal system for the purpose of ensuring that checks do not become dormant has been developed.

1. All checks will bear the statement "Void after 60 days".
2. At the end of every quarter, the Accounting Supervisor will review outstanding checks.
  - a. Letters will be sent to every vendor or other entity or employee who has not cashed checks before the 60 day period expired, advising them that the check has expired and requesting that they call the Accounting Department to have another check issued.
  - b. If there is no response, no additional action will be taken at that time, but a list will be maintained for future reference. Should the vendor, employee or other entity call at any time during before 180 days have passed, the original check will be voided and a new check sent to the vendor.
  - c. If a check goes un-cashed for more than six months, a second letter will be sent requesting a call to the Accounting Department. If during the next 90 days the vendor, employee, or other entity should call and ask that a check be reissued, a stop payment will be put on the original check and a new check will be issued.
  - d. If a payroll check remains un-cashed for one year, then these funds will be forwarded to the Wisconsin State Treasury, Unclaimed Property Unit. If an employee contacts HSI regarding payroll check issued more than 12

months ago, the employee will be referred to the Wisconsin State Treasury, Unclaimed Property Unit to claim funds.

- e. All other checks that remain un-cashed for 12 months or more will be placed in a doubtful account and held there until either the payees of the checks contact HSI for payment or until 5 years has passed from the date of issuance, at which time the funds will be sent to the Wisconsin State Treasury.

If a vendor or other entity contacts HSI for payment after the 5 years have expired, HSI will refer them to the Wisconsin State Treasury, Unclaimed Property Unit, to claim their funds.

### **10.3 Reconciling the Bank Accounts**

The Accounting Supervisor, or designee, is responsible for preparing a documented bank reconciliation for each operating account and payroll account. The bank balance must be reconciled to the corresponding cash account in the general ledger. Any variances in the reconciliations are investigated and resolved as soon as possible and no later than by the next monthly close. Unresolved variances are reported to the CFO for further follow-up. All reconciliations are kept on file in the Accounting Department.

### **10.4 Adjustments**

As a result of the bank reconciliation process, it may be necessary to make adjustments for items such as non-sufficient funds (NSF) checks, bank service fees, interest earned, etc. The Accounting Supervisor is responsible for preparing the necessary journal entries to record such adjustments in the general ledger. In order to maintain timely financial information, all adjustments are entered and posted to the general ledger as each account is reconciled.

### **10.5 Reconciliation Review**

The CFO is responsible for reviewing the completed bank reconciliations on a monthly basis, to ensure that:

1. All accounts have been satisfactorily reconciled
2. All necessary adjustments have been made
3. HSI has complied with escheat procedures
4. Any variances have been resolved
5. Any unusual or extraordinary items have been identified and investigated.

## **Section XI – Capitalization Policy for Capitalized Assets**

### **11.1 Scope**

This policy establishes requirements for the recording of capital assets in the HSI fixed asset accounting system to enable HSI to identify the location, use, and status of its capital assets.

### **11.2 Capital Assets**

Capital assets are nonexpendable tangible personal and real property having a useful life of more than one year and an acquisition cost of more than \$1,000 per unit. In the event that a group of like assets are purchased at the same time, with the same purchase order, where the aggregate total of the purchases totals \$1,000 or more excluding shipping, such items will be capitalized. (For example: 50 \$20 chairs, or 10 \$100 window blinds.) In some cases, items will be expensed, rather than capitalized, when applicable grant provisions so require.

### **11.3 Acquisition Cost**

Acquisition cost means the net invoice unit price of a capital asset, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.

Ancillary charges, such as protective in-transit insurance, freight, and installation shall be included in the acquisition cost.

If acquisition occurs through a capital lease, the CFO will research available terms and will be responsible for negotiating leases with appropriate rates of interest and other lease provisions.

### **11.4 Real Property**

Title to real property acquired under a grant vests in HSI upon acquisition. Except as otherwise provided by law, real property is used for the originally authorized purpose(s) as long as it is needed for that purpose and HSI does not dispose of or encumber its title or other interests. When real property is no longer needed for the originally authorized purpose, HSI requests disposition instructions from the awarding agency to include retention of title, sale of the property, or transfer of title. Appropriate payments to/from HSI may be required to make all parties to the transaction whole.

### **11.5 Equipment**

Title to equipment acquired under a grant vests in HSI upon acquisition. Uses of equipment are as follows:

- a. In the program for which acquired, even if the program is no longer supported by agency funds
- b. In other program(s) currently or previously supported by another agency
- c. In other program(s) currently or previously supported by another agency if such use will not interfere with use in the program for which originally acquired. First preference is given to other programs of the original awarding agency. User fees may be appropriate.
- d. Unless otherwise permitted, equipment is not to be used to provide services for a fee to compete unfairly with private companies that provide equivalent services.
- e. Original equipment may be used as trade in or as a source of cash for replacement equipment, with permission.

### **11.6 Fixed Assets Schedule**

A fixed assets schedule will be maintained and will include the following information:

- a. A description of the asset.
- b. Manufacturer's serial number, model number, Federal stock number, or other identification number.
- c. Source of asset, including the HSI grant number.
- d. Whether title vests with HSI or the Federal Grantor.
- e. Acquisition date (or date received, if the asset was furnished by the Federal Government) and cost.
- f. Information regarding the percentage of Grantor participation in the cost of the asset (not applicable to assets furnished by the Federal Government).
- g. Location and condition of asset and the date the information was reported.
- h. Disposition data, including date of disposal and sale price or the method used to determine current fair market value where HSI compensates the Federal awarding agency for its share.

### **11.7 Financial Statement Presentation**

Capital assets purchased with grantor funds will be acquired only with prior approval from the Grantor. In accordance with the grantor approval and for grant accounting purposes, capital assets purchased with grant award funds are charged to expense in the period of purchase instead of being depreciated over useful lives. As a result, the cost of the assets purchased during the year is reflected as an expense in the statement of revenue, expenses, and changes in net assets. For balance sheet purposes, the cost of capital assets purchased with grant funds are recorded as assets with accumulated depreciation calculated over the estimated useful lives of the assets. Appropriate adjustments are made to fund balances to reflect depreciation net of the total write-off of the assets for grant reporting purposes.

Capital assets purchased with non-grantor funds are capitalized at cost and depreciated over their estimated useful lives using the straight line depreciation method with 1/2 years' depreciation taken in the year of addition and 1/2 year in the year of disposal.

### 11.8 Physical Inventory of Assets

A physical inventory of assets shall be taken and the results reconciled with the asset records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the reasons for the difference. Each inventory will include verification of the existence, current utilization, and continued need for each asset.

### 11.9 Effective Date

This revised asset capitalization policy shall be effective retroactive to January 2006.

#### HSI Useful Lives of Capital Assets

Buildings:	
New	35 years
Used/remodeling of existing structures	<del>25</del> 15 years
Leasehold improvements	Over term of lease
Computers	3 years
Office equipment	3 years (or 5? MD?)
Telephone systems	5 years
Vans	4 years
Autos	4 years
Playground equipment	5 years
Day care equipment	5 years
Multi-passenger buses	5 years
Office Furniture	7 years