Manchester Essex Regional School District

Internal Control Manual for Federal Grants

This internal control document is to be used to ensure compliance with the Education Department General Administrative Regulations (EDGAR)

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Introduction

The manual sets forth the policies and procedures used by Manchester Essex Regional School District (MERSD) to administer federal funds. The manual contains the internal controls and grant management standards used by the District to ensure that all federal funds are lawfully expended. It describes in detail the District's financial management system, including cash management procedures, procurement policies; inventory management protocols; procedures for determining the allowability of expenditures; time and effort reporting; record retention; and sub-recipient monitoring responsibilities. New employees of the District, as well as incumbent employees, are expected to review this manual to gain a familiarity and understanding of the Districts rules and practices.

I. Financial Management System

The District maintains a proper financial management system in order to receive both direct and state-administered grants to expend funds associated with a grant award. Certain fiscal controls and procedures must be in place to ensure that all financial management system requirements are met. Failure to meet a requirement may result in return of funds or termination of the award.

The regulations allow awards to be terminated if an award no longer effectuates the program goals or agency priorities.

A. Financial Management Standards

The required standards included:

Identifications

The District must identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification must include, as applicable, the CFDA title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity.

Financial Reporting

Accurate, current and complete disclosure of the financial results of each federal award or programs must be made in accordance with the financial reporting requirements set forth in the Education Department General Administrative Regulations (EDGAR).

Accounting Records

The District must maintain records which adequately identify the source and application of funds provided for federally-assisted activities. These records must contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, income, expenditures and interest and be supported by the source documentation.

Internal controls

Effective control and accountability must be maintained for all funds, real and personal property, and other assets. The District must adequately maintain all such property and must assure that it is used solely for authorized purposes.

Internal controls are tools to help program and financial managers achieve results and maintain the integrity of their program. Internal controls should be designed to provide reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations;
- Adequate safeguarding of property;
- Assurance that property and money is spent in accordance with the grant program(s) and to further the selected objectives; and
- Compliance with applicable laws and regulations.

Budget Control

Actual expenditures or disbursements must be compared with budgeted amounts for each federal award.

Cash Management

The District must maintain written procedures to implement the cash management requirements found within EDGAR.

Please see page 17 for these written cash management procedures.

Allowable Costs

The District must maintain written procedures for determining allowability of costs in accordance with EDGAR.

Please see page 6 for these written allowability procedures.

B. Overview of the Financial Management/ Accounting System

The Manchester Essex Regional School District utilizes Infinite Visions Accounting system. Infinite Visions is the primary system for purchasing, budget, and accounting. Separate inventory systems exist for fixed assets, which consist of information technology hardware. Fixed assets are managed by the Director of Finance. The Network Administrator/Technology Manager is responsible for the inventory of all hardware and software district-wide. Grant managers are responsible for the inventory of items purchased with grant funds from the time of purchase through their disposal. All inventories are reviewed on an annual basis.

Once a grant award notice (GAN) is received by the District, the Director of Finance and grant manager meet to review the planned expenditures compared to the approval. If the award is a new grant, the Director of Finance will create the necessary organization code. Once the code is established, the Director of Finance will compile the list of organization, object and project codes for

Infinite Visions based on the GAN. Once established, the Director of Finance prepares and submits the budget entry form.

Once reviewed and approved by the Director of Finance, the budgets are available for use. All grant expenditures must be within the dates of the grant award (start and end dates). Budgeted amounts in Infinite Visions must match the current grant award notice. If an amendment is approved, Infinite Visions should be updated within 14 days of receipt of the GAN.

C. Budgeting

The Planning Phase: Meetings and Discussions

Before receiving the Grant Award Notice (GAN): Once a grant opportunity has been identified, the appropriate Administrator is notified of the potential grant funds. This notification should include the following information:

1. Source of funds;
2. Purpose of grant;
3. Benefits to the students;
4. Identification of grant manager;
5. Timeline for application and approval;
6. Match requirements, if applicable; and
7. Potential amount and length of funds.

By School Committee policy, the Superintendent must review and approve all grant applications. If the Superintendent approves the concept of applying for the grant, the grant manager should meet with the appropriate Administrator and Director of Finance. These meetings are designed to review the timeline, curriculum/ technology/ student services impacts, match requirements, grant reporting requirements, budget development/ projections and potential concerns. When possible, the grant budget should include the costs associated with fringe benefits for all employees charged to the grant. If the grant could impact other departments, a list of individuals is developed for the grant manager to have a follow-up discussion with. For instance, if an application could result in technology purchases, the Director of Technology would be involved in the planning process.

Grant funds can supplement the Manchester Essex Regional School District's budget but in most cases, cannot supplant budgeted funds. Supplanting is allowable in grants with specific language allowing the practice (i.e. ESSER II funds do not contain a supplanting prohibition). Therefore, when possible, it is critical that the grant application be developed in conjunction with the Manchester Essex Regional School District annual budget. Finally, grant managers should first make use of existing furniture and equipment before considering purchasing new items with grant funds. Principals, the Network Administrator/Technology Manager, and Facilities Director are good resources to locate available furniture and equipment for use.

Pension costs and reporting requirements should be discussed when preparing the application. Federally-funded grants are required to set aside an additional 9% of the total salary for Massachusetts Teacher's Retirement System (MTRS) eligible employees.

When possible, MERSD does not fund MTRS eligible individuals with federal grant funds.

Reviewing and Approving the Budget: Before the grant application is completed (preferably 14 days in advance of the grant application deadline), the Director of Finance reviews the items in the budget to ensure allowability. See Section I for a discussion on performing allowability determinations. If the Director of Finance determines that a cost is not allowable, then the grant application is returned to the grant manager noting the items that are ineligible and suggestions for modification. The grant manager, in conjunction with the Director of Finance, will collaboratively revise the grant budget to ensure all items meet the allowability determination.

After Receiving the GAN

After receiving the GAN, the approved budget can be loaded into Infinite Visions. If the GAN mirrors the grant submission budget, the GAN amounts are loaded into Infinite Visions without additional discussions. If the GAN amounts vary from the submission (whether increased or decreased), the grant manager and the Director of Finance meet to review the differences and implications for the variance. A revised budget is developed based on the GAN and program objectives. The revised amounts, in sync with the GAN, are then loaded into Infinite Visions by the Director of Finance and circulated to the grant manager using a budget entry form.

Amending the Budget

The District ensures grant amendments are submitted and approved in advance of the needs. Grant amendments can be made for financial and/or programmatic purposes. The grant manager, appropriate Administrator, or the Director of Finance can propose a grant amendment. If a grant amendment is financial in nature, the Director of Finance shall review in advance of submission. Grant amendments must be submitted in advance of need; implementation of the amendment (either financial or programmatic) is reliant on the amendment approval date. Regardless of who submits the amendment to the funding agency, a signed copy must be provided to the Director of Finance.

Budget Control

The District monitors its financial performance by comparing and analyzing actual results with budgeted expectations. The Director of Finance runs year-to-date budget reports for all grant funds, throughout the grant cycle, typically on a monthly basis, which are sent to each grant manager. If significant variances exist, or a trend that may lead to a significant variance is determined by the Director of Finance, the administrator and grant manager is notified. The administrator and grant manager will determine if an amendment is appropriate.

D. Accounting Records

Accounting records are kept in hard copy. The Business Office is responsible for the maintenance of all purchase orders and related accounting records in conformance with the Municipal Records Retention Schedule. The web address for the retention schedule is: http://www.sec.state.ma.us/arc/arcpdf/MA_Municipal_Records_Retention_Manual.pdf. Relevant definitions in this section include the following:

- Asset is defined as anything owned by an individual or a business, which has commercial or exchange value. Assets may consist of specific property or claims against others, in contrast to obligations due to others.
- Liability is defined as a loan, expense, or any other form of claim on the assets of an entity that must be paid or otherwise honored by that entity.
- Revenue is defined as the inflows of assets from selling goods and providing services to customers; including the reduction of liabilities from selling goods and providing services to customers.
- Expense is defined as the amount of assets or services used during a period.

If an error is found while reviewing the year-to-date Infinite Visions budget reports, the individual will notify the Director of Finance. If necessary, a journal entry reviewed by the Director of Finance will be entered with supporting documentation.

The Chart of Accounts for the grant fund organization codes was set up so that an individual could track expenses by fund, fiscal year, award year, and source of funds. In MERSD, the project code designates expenses by fiscal year. Below is an outline detailing the structure of the organization codes for grant funds:

Fund Codes:

300 Series – Federal Grant Codes

Annual federal entitlement grants have a three-digit fund code on MERSD's Chart of Accounts that begins with a 3 for federal grants. The 2nd digit will reflect the fiscal year (e.g. 7 is used for all fiscal 20 grants, 8 for fiscal 21 grants and 9 for fiscal 22 grants, etc. This cycle repeats every 10 years). The 3rd and final digit will reflect the specific grant. For example, the following FY22 federal entitlement grants are tracked in MERSD's Chart of Accounts.

- 391: FY22 Title I (DESE Fund Code 305)
- 392: FY22 Title II A (DESE Fund Code 140)
- 394: FY22 Title IV (DESE Fund Code 309)
- 396: FY22 IDEA (DESE Fund Code 240)
- 397: FY22 Early Childhood Special Education (DESE Fund Code 262)

The 3-digit fund code for State Grants begin with a 2.

Object Codes:
The District utilizes the object code that is appropriate for the anticipated purposes of the expense.

E. Spending Grant Funds

As the recipient of federal funds, MERSD is responsible for administering the grant consistent with the grantors' terms and conditions. Federal funds must be administered in a manner consistent with the cost principles contained in EDGAR and 2 CFR Part 200 the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. The Director of Finance is responsible for ensuring compliance with EDGAR and 2 CFR Part 200.

Although each grant may have specific allowable and unallowable costs, MERSD adheres to the federal cost principles when developing and administering the grant award. Federal cost principles require costs to be allowable, reasonable, and allocable.

To meet the definition of "allowable" a cost must be:

1. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
2. Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
3. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
4. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
5. Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
6. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
7. Be adequately documented.
8. Cost must be incurred during the approved budget period.

To meet the definition of "reasonable," the cost of the good or service does not exceed the amount a prudent person would spend on an item at the time the decision was made to incur the cost. Reasonable is further defined as:

1. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
2. The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
3. Market prices for comparable goods or services for the geographic area.
4. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
5. Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

To meet the definition of “allocable,” the cost of the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. Allocable is further defined as:

1. Costs are incurred specifically for the Federal award.
2. Costs can be distributed in proportions that may be approximated using reasonable methods.
3. Costs necessary to the overall operation of the non-Federal entity.
4. Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.
5. Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit.

These definitions are copied from the Code of Federal Regulations (CFR).

While developing and reviewing the grant budget, the Director of Finance should keep in mind the difference between direct costs and indirect costs.

Direct and Indirect Costs

Determining whether a cost is direct or indirect:

Direct costs are those costs that can be identified specifically with a final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

Indirect costs are those that have been incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards.

Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award.

The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- Administrative or clerical services are integral to a project or activity;

- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
- The costs are not also recovered as indirect costs.

Indirect Cost Rate: The Massachusetts Department of Elementary and Secondary Education (MA DESE) determines an unrestricted and restricted indirect cost rate for every district in the Commonwealth. The rates are determined annually based on information submitted in the End of Year report and are the maximum allowable rate for any fiscal year.

A state educational agency may approve an indirect cost rate for longer than one year. According to MA DESE, if a district utilizes an indirect cost figure, it must be equal to or less than the currently approved restricted rate. The decision to recover indirect costs using these established rated is a local option. MERSD does not apply an indirect cost rate to federal grants.

The MA DESE Grants Procedure Manual provides the following information on calculating the indirect cost allowable for a grant. The grant manual, and other important information, can be found at http://www.doe.mass.edu/grants/procedure/manual.html. Indirect rates cannot be applied to capital expenditures or to the indirect cost themselves. The following formula is recommended:

1. Total entitlement;
2. Minus capital expenditures (Line 10); and
3. Divided by one plus the restricted rate.

The resulting amount is the amount that can be used for grant activities. When this amount is subtracted from the total entitlement, the result equals the amount allowed for indirect cost.

If indirect costs are recovered, they shall be returned to the general fund of the city or town in accordance with Massachusetts General Laws, Chapter 44, Section 53.

Applying the Indirect Cost Rate: Once the District has an approved indirect cost rate, the percentage is multiplied against the actual direct costs (excluding distorting items such as equipment, contracts in excess of $25,000, pass-through funds, etc.) incurred under a particular grant to produce the dollar amount of indirect costs allowable to that award.

Once the District applies the approved rate, the funds that may be claimed for indirect costs have no federal accountability and may be used as if they were non-federal funds. For Direct Grants, reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions.

Where a federal program has a specific cap on the percentage of administrative costs that may be charged to a grant, that cap must include all direct administrative charges as well as any recovered indirect charges.

Determining Allowability of Costs

Expenditures must be aligned with approved budgeted items. Any changes or variations from the state-approved budget and grant application need prior approval from the state.

When determining how the District will spend its grant funds, the Director of Finance will review the proposed cost to determine whether it is an allowable use of federal grant funds *before* obligating and spending those funds on the proposed good or service. All costs supported by federal education funds must meet the standards outlined in EDGAR, 2 CFR Part 3474 and 2 CFR Part 200, which are provided in the bulleted list below. The Director of Finance must consider these factors when making an allowability determination. Additional helpful questions to ask when making allowability determinations are located on page 17 of this policy.

Be Necessary and Reasonable for the Performance of the Federal Award.

District staff must consider these elements when determining the reasonableness of a cost. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.

When determining reasonableness of a cost, consideration must be given to:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of the District or the proper and efficient performance of the federal award.
- The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the District, its employees, its students, the public at large, and the federal government.
- Whether the District significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost.

While 2 CFR 200.404 does not provide specific descriptions of what satisfies the "necessary" element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether the district can demonstrate that the cost addresses an existing need and can prove it. For example, the District may deem a language skills software program necessary for a limited English proficiency program.

When determining whether a cost is necessary, consideration may be given to:

- Whether the cost is needed for the proper and efficient performance of the grant program.
- Whether the cost is identified in the approved budget or application.
- Whether there is an educational benefit associated with the cost.
- Whether the cost aligns with identified needs based on results and findings from a needs assessment.
- Whether the cost addresses program goals and objectives and is based on program data.

Allocable to the federal award.

A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program.

For example, if 50% of a teacher's salary is paid with grant funds, then that teacher must spend at least 50% of his or her time on the grant program.

Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the District.

Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.

Consistent treatment.

A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.

Adequately documented.

All expenditures must be properly documented.

Be determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200.

Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such.

Some federal program statutes require the non-federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program.

Be the net of all applicable credits.

The term "applicable credits" refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate.

Purchases for goods and services paid for with grant funds shall be net of all applicable credits. To avoid the earning of "credits" where the benefits are not reimbursable or credited to the federal grant, personal reimbursements are discouraged for purchases made with federal grant funds. The district will take advantage of all prompt pay discounts. All payments from federal grants shall be processed through the Town's accounting system either through the invoice payment process or Town credit card.

Part 200's cost guidelines must be considered when federal grant funds are expended. As provided above, federal rules require state- and District-level requirements and policies regarding expenditures to be followed as well. For example, state and/or District policies relating to travel or equipment may be narrower than the federal rules, and the stricter State and/or District policies must be followed. Further, certain types of incentives are allowable under federal law, but are not allowable under State law.

Selected Items of Cost

Part 200 examines the allowability of 56 specific cost items (commonly referred to as Selected Items of Cost).

These cost items are listed in the chart below along with the citation where it is discussed whether the item is allowable. Please do not assume that an item is allowable because it is specifically listed in the regulation as it may be unallowable despite its inclusion in the selected items of cost section. The expenditure may be unallowable for several reasons, including: the express language of the regulation states the item is unallowable; the terms and conditions of the grant deem the item unallowable; or State/local restrictions dictate that the item is unallowable. The item may also be unallowable because it does not meet one of the cost principles, such as being reasonable because it is considered too expensive. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

District personnel responsible for spending federal grant funds and for determining allowability must be familiar with the Part 200 selected items of cost section. The District must follow these rules when charging these specific expenditures to a federal grant. When applicable, District staff must check costs against the selected items of cost requirements to ensure the cost is allowable. In addition, State, District and program-specific rules may deem a cost as unallowable and District personnel must follow those non-federal rules as well.

The selected item of cost addressed in Part 200 includes the following (in alphabetical order):

Item of Cost	**Citation of Allowability Rule**
Advertising and public relations	2 CFR § 200.421
Item of Cost	**Citation of Allowability Rule**
Advisory councils (Allowable with Special Conditions)	2 CFR § 200.422
Alcoholic beverages (Unallowable)	2 CFR § 200.423
Alumni/ae activities	2 CFR § 200.424

Audit services	2 CFR § 200.425
Bad debts (Unallowable)	2 CFR § 200.426
Bonding costs	2 CFR § 200.427
Collection of improper payments (Allowable)	2 CFR § 200.428
Commencement and convocation costs	2 CFR § 200.429
Compensation – personal services (Allowable with Special Conditions)	2 CFR § 200.430
Compensation – fringe benefits (Allowable with Special Conditions)	2 CFR § 200.431
Conferences	2 CFR § 200.432
Contingency provisions	2 CFR § 200.433
Contributions and donations	2 CFR § 200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 CFR § 200.435
Depreciation	2 CFR § 200.436
Employee health and welfare costs	2 CFR § 200.437
Entertainment costs (Allowable with Prior Approval)	2 CFR § 200.438
Item of Cost	**Citation of Allowability Rule**
Equipment and other capital expenditures (Allowable with Prior Approval)	2 CFR § 200.439
Exchange rates	2 CFR § 200.440
Fines, penalties, damages and other settlements	2 CFR § 200.441

Fund raising and investment management costs	2 CFR § 200.442
Gains and losses on disposition of depreciable assets	2 CFR § 200.443
General costs of government	2 CFR § 200.444
Goods and services for personal use	2 CFR § 200.445
Idle facilities and idle capacity	2 CFR § 200.446
Insurance and indemnification	2 CFR § 200.447
Intellectual property	2 CFR § 200.448
Interest	2 CFR § 200.449
Lobbying	2 CFR § 200.450
Losses on other awards or contracts	2 CFR § 200.451
Maintenance and repair costs	2 CFR § 200.452
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454
Organization costs	2 CFR § 200.455
Item of Cost	**Citation of Allowability Rule**
Participant support costs (Allowable with Prior Approval)	2 CFR § 200.456
Plant and security costs	2 CFR § 200.457
Pre-award costs	2 CFR § 200.458

Professional services costs	2 CFR § 200.459
Proposal costs	2 CFR § 200.460
Publication and printing costs	2 CFR § 200.461
Rearrangement and reconversion costs	2 CFR § 200.462
Recruiting costs	2 CFR § 200.463
Relocation costs of employees	2 CFR § 200.464
Rental costs of real property and equipment	2 CFR § 200.465
Scholarships and student aid costs	2 CFR § 200.466
Selling and marketing costs	2 CFR § 200.467
Specialized service facilities	2 CFR § 200.468
Student activity costs	2 CFR § 200.469
Taxes (including Value Added Tax)	2 CFR § 200.470
Telecommunication costs and video surveillance costs	2 CFR § 200.471
Termination costs	2 CFR § 200.472
Item of Cost	**Citation of Allowability Rule**
Training and education costs (Allowable)	2 CFR § 200.473
Transportation costs	2 CFR § 200.474
Travel costs	2 CFR § 200.475

Trustees	2 CFR § 200.476

Likewise, it is possible for the State and/ or District to put additional requirements on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, employees must consult Federal, State and District requirements when spending federal funds. Massachusetts procurement laws are more restrictive than the federal guidelines; therefore, all purchases must follow state procurement laws.

In order for a cost to be allowable, the expenditure must also be allowable under the applicable program statute (e.g., Title I of the Elementary and Secondary Education Act (ESEA), along with accompanying program regulations, non-regulatory guidance and grant award notifications.

The State and/ or District rules related to some specific cost items are discussed below:

- Technology purchases (hardware, software, and web-based systems) require the prior approval of the Director of Technology. New purchases must be compatible with current operating, storage and network configurations
- Furniture (including carpet) purchase require the prior approval of the Director of Finance. The following fire requirements must be met:
    - Carpets: must meet Class II interior finish and comply with National Fire Protection Association (NFPA) 253 and meet the state building code regulations (780 CMR 780). Carpets must meet the "pill test" and meet the Department of Commerce (DOC) FF-1 "pill test" as stated in the Code of Federal Regulations 16 CFR, Part 1630. Permanent labels must be affixed to the carpet ensuring compliance with the above stated fire requirements.
    - Furniture: All furniture purchases must comply with the California Technical Bulletin 133 and regulated by 527 CMR 29 (Board of Fire Protection Regulations). Permanent labels must be affixed to the furniture ensuring compliance with the above stated fire requirements.
    - Decorations, Curtains, Draperies, Blinds and Other Window Treatments: All purchases in this category shall meet the applicable test(s) described in NFPA 701 and regulated by 527 CMR 21 (Board of Fire Protection Regulations).
- Professional development (workshops, conferences, and consultants) require prior approval by the Director of Curriculum & Instructional Technology or the Director of Student Services. All professional development must be in line with the planned district-wide professional development.

District employees must be aware of these State and District rules and ensure they are complying with these requirements.

Frequent Types of Costs

Travel: Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of a grant recipient.

Such costs may be charged on an actual basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the recipient's non-federally funded activities and in accordance with the recipient's written travel reimbursement policy.

Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the District in its regular operations. In addition, if these costs are charged directly to the federal award, documentation must be maintained that justifies that:

(1) participation of the individual is necessary to the federal award; and
(2) the costs are reasonable and consistent with the District's established policy.

Helpful Questions for Determining Whether a Cost is Allowable

In addition to the cost principles and standards described above, the Assistant Superintendent for Finance and Operations or Director of Accounting and Business Services and the grant manager can refer to this section for a useful framework when performing an allowability analysis. In order to determine whether federal funds may be used to purchase a specific cost, it is helpful to ask the following questions:

- Is the proposed cost allowable under the relevant program?
- Is the proposed cost consistent with an approved program plan and budget?
- Is the proposed cost consistent with program specific fiscal rules?
- For example, the District may be required to use federal funds only to supplement the amount of funds available from nonfederal (and possibly other federal) sources.
- Is the proposed cost consistent with EDGAR?
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

As a practical matter, the Director of Finance, appropriate Administrator, and the grant manager should also consider whether the proposed cost is consistent with the underlying needs of the program. For example, program funds must benefit the appropriate population of students for which they are allocated. This means that, for instance, funds allocated under Title III of the Elementary and Secondary Education Act (ESEA) governing language instruction programs for limited English proficient (LEP) students must only be spent on LEP students and cannot be used to benefit non-LEP students, unless specified in the GAN. Further, under most major elementary and secondary education programs, recipients may use federal funds only to supplement the amount of funds available from nonfederal sources for the education of students participating in the program. The recipients cannot use federal funds to supplant nonfederal funds that would otherwise have been used for the expenditure in question. Supplanting is only allowable when the awarding authority provides specific authorization allowing supplanting.

Also, funds should be targeted to address areas of need, as necessary. To make this determination, the Business Office should review data when making purchases to ensure that federal funds to meet these areas of concern. This should be a collaborative effort of the Director of Finance and the Purchasing Agent who review and approve requisitions and tracks grant expenditures.

F. Federal Cash Management Policy/ Procedures

The District will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the District, in accordance with the Cash Management Improvement Act.

Generally, the District receives payment from the Massachusetts Department of Elementary and Secondary Education, the Massachusetts Department of Public Health, and the Massachusetts Department of Early Education and Care on a reimbursement basis.

However, if the District receives an advance in federal grant funds, the District will remit interest earned on the advanced payment quarterly to the federal agency. The District may retain interest amounts up to $500 per year for administrative expenses.

> *According to guidance from the U.S. Department of Education (ED), when calculating the interest earned on ED grant funds, regardless of the date of obligation, interest is calculated from the date that the federal funds are drawn down from the G5 system until the date on which those funds are disbursed by the LEA.*

Interest would not accrue if the LEA uses nonfederal funds to pay the vendor and/or employees prior to the funds being drawn down from the G5 system, commonly known as a reimbursement.

Payment Methods

Reimbursements: The District will initially charge federal grant expenditures to nonfederal funds. The Director of Finance will request reimbursement for actual expenditures incurred under the federal grants on a monthly basis.

The Massachusetts Department of Elementary and Secondary Education (MA DESE) manages all grants through Ed Grants (Grantium), their web-based grants management system. Access to Ed Grants is managed by the Director of Finance. Prior to the end of each month, the Director of Finance will review the year-to-date expenditure reports. Based on the actual monthly expenditures and anticipated expenditures for the next 30 days, a monthly expenditure report may be submitted for each grant. If a grant has had no funds expended in the past month, a submission may not occur. Documentation of funds requested, should be tracked in the year-to-date expenditure reports.

All reimbursements are based on actual disbursements, not on obligations. In addition, cash requests do not include the amounts paid by MA DESE to the Massachusetts Retirement Board (MTRB).

The Massachusetts Department of Elementary and Secondary Education (MA DESE) will process reimbursement requests in a timely manner. Consistent with state and federal requirements, the District will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for the MA DESE and/or auditor's review upon request. Reimbursements of actual expenditures do not require interest calculations.

Advances: To the extent the District receives advance payments of federal grant funds, the District will strive to expend the federal funds on allowable expenditures as expeditiously as possible, and within the next 30 days. The District will hold federal advance payments in interest-bearing accounts, unless an allowable exception applies. The District will begin to calculate interest earned on cash balances once funds are deposited into the District's account.

Interest will be calculated quarterly, based on the sample calculation methodology below listed. Total federal grant cash balances will be calculated on cash balances per grant and applying the District's actual interest rate. The District will remit interest earned (annually) to the appropriate entity. The District may retain up to $500 of interest earned per year.

Sample Calculation Methodology – Federal Interest

Total of all federal daily balances in reporting period (e.g. January 1 – January 31) = $50,000

Step 1: Calculate the Average Daily Balance

1. Divide the total of advances (all federal funds) in reporting period by the number of days in reporting period.
2. Total of all daily balances in the reporting Period = $50,000.
3. Actual number of days in the reporting period (month) = 31
4. Average daily balance = $1,612.90

Step 2: Calculate the Annual Interest Amount

1. Multiply the average daily balance by the actual interest rate
2. Average daily balance = $1,621.90
3. Actual interest rate = 1.045%
4. Annual interest amount = $16.95

Step 3: Calculate the Daily Interest Amount

1. Divide interest amount by number of days in year.
2. Annual interest amount = $16.95
3. Number of days in year = 365
4. Daily interest amount = $0.0464

Step 4: Calculate the Total Federal Interest Due

1. Multiply the daily interest amount by number of days in reporting period
2. Daily interest amount = $0.0464
3. Number of days in reporting period = 92
4. Total federal interest due = $1.18

G. Timely Obligation of Funds

When Obligations are Made

Obligations are orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.

The following table illustrates when funds are determined to be obligated under federal regulations:

If the obligation is for:	**The obligation is made:**
Acquisition of real or personal property	On the date which the District makes a binding written commitment to acquire the property

Personal services by an employee of the District	When the services are performed
Personal services by a contractor who is not an employee of the District	On the date which the District makes a binding written commitment to obtain the services
Public utility services	When the District receives the services
Travel	When the travel is taken
Rental of real or personal property	When the District uses the property
A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR part 200, Subpart E- Cost Principles.	On the first day of the project period.

Period of Performance of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project.

This period is known as the period of performance. The period of performance is dictated by statute and will be indicated in the GAN. Further, certain grants have specific requirements for carryover funds that must be adhered to.

State-Administered Grants: As a rule, state-administered federal funds are available for obligation within the year that Congress appropriates the funds for. However, given the unique nature of educational institutions, for many federal education grants, the period of availability is 27 months. Federal education grant funds are typically awarded on July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following year.

This maximum period includes a 15-month period of initial availability, plus a 12-month period for carryover. For example, funds awarded on July 1, 2020 would remain available for obligation through September 30, 2022.

Direct Grants: In general, the period of availability for funds authorized under direct grants is identified in the GAN.

For both state-administered and direct grants, regardless of the period of availability, the District must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period unless an extension is authorized.

Any funds not obligated within the period of availability or liquidated within the appropriate timeframe are said to lapse and must be returned to the awarding agency.

Consequently, the District closely monitors grant spending throughout the grant cycle.

Carryover

State-Administered Grants: As described above, the Tydings Amendment extends the period of availability for applicable state-administered program funds. Essentially, it permits recipients to "carryover" any funds left over at the end of the initial 15-month period into the next year. These leftover funds are typically referred to as carryover funds and continue to be available for obligation for an additional 12 months.

Accordingly, the District may have multiple years of grant funds available under the same program at the same time.

Once a carryover GAN has been received by the grant manager, the GAN is provided to the Director of Finance to update the grant binder.

For example, if the Special Education I.D.E.A. (Fund 240) grant was authorized in fiscal year 2020, the MERSD internal fund code assigned and recorded in InfiniteVisions General Ledger software would be 376. If the carryover of excess funds was approved by the Massachusetts Department of Elementary and Secondary Education (MA DESE), the internal fund code would remain the same but spending would be tracked in both the fiscal year 2020 and 2021 databases.

The Director of Finance monitors all grant expenditures.

Direct Grants: Grantees receiving direct grants are not covered by the 12-month Tydings period.

However, under 2 CFR 200.308, direct grantees enjoy unique authority to expand a direct grant automatically for one 12-month period. Prior approval is not required in these circumstances; however, in order to obtain this extension, the District must provide written notice to the federal awarding agency at least 10 calendar days before the end of the period of performance specified in the award. This one-time extension may not be exercised merely for the purpose of using unobligated balances.

Six months before the grant is set to expire, the Director of Finance and the grant manager shall meet to review closing out the grant. If a surplus is anticipated due to unmet program objectives, the grant manager will notify the awarding authorities Project Manager and understand the steps, justification and timeline needed to request an extension of the grant. The grant manager will then inform the Superintendent and the Director of Finance of the following:

(1) The grant objectives that were not met and the financial implications;
(2) Explanation of why the objectives were not met;
(3) Financial and/ or personnel impacts on MERSD if an extension is granted
(4) Revised period of performance; and

(5) Steps, justification and timeline needed to complete the extension request.

If approved by the Superintendent, the grant manager will complete the steps necessary to seek an extension.

The District will seek prior approval from the federal agency when the extension will not be contrary to federal statute, regulation or grant conditions and:

- The terms and conditions of the Federal award prohibit the extension;
- The extension requires additional Federal Funds; or
- The extension involves any change in the approved objectives or scope of the project.

H. Program Income

Definition

Program income means gross income earned by a grant recipient that is directly generated by a supported activity or earned as a result of the federal award during the grant's period of performance.

Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with federal award funds. Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. Additionally, taxes, special assessments, levies, fines and other such revenues raised by a recipient are not program income unless the revenues are specifically identified in the federal award or federal awarding agency regulations as program income. Finally, proceeds from the sale of real property, equipment, or supplies are not program income.

Use of Program Income

The default method for the use of program income for the District is the deduction method: 2 CFR 200.307(e).

Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Program income will only be used for current costs unless the District is otherwise directed by the federal awarding agency or pass-through entity. The LEA may also request prior approval from the federal awarding agency to use the addition method. Under the addition method, program income may be added to the Federal award by the federal agency and the non-federal entity. The program income must then be used for the purposes and under the conditions of the federal award.

While the deduction method is the default method, the District always refers to the GAN prior to determining the appropriate use of the program income.

II. Procurement System

The District maintains the following purchase procedures.

A. Responsibility for Purchasing

The Director of Finance is the purchasing agent for the school district and as such, retains the authority to review and approve all purchases. He may delegate the review of purchase order requests to the Accounts Payable specialist. Manchester Essex Regional Schools requires all requests to purchase goods or services be initiated through the Infinite Visions financial system. Principals and central office administrators may request access to the Infinite Visions system for their employees. Training on the Infinite Visions is conducted in house by the central office with aid from Tyler Technologies.

Requisitions are entered by an approved user. Users have access to accounts that fall within their department (e.g., individual school, special education, or facilities) for all non-salary account. Central office users have access based on their roles and responsibilities. School based entries are initially approved by the building principal. Operating department based entries outside of schools (e.g., facilities, student services, technology) are approved by the department manager. The Director of Finance or Accounts Payable verifies appropriate account codes, ensures that the purchase description reflects an allowable cost, checks the requisition to ensure sufficiency of budgeted funds, and then completes the purchase order processing after a final review. Budgetary controls are assigned to individual accounts, based upon the approved grant budget, in order to prevent a user from processing a requisition in excess of the budgeted amounts. Printed purchase orders are processed by Accounts Payable.

The Information Technology manager, is responsible for adding and deleting users from the system, after receiving information about new or departing staff from the Human Resources department.

Purchase Methods

The type of purchase procedures required depends on the cost of the item(s) being purchased. In addition to these rules, subrecipients must also follow both state and local procurement rules. State and local procurement rules are often stricter than federal requirements.

All non-federal entities must have documented procurement procedures which reflect applicable Federal, State and local laws and regulations.

The Federal, State and local laws and regulations include guidance on:

- Open and full competition (maximum extent possible)
- Specific thresholds for purchasing
- Prohibited in-state and local preferences
- Contract administration system
- Conflict of interest rules
- Mandatory disclosures

Purchases up to $10,000 (Micro-purchases – Federal)

Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed $10,000. The micro-purchase method is used in order to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold.

To the extent practicable, the District distributes micro-purchases equitably among qualified suppliers. Distribution of micro-purchases can be accomplished in two ways. First, the individual requesting the purchase, who is most knowledgeable about vendors who can provide the goods or services requested, equitably distribute the purchases throughout the life of the grant. Secondly, the Central Office can review the equitable distributions of purchases as part of the monthly grant review. If it appears micro-purchases are not being equitably distributed, the Director of Finance will deny purchase orders until the issue is remedied.

Micro-purchases may be awarded without soliciting competitive quotations if the District considers the price to be reasonable. The District maintains evidence of this reasonableness in the records of all micro-purchases. Please see page 6 for written procedures on how to determine whether a price is reasonable.

Manchester Essex Regional Schools utilizes the Infinite Visions system for the processing of all purchase orders. Principals, their administrative assistants, department heads, central office administrative staff and district-level directors may request access to Infinite Visions. Access is reviewed by the Director of Finance with support from the IT Manager and Human Resources. Once reviewed, a request is made of the Director of Finance to allow access to Infinite Visions on a requested level of security appropriate for the individual. Once the username and password have been assigned the Director of Finance or designee schedules training with the individual. Once training is completed, the individual can enter a requisition through the following process:

1. Enter a request to purchase a good or service into Infinite Visions (requisition entry) and release the requisition for review.
2. Each requisition must contain the vendor name/ number, ship to location, quantity, item description, unit price, freight amount, and account code to be charged. The item description must be clear to properly communicate to the vendor the exact item requested and/ or service to be performed, and deadlines for delivery and/ or completion.
3. The departmental supervisor (e.g., principal, district-level director, or operational department head) reviews and provides a first level approval of the requisition.
4. The Director of Finance or Accounts Payable verifies appropriate account codes; adherence to procurement rules; and best value for the District. If there are no errors, the requisition is approved and converted to a purchase order. Once approved, the Director of Finance completes the purchase order processing after a final review. Printed purchase orders are

processed by Accounts Payable. Requisitions containing errors are sent back to the enterer for correction.

5. Infinite Visions assigns a unique tracking number to every requisition. Once the requisition is approved and converted to a purchase order, the purchase order is assigned a unique number. Although the number for each purchase order is unique, all requisitions and purchase order numbers begin with the fiscal year. For instance, the first requisition for fiscal year 2020 would be numbered 20xxxxx and the first purchase order entered for fiscal year 2020 would be numbered 202xxxx (i.e., fiscal year followed by a 2 to indicate a purchase order, as distinct from a requisition).
6. Upon approval of the purchase order, the system generates three (3) copies of the printed purchase order: vendor copy, school (“agency”) copy and purchasing department (“file”) copy. The vendor copy is faxed and/ or sent to the vendor by the original requester. The school copies are sent to the school/ person initiating the order. The purchasing copy is maintained in the purchasing files to await the receiving copy, packing slip for proof of receipt, and invoice.

Purchases under $10,000 (Sound Business Practices – State)

Procurement of supplies and services under $10,000 are governed by Massachusetts General Law, Chapter 30B. The procurement procedure for purchasing supplies and services under $10,000 require sound business practices. This is defined as ensuring the receipts of favorable prices by periodically soliciting price lists or quotes. No formal advertising is required. The contract is awarded to the vendor offering the best price. Software licenses can only be purchased for one-year at a time. A written contract is not required. A certificate of liability insurance is required for all contracts listing the Manchester Essex Regional School District as additionally insured. A contract cannot exceed three years unless School Committee Meeting authorizes a longer contract period.

Purchases between $10,000 and $49,999 (Solicit Quotes – State)

Procurement of supplies and services between $10,000 and $49,999 are governed by Massachusetts General Law, Chapter 30B. The procurement procedure for purchasing supplies and services between $10,000 and $49,999 requires soliciting three written or oral quotes.

Manchester Essex Regional Schools recommends a written description/ terms be provided to all vendors to ensure an ‘apples to apples’ comparison of prices. No formal advertising is required. The contract is awarded to the responsible and responsive person offering the best price. A responsible vendor is defined as a person who has the capability to perform fully the contract requirements, and the integrity and reliability which assures good faith performance. A responsive bidder is defined as a person who has submitted a bid or proposal which conforms in all respects to the invitation for bids or requests for proposals. A written contract is required. A certificate of liability insurance is required for all contracts listing the Manchester Essex Regional School District as additionally insured. Insured amounts are derived from consultation with MERSD’s insurance agent, using best practices. A contract cannot exceed three years unless School Committee Meeting authorizes a longer contract period.

Purchases over $50,000 (Sealed Bids or Proposals – State)

Sealed Bids or Proposals (Formal Advertising): For purchases over $50,000, bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. If a Request for Proposal is issued, the most advantageous proposal from a responsible and responsive proposer taking into consideration price and no-price proposals. The sealed bids method is the preferred method for procuring construction, if the following conditions apply:

- A complete, adequate, and realistic specification or purchases description is available;
- Two or more responsible bidders are willing and able to compete effectively for the business; and
- The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

If sealed bids are used, the following requirements apply:

- Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for state, local, and tribal governments, the invitation for bids must be publicly advertised;
- The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
- All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
- A firm fixed price contract award must be made in writing to the lowest responsive and responsible bidder.

Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of. Any or all bids may be rejected if there is a sound documented reason.

Advertising is required once in a newspaper of general circulation and on the District's web site at least two weeks before bids or proposals are due. Advertisement on COMMBUYS is also required.

Competitive Proposals: The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

- Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized request for proposals must be considered to the maximum extent practical;
- Proposals must be solicited from an adequate number of qualified sources; and
- Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

The District may use competitive proposal procedures for qualifications-based procurement of architectural/ engineering (A/E) professional services. Qualifications are evaluated, and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services through A/E firms are a potential source to perform the proposed effort.

Massachusetts General Law, Chapter 30b has additional requirements regarding Requests for Proposals (RFP). Below are the RFP requirements:

1. The procurement office shall determine in writing that the selection of the most advantageous offer requires comparative judgment of factors in addition to price.
2. Bidders must submit separate price and non-price proposals.
3. Comparative criteria reflect those factors for which MERSD would be willing to pay more money and are used to further evaluate the relative merits of all proposals that meet the quality requirements.
4. Quality requirements establish standards of acceptability for the supplies and services you are purchasing.
5. Comparative criteria rating factors include: highly advantageous, advantageous, not advantageous and unacceptable.

In addition, all Invitation for Bid (IFB) and Request for Proposal (RFP) require vendors submitting bids to sign and submit a non-collusion and tax compliance forms.

Contract/ Price Analysis: The District performs a cost or price analysis in connection with every procurement action in excess of $150,000, including contract modifications.

A cost analysis generally means evaluating the separate cost elements that make up the total price, while a price analysis means evaluating the total price, without looking at the individual cost elements. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation; however, the Finance Director must come to an independent estimate prior to receiving bids or proposals.

When performing a cost analysis, the Finance Director or grant manager negotiates profit as a separate element of the price. To establish a fair and reasonable profit, consideration is given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.

Noncompetitive Proposals (Sole Sourcing – State and Federal)

Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- The item is a micro-purchase;
- The item is available only from a single source;
- The public emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;
- The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the District; or
- After solicitation of a number of sources, competition is determined inadequate.

Under M.G.L. Chapter 30b, a sole source procurement of any supply or service under $35,000 is allowable when a reasonable investigation shows that there is only one practicable source for the required supply or service.

Sole source contracts in excess of $35,000 are only allowable for the following purchases:

1. Software maintenance, library books, school textbooks and educational materials; and
2. Utilities

All sole source procurements must include a memo that details the basis for determining that there was only one practicable source for the purchase. The memo should be sent to the Finance Director to be attached to the purchase order. The purchase order will provide the contractor's name, amount of the contract, and a listing of each sole source contract is appropriate and properly documented.

B. Purchase Cards

The Manchester Essex Regional School District has a single credit card that has been issued by Diner's Club under the name of MERSD. The credit limit is $20,000. Credit card use is limited to the following:

- Hotel and Travel Reservations;
- Tax exempt purchases where companies will not accept a purchase order;
- Emergency purchases; and
- Other purchases as approved by the Finance Director.

Use of the credit card must first be pre-approved by the Director of Finance who will confirm that no alternative option is available. Once approved, a requisition is entered by the purchasing employee, using Diner's Club as the "Pay To" vendor, and the actual vendor named in the requisition description. Whenever possible, transactions are processed in the business office so that a physical card does not need to leave the office. If a card must be loaned out, the name of the staff member using the card is written down by Accounts Payable until it is returned. Detailed receipts must be retained and attached to the invoice prior to payment. When the invoice is received, the purchase order provides the appropriate account code to be charged. The information is provided to the Central Office and the purchase order is liquidated.

On occasion, a company will issue a purchase card. Currently, the District has purchase cards for Staples and Home Depot, but both vendors offer online purchasing, which is to be used as the priority, whenever possible. In-store use of the purchase card is limited to maintenance uses that are time sensitive (Home Depot) and emergency purchases of office supplies (Staples). Guidelines for use are provided by Accounts Payable or the Director of Finance at the time that use of the card is requested. Request for the use and/ or addition of a purchase card is at the discretion of the Finance Director and Accounts Payable.

C. Full and Open Competition

All procurement transactions must be conducted in a manner providing full and open competition consistent with 2 C.F.R §200.319.

In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

- Placing unreasonable requirements on firms in order for them to qualify to do business;
- Requiring unnecessary experience and excessive bonding;
- Noncompetitive pricing practices between firms or between affiliated companies;
- Noncompetitive contracts to consultants that are on retainer contracts;
- Organizational conflicts of interest;
- Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance or other relevant requirements of the procurement; and
- Any arbitrary action in the procurement process.

EDGAR further requires the following to ensure adequate competition.

Geographical Preferences Prohibited

The District must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

The District should, to the greatest extent practicable under a Federal award, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States (including but not limited to iron, aluminum, steel, cement, and other manufactured products). The requirements of this section must be included in all subawards including all contracts and purchase orders for work or products under this award.

Prequalified Lists

The District must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the District must not preclude potential bidders from qualifying during the solicitation period.

Solicitation Language

The District must ensure that all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible.

When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equivalent" description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

D. Federal Procurement System Standards

Avoiding Acquisition of Unnecessary or Duplicative Items

The District must avoid the acquisition of unnecessary or duplicative items. Additionally, consideration is given to consolidating or breaking out procurements to obtain a more economical purchase. And, where appropriate, an analysis must be made of leases versus purchase alternatives, and another other appropriate analysis to determine the most economical approach.

These considerations are given as part of the process to determine the allowability of each purchase made with federal funds.

Use of Intergovernmental Agreements

To foster greater economy and efficiency, the District enters into state and local intergovernmental agreements where appropriate for procurement or use of common or shared goods and services.

Use of Federal Excess and Surplus Property

The District considers the use of federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

Debarment and Suspension

The District awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be give to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

The District may not subcontract with or award subgrants to any person or company who is debarred or suspended. For all contracts over $25,000 the District verifies that the vendor with whom the District intends to do business with is not excluded or disqualified.

MERSD will utilize two methods to determine if a potential vendor has been suspended or disbarred. Prior to approving a requisition for a contracted service in excess of $25,000 funded by a Federal grant, the Finance Director will check www.sam.gov and will require the vendor sign an affidavit. A copy of the affidavit is attached in Appendix C.

Maintenance of Procurement Records

The District must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

Please see page 42 for more information on the District's record policies.

Time and Materials Contracts

The District may use a time and materials type contract only (1) after a determination that no other contract is suitable; and (2) if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract mean a contract whose cost to the District is the sum of the actual costs of materials, and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the District must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

Settlements of Issues Arising Out of Procurements

The District alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the District of any contractual responsibilities under its contracts. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

Protest Procedures to Resolve Dispute

The District maintains protest procedures to handle and resolve disputes relating to procurements and, in all instances, discloses information regarding the protest to the awarding agency. Contract disputes arise from a belief the procurement process was not conducted properly. A vendor has three options to seek a remedy:

1. Contact the local jurisdiction;
2. Contact the state agency in charge of enforcing the law (i.e. Inspector General's Office for Chapter 30B contracts); and/ or
3. Superior Court.

If a vendor contacts the district with a complaint regarding the procurement or award of contract, the complaint should be forwarded to the Director of Finance as the District's Procurement Officer. The Director of Finance, and the individual responsible for contract will offer to meet with the vendor. The meeting should seek all information as to the complaint of the vendor. Once the meeting has concluded, and the concerns reviewed, the Director of Finance and Operations (or designee) will issue a written report to the complainant with a determination.

If there is a potential error in the way the procurement was conducted, or the district seeks advice on correcting the error, the Director of Finance will ask the advice of the applicable state agency. If the vendor files a complaint in Superior Court, the district will seek the advice of legal counsel.

E. Conflict of Interest Requirements

Standards of Conduct

In accordance with the citations of 2 C.F.R. § 200.112 – Conflict of Interest and 2 C.F.R. § 200.318(c)(1) – General procurement standards, the District maintains the following standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts.

No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

The officers, employees, and agents of the District may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value. Massachusetts General Law, Chapter 268A, governs the state's conflict of interest law. There are three main provisions of the law:

- Public employees are prohibited from seeking or accepting anything of substantial value for or because of their official acts or any act within their official responsibilities.
- Public employees are prohibited from using or attempting to use their position to obtain for themselves or others unwarranted privileges of substantial value that are not properly available to similarly situated individuals.
- The conflict of interest law will require public employees to disclose to their appointing authority the gift and their relationship to the giver.

The Massachusetts State Ethics Commission interprets the conflict of interest law and publishes advisories. The Ethics Commission interprets substantial value to mean anything with a value of $50 or more. Gifts less than $50 that may have an appearance of a conflict of interest should be disclosed. Disclosures should be made in writing and given to their appointing authority.

Massachusetts defines "immediate family" as spouse, parent, brother, sister, child or a spouse of your parent, brother, sister, or child. The financial disclosure law which, like the conflict of interest law, is interpreted and enforced civilly by the State Ethics Commission. Chapter 268B, of the Massachusetts General Law, is the financial disclosure law. This statute requires public officials, political candidates and certain public employees to disclose their and their immediate family member's private business associations and other financial interests on their Statements of Financial Interests or SFIs. The law covers all elected state and county officials and candidates for these positions as well as all state and county employees who are designated as holding major policymaking positions.

Every municipal employee (with few exceptions) must complete the Ethic Commission's online training program once every two years. New employees must complete the online training program within 30 days of becoming such an employee, and once every two years thereafter.

Organizational Conflicts

Manchester Essex Regional School District will comply with Massachusetts General Law, Chapter 268A conflict of interest law and disclosure. Additionally, the district may not be operated for the benefit of an affiliated or unaffiliated organization or an individual in his or her own private capacity or individuals related to any employee of the District or members of its management, unless the private benefit is considered merely incidental. The private benefit preclusion will extend to the following:

- The sale, exchange or leasing of property between the district and an affiliated or unaffiliated organization or a private or related individual.
- Lending money or other extension of credit between an agency and an affiliated or unaffiliated organization or a private or related individual.
- Furnishing of goods, services, or facilities between the district and an affiliated or unaffiliated organization or a private or related individual except for the rental of district facilities as specified in the Manchester Essex Regional School District policy manual.
- Payment of compensation, unless authorized by the Manchester Essex School Committee, by the district to an affiliated or unaffiliated organization or a private or related individual.
- The transfer to, use by or for the benefit of a private or related individual of the income of assets of Manchester Essex Regional Schools unless specifically voted by the Manchester Essex School Committee.
- Thus, Manchester Essex Regional Schools will be guided by the principle of arms-length standards with all affiliated or unaffiliated organizations or with a private or related individual(s). Related party transactions shall include transactions between a school/district and members of the Manchester Essex School Committee, administration, employees, related individuals and affiliated companies. Related individuals within the scope of this definition include spouses, parents, children, spouses of children, grandchildren, siblings, fathers-in-law, mothers-in-law sisters-in-law and brothers-in-law of a school committee member or school district employee.

Disciplinary Actions

All associated entities must comply with the policies and procedures of the district.

Mandatory Disclosure

Upon discovery of any potential conflict, the District will disclose in writing the potential conflict to the federal awarding agency in accordance with applicable federal awarding agency policy.

F. Contract Administration

The District maintains the following oversights to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. See the Property Management section on page 36.

The contract manager for the Manchester Essex Regional School District varies based on the type of contract. For example, facility related contracts not part of the Facility Management Department's oversight, are overseen by the Director of Finance. When a contract does not clearly fall within a department, the Director of Finance will act as the contract manager. The contract manager is responsible for the following:

1. Coordinate communications with the vendor;

2. Evaluate the qualifications of contract personnel for compliance with contract requirements;
3. Determine acceptability of reports and deliverables produced by the contractor;
4. Approve or reject contractor payment requests; and
5. Ensure the contract amendments are in writing and approved by the Director of Finance.

The business office maintains all contract files.

III. Property Management Systems

A. Property Classifications

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the District for financial statement purposes, or $5,000.

Supplies means all tangible personal property other than those described in Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the District for financial statement purposes or $5,000, regardless of the length of its useful life.

Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting and receiving, or storing electronic information.

Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

- Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and
- Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).

Equipment must be used by the District in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award.

When used it must be shared provided such use will not interfere with work on the original projects/programs and it follows this order of priority:

(1) First by other Education Department programs;
(2) Then open to other federal programs; and
(3) Non-federal programs.

B. Inventory Procedure

Inventory will be maintained on all information technology hardware and software; textbooks; and fixed assets. The school/department placing an order will add the appropriate ship to address. At the time of receipt, the package is inspected to ensure the ordered materials were received in good order and the items mirror the order placed through the purchase order system. Items are inventoried at the time they are unpacked. Inventory records are inputted by a member of the technology staff (hardware and software), director/department head (textbooks) and the business office (fixed assets).

All technology hardware is tagged. The tags are labeled with "Property of Manchester Essex Regional School District" and include an asset number and related barcode. The technology department is responsible for configuring all computers, laptops, netbooks, and iPads.

C. Inventory Records

For each equipment and computing device purchased with federal funds, the following information is maintained by the grant manager in a spreadsheet or Accounts Payable file:

- Date of purchase;
- Purchase order number;
- Serial number or other identification number;
- Source of funding for the property;
- Who holds title;
- Acquisition date and cost of the property;
- Percentage of federal participation in the project costs for the federal award under which the property was acquired;
- Location, use and condition of the property; and
- Any ultimate disposition data including the date of disposal and sale price of the property.

On an annual basis, the IT department will review the inventory list and note changes. Changes to the inventory based on property being sold, lost, stolen or broken will be noted. If the item was stolen, a copy of the police report should be included in the file. Access to updated inventory database should be provided annually to the Director of Finance.

D. Physical Inventory

A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. Prior to the start of the school year in odd numbered years, a physical inventory will be conducted. If there is a discrepancy between the previous physical inventory and the current inventory, a report detailing the discrepancies will be provided to the business office.

E. Maintenance

In accordance with the section below, the District maintains adequate maintenance procedures to ensure that property is kept in good condition.

Manchester Essex Regional School District does not place restrictions on computer devices for employees, although it is expected that personal use of the device will be minimal. Employees who are issued a device(s) are responsible for maintaining and securing the equipment. When a device is not working properly, the employee will submit a help desk ticket. A member of the technology staff will work with the employee to identify and repair the computer as quickly as possible. A loaner computer is available for faculty upon request.

F. Lost or Stolen Items

The District maintains a control system that ensures adequate safeguards are in place to prevent loss, damage, or theft of the property. Students issued computer devices are responsible for abiding by the Acceptable Use Policy (AUP) signed at the time of hire. The AUP is available in Appendix D. As previously stated, all hardware is inventoried and marked as property of the Manchester Essex Regional School District. Employees are required to file a police report when equipment is determined to be missing. A copy of the report must be provided to the Technology Manager within 24 hours of filing the police report. In the next physical inventory, the item is listed as missing with the date of the police report. If the item continues to be missing on the second inventory, the item is removed from the list.

G. Use of Equipment

Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the federal award, and the District will not encumber the property without prior approval of the federal awarding agency and the pass-through entity.

During the time equipment is used on the project or program for which it was acquired, the equipment will also be made available for use on other projects or programs currently or previously supported by the federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by the federal awarding agency that financed the equipment. Second preference is given to programs or projects under federal awards from other federal awarding agencies. Use for non-federally funded programs or projects is also permissible.

When no longer needed for the original program or project, the equipment may be used in other activities supported by the federal awarding agency, in the following order of priority: (1) activities under a federal award from the federal awarding agency which funded the original program or project; then (2) activities under federal awards from other federal awarding agencies.

H. Disposal of Equipment

When it is determined that original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the grant manager will contact the awarding agency (or pass-through for a state-administered grant) for disposition instructions. Generally, disposition of equipment is dependent on its fair market value (FMV) at the time of disposition. If the item has a current FMV of $5,000 or less, it may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency. If the item has a current FMV of more than $5,000, the federal awarding agency is entitled to the federal share of the current market value or sales proceeds.

If acquiring replacement equipment, the District may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

When assets funded through federal grants funds are identified for disposal, they may be used in other activities with the following priority:

(1) Projects supported by Federal awarding agency; and
(2) Projects funded by other Federal agencies.

When property is no longer needed in any current or previously Federally-funded supported activity, the following disposition rules apply:

(1) Fair market value > $5,000 = pay federal share back to awarding agency.
(2) Fair market value of $5,000 = no money owed back to federal government.

Once approved for disposal, surplus property is offered to the other MERSD schools and neighboring Town departments. Remaining equipment is offered to other school district through the Massachusetts Department of Elementary and Secondary Education list serve. The posting is made and managed by the Director of Finance. Items that remain, and have a potential value, are auctioned through an online auction site.

IV. Written Compensation Policies

A. Time and Effort

Time and Effort Standards

All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spent on grant activities. This includes an employee whose salary is paid with state or local funds but is used to meet a required “match” in a federal program. These documents, known as time and effort records, are maintained in order to charge the costs of personnel compensation to federal grants.

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into official records;
- Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;
- Encompass both federally assisted and all other activities compensated by the District on an integrated basis;
- Comply with the established accounting policies and practices of the District and
- Support the distribution of the employee’s salary or wages among specific activities or costs objectives.

Time and Effort Procedures

Manchester Essex Regional School District prioritizes funding non-Massachusetts Teachers Retirement System employees, on federal grants. In addition, employees who have a single cost objective (dedicated to a singular purpose) are prioritized to be charged to a federal grant. For example, a 1:1 Special Education Learning Assistant would be an appropriate choice as an employee to charge to the Special Education I.D.E.A. federal grant. All hourly employees use an electronic or manual timesheet to submit their hours.

On a semi-annual basis, employees charged to a federal grant are provided with a Time and Effort Certification form for review and submission. The form includes the following:

(1) A certification statement that the employee has spent 100% of their time and effort in support of the activities of the grant by which they are funded through;
(2) A signature line; and
(3) The following statements:
    a. During the annual mandatory training, you were made aware that Manchester Essex Regional School District’s Drug Free Workplace policy prohibits the unlawful manufacturing, distribution, dispensing, possession or use of a controlled substance in the workplace.
    b. Manchester Essex Regional Schools must report any grant paid employee’s conviction to the federal government within 10 days of notification. It is required under the Drug Free Workplace Act of 1988 that you self-report any conviction of distribution, dispensing, possession or use of a controlled

substance. You must report your conviction to the Human Resources Office within five (5) calendar days of the conviction.

c. Additional information about MERSD's Drug Free Workplace policy is on our website under the School Committee policy GBEC.

The time and effort after-the-fact certification statement is included on the personnel activity report. The certification must be signed and dated by the employee.

Reconciliation and Closeout Procedures

It is critical for payroll charges to match the actual distribution of time recorded on the monthly certification documents. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes provided that the system for establishing the estimates produces reasonable approximations of the activity actually performed.

The reconciliation process is conducted by the Director of Finance or designee. At the beginning of each grant year, the Director of Finance creates a spreadsheet with the following information:

1. Federal grant name;
2. Federal grant account number;
3. Employee's name;
4. Employee's number;
5. Position Title;
6. Budgeted compensation for the grant for the fiscal year
7. Actual compensation for the grant for the fiscal year
8. Variance (in dollars and percent).

Annual adjustments will be made only if (1) the comparisons show the differences between budgeted amounts and actual costs are less than ten percent; and (2) the budget estimates or other distribution percentages are revised during the year, if necessary, to reflect changed circumstances. All necessary adjustments must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

Employee Exits

An employee who is separating from service with the Manchester Essex Regional School District should submit a letter of intent to the Superintendent. In the letter, the employee shall note the purpose of separation (retirement, resignation, etc.) and the effective date. Advance notification of separation is greatly appreciated to limit negative impacts on student learning. Although a formal exit interview is not required, it is suggested that each supervisor discuss the reasons for leaving with every employee leaving for purposes other than retirement.

B. Human Resource Policies

The District School Committee Policies ensure that that personnel compensation costs are spent in accordance with written policies and procedures. Refer to School Committee policy manual, collective bargaining unit contracts and personnel handbook. Unless authorized by the School Committee and the grantor, the Manchester Essex Regional School District will not use federal funds for relocation or severance pay.

The allowability of various types of personnel compensation costs is dependent on whether they are spent in accordance with written policies and procedures. For example, the cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as annual leave, sick leave, or holidays, is allowable if, among other criteria, the costs are provided under established written leave policies. Therefore, the District human resource procedures will cover:

(1) How employees are hired (2 CFR §200.430(a)(2));
(2) The extent to which employees may provide professional services outside the District (2 CFR §200.430(c));
(3) The provision of fringe benefits, including leave and insurance, (2 CFR §200.431));
(4) The use of recruiting expenses to attract personnel (2 CFR §200.463(b)); and
(5) Reimbursement for relocations costs. 2 CFR §200.464.

V. Record Keeping

A. Records Retention

The District maintains all records that fully show:

(1) The amount of funds under the grant or subgrant;
(2) How the subgrantee uses those funds;
(3) The total cost of each project;
(4) The share of the total cost of each project provided from other sources;
(5) Other records to facilitate an effective audit; and
(6) Other records to show compliance with federal program requirements.

The District also maintains records of significant project experiences and results.

These records and accounts must be retained and made available for programmatic or financial audit.

The U.S. Department of Education is authorized to recover any federal funds misspent within 5 years before the receipt of a program determination letter. Consequently, the District retain records for a minimum of five (5) years from the date on which the final Financial Status Report is submitted, unless otherwise notified in writing to extend the retention period by the awarding agency, cognizant agency for audit, oversight agency for audit, or cognizant agency for indirect costs. However, if any litigation, claim, or audit is started before the expiration of the record retention period, the records will be trained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

At the state level, records retention is overseen by the Massachusetts Secretary of State's Office (www.mass.gov/sec). The department head of any office that creates, receives or stores public records must designate a custodian of records. The custodian of records is the point of contact for all public records requests; ensures record security and follows proper destruction of records protocol.

Maintaining an inventory of records will allow for the identification of records that may be at the end of the retention period. Prior to the destruction of records, a written request must be made to the Supervisor of Records. Once the written request is approved, each district can choose a method of destruction or recycling. Districts are advised to choose the method of destruction carefully especially if employee or student records are involved. The municipal records retention schedule is available on the website at:
http://www.sec.state.ma.us/arc/arcpdf/MA_Municipal_Records_Retention_Manual.pdf.

B. Collection and Transmission of Records

Most records may be maintained in either paper or electronic form, based on the current practices in the district. Electronic storage will provide an easier means to share documents upon request i.e. auditors, records inquires, etc. In either case, care must be taken to ensure the materials chosen to create the record will last through the records retention period. Minutes of governmental bodies must be maintained in a paper format. Proper storage of the records is the responsibility of the district. The municipal records retention schedule provides recommended storage standards.

C. Access to Records

The District provides the awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives the right of access to any documents, papers, or other records of the District which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the District's personnel for the purpose of interview and discussion related to such documents.

D. Privacy

The Family Educational Rights and Privacy Act (FERPA) affords parents and students who are 18 years of age or older ("eligible students") certain rights with respect to the student's education records. Manchester Essex Regional School District protects personal information of both students and employees through regular training and updated policies and procedures. On an annual basis, Manchester Essex Regional School District employees will take the annual regulatory training. Each module contains a important documentation on the topic, and sign off requirements for staff. The modules include:

- Civil Rights;
- District Accommodation Plan
- Special Education and 504s
- Mandated Reporting
- Confidentiality: FERPA & PPRA;
- Restraint & Seclusion Regulations and Procedures;
- Conflict of Interest Law Training
- Selected MERSD Policies & Procedures

The website for these regulatory trainings is available to District employees through the District's Intranet.

Manchester Essex Regional School District's Acceptable Use Policy addresses the protection of personal information of both students and employees, see Appendix D.

VI. Subrecipient Monitoring

If the District awards subgrants to other entities, it is responsible for monitoring those grant subrecipients to ensure compliance with federal, state, and local laws. Monitoring is the regular and systematic examination of all aspects associated with the administration and implementation of a program. Each program office that awards a subgrant must have its own monitoring policy. This policy must ensure that any monitoring findings are corrected.

VII. Frequently Asked Questions

As questions arise, this section will be populated.

VIII. Legal Authorities and Helpful Resources

The following documents contain relevant grants management requirements. Staff should be familiar with these materials and consult them when making decisions related to the federal grant.

Education Department General Administrative Regulations (EDGAR)

- https://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html

  Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 200)

- https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

  USDE's Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 3474)

- https://www.ecfr.gov/cgi-bin/text-idx?node=pt2.1.3474&rgn=div5

Federal program statutes, regulations, and guidance

- http://www.ed.gov/

State regulations, rules, and policies

- Massachusetts Department of Elementary and Secondary Education, Grants Manual: http://www.doe.mass.edu/grants/procedure/manual.html
- Massachusetts Department of Early Education and Care Grants: http://www.mass.gov/edu/birth-grade-12/early-education-and-care/financial-assistance/funding-opportunities/forms-for-grant-recipients/
- Massachusetts Municipal Records Retention Schedule: http://www.sec.state.ma.us/arc/arcpdf/MA_Municipal_Records_Retention_Manual.pdf
- Massachusetts Inspector General's' Office, Chapter 30B Procurement: http://www.mass.gov/ig/procurement-assistance/

District regulations, rules, and policies

- Manchester Essex Regional School District, School Committee Policies: https://z2policy.ctspublish.com/masc/browse/manchesteressexset/welcome/root

Organizational Chart

- Current organization chart can be found in Appendix B.

IX. Appendices

Appendix A:
2 Code of Federal Regulations 200 (Table of Contents)

Appendix B:
Manchester Essex Regional School District Organization Chart

Appendix C:
Disbarment/Suspension Affidavit

Appendix D:
MERSD’s Acceptable Use Policy