



North Adams Public Schools

Internal Control Manual for Federal Grants

Internal control document to ensure compliance with United States Education Department
General Administrative Regulations (EDGAR)

v. January 2016

For questions relating to this document, please contact Nancy Ziter
Business Manager, at nziter@napsk12.org

TABLE OF CONTENTS

Introduction	4
I. Financial Management System	4
A. Financial Management Standards	4
B. Overview of the Financial Management/Accounting System.....	5
C. Budgeting	7
D. Accounting Records	10
E. Spending Grant Funds	11
F. Federal Cash Management Policy/Procedures	20
G. Timely Obligation of Funds	21
H. Program Income	24
II. Procurement System	25
A. Responsibility for Purchasing.....	25
B. Purchase Methods	26
C. Purchase Cards.....	31
D. Full and Open Competition.....	31
E. Federal Procurement System Standards.....	33
F. Conflict of Interest Requirements	35
G. Contract Administration	37
III. Property Management Systems	37
A. Property Classifications.....	37
B. Inventory Procedure	38
C. Inventory Records	38
D. Physical Inventory.....	39
E. Maintenance.....	39
F. Lost or Stolen Items.....	39
G. Use of Equipment	40
H. Disposal of Equipment.....	40
IV. Written Compensation Policies.....	41
A. Time and Effort	41
B. Human Resources Policies	43

V.	Record Keeping.....	43
A.	Record Retention	43
B.	Collection and Transmission of Records.....	44
C.	Access to Records.....	44
D.	Privacy.....	45
VI.	Subrecipient Monitoring	45
VII.	Frequently Asked Questions.....	45
VIII.	Legal Authorities and Helpful Resources	46
Appendix A.....		47
Appendix B		48

Introduction

This manual sets forth the policies and procedures used by North Adams Public Schools (the District) 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 familiarity and understanding of the District's 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 and 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.

A. Financial Management Standards

The standards for financial management systems are found at 2 C.F.R. § 200.302. The required standards include:

Identification

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 Catalog of Federal Domestic Assistance (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, expenditures, income and interest and be supported by 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 safeguard 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 safeguard 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 property and money is spent in accordance with grant program and to further the selected objectives; and
- Compliance with applicable laws and regulations.

Budget Control

Actual expenditures or outlays 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 in EDGAR.

Please see page 20 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 13 for these written allowability procedures.

B. Overview of the Financial Management/Accounting System

North Adams Public Schools utilizes KVS accounting software package by Springbrook Software. KVS is the City of North Adams’s official record for all expenditures and revenues. One system is maintained for all the City’s accounting and one for the District’s which is cross posted into the City’s system. The chart of accounts in KVS allows the District to track all required information for reporting on the annual state End of Year Report mandated by the Massachusetts Department of Elementary and Secondary Education (DESE).

Budgets for federal grant programs are maintained in the District KVS system. Once a Grant Award Notice is received by the District, the District’s Business Office staff sets up the grant budget within the KVS accounting system. In compliance with 2 C.F.R. 200.302 the District must track 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. Program administrators who secure the federal grant on behalf of the District are responsible for reporting this

information to the Business Office staff, along with a copy of the final grant narrative and budget provided, at the time a federal grant application is submitted for consideration.

Purchases for federal grants are initiated through the requisition process. Program administrators and staff working on the grant project submit a requisition to the Business Office. The Business Office then enters the information from the requisition into KVS creating a purchase order to be sent to the vendor. Once the purchase order is created a copy is sent to the vendor, a copy of the purchase order and requisition is sent to the originator and one copy is kept in the Business Office.

Inventory and Receiving Goods

All purchases are drop shipped directly to the school site. The person who initiated the requisition verifies that the order has been received, initials their copy of the purchase order and sends it back to the Business Office. Once a shipment is verified, the accounts payable staff in the Business Office is able to pay an invoice. In accordance with state finance law, invoices shall not be paid until the goods are received. The IT department inventories all technology purchases, including all items purchased with federal funds.

Purchase of Equipment

In accordance with 2 C.F.R. 200.33 equipment is defined as all tangible, nonexpendable, personal property having a useful life of more than one year and per unit acquisition cost of \$5,000 or more. Additionally, 2 C.F.R. 200.313(a) and (c)4 mandates that grant program administrators cannot encumber funds for the purchase of equipment with federal funds until they have received approval of the funding agency or pass through agency. Program administrators shall request and receive approval to encumber funds for equipment in writing. Written approval shall be provided to the Business Office for the audit files before a requisition is entered into KVS. Program administrators are responsible for cataloging and identifying all goods and equipment which are purchased with federal grant funds. Individual items shall be labeled with the grant name, date of purchase, and statement “purchased with federal grant funds.”

For the purposes of this section, 2 C.F.R. 200.94 and 200.20 define computing devices as supplies if the per unit cost is less than \$5,000. However, as stated in the previous paragraph, the District technology department shall inventory all technology purchases.

Payroll

Payroll warrants are entered directly into KVS bi-weekly. Detailed check information is available through KVS. All timesheets and reports are maintained by the payroll department. Monthly program administrators are given reports from KVS showing program budgets and expenditures.

Financial and Programmatic Reporting

Business Office staff is responsible for reconciling federal grant accounts in KVS at least monthly. These reports must include monthly and cumulative expenditures, project budgets, and a balance remaining column. Business Office staff is responsible for filing final financial reports, subject to review and final approval by the Superintendent. Federal grants received through the Massachusetts Department of Elementary and Secondary Education require a final financial report, entitled a FR-1, within 60 days of the grant end date. Direct federal grants may have other reporting requirements and due dates based on the identified reporting periods. Program administrators are responsible for working with federal grant staff to identify financial reporting requirements specific to their grants, and communicate this information to the Business Office. In accordance with C.F.R. §200.328 the nonfederal entity must submit performance reports at intervals required by federal agency or pass through; annual performance reports are due 90 days after the reporting period and quarterly performance reports are due 30 days after the reporting period.

C. Budgeting

The Planning Phase: Meetings and Discussions

Before Receiving the Grant Award Notice (GAN):

North Adams Public Schools staff who is interested in pursuing a grant shall follow the process outlined below.

All federal grant applications shall be submitted to the Office of the Superintendent for review and approval at least two weeks prior to the grant application deadline. A grant detail cover sheet shall also include: a short (one paragraph) explanation of the grant objectives; a list of all reporting requirements whether fiscal or programmatic, applicable due dates and key staff responsible for completing and submitting required reports; and any special conditions of the grants.

The first part of grants planning is to conduct a needs assessment. Program administrators will review school and district level data such as benchmarking scores, MCAS and PARCC data, and other district determined measures. Program administrators will meet and discuss potential grant funding opportunities with affected principals and other key stakeholders. Prospective grant proposals will be written to align with and further goals identified in school improvement plans and the district improvement plan.

As part of the grant writing and planning process, program administrators may meet with the Business Office staff to review and refine program budgets. Business Office staff can provide program administrators with information on staff salaries for the current year and projected salaries for future years. Business Office staff will review and provide suggestions on budget amounts for fringe benefits including health insurance, life insurance and FICA (if applicable). Business Office staff will also review whether budgeted salaries, stipends and hourly work are pension applicable under the Massachusetts Teachers Retirement System (MTRS) or the North Adams Contributory Retirement System and ensure that an appropriate amount is budgeted in

the federal grant budget line. Review of budgeted funds is particularly important for any program salaries or stipends that are marked MTRS pension applicable as eighty percent of funds budgeted for MTRS are sent directly to MTRS via wire transfer. After a grant is awarded, the amount budgeted and wired to MTRS may only be changed through a budget amendment submitted and approved by DESE before December of any given grant award year.

Reviewing and Approving the Budget

Grant program administrators are responsible for determining whether budgeted items are allowable under a specific grant. When a question arises about whether a specific item is allowable under a grant, the grant program administrator shall consult with a contact person from the funding agency, typically the program officer liaison, and the Business Office. Once the grant program administrator determines that all budgeted items are allowable, and has met with the Business Office staff to refine the budget, the budget and grant narrative is sent to the Superintendent for final review and approval. The Superintendent will notify the grant program administrator once the application is approved, or discuss any questions or concerns with the administrator. Approved grant applications are signed by the Superintendent and submitted electronically to DESE or the appropriate federal department by the grant program administrator. Hard copies of the signature page are mailed by the grant program administrator, if required by the funding agency.

After Receiving the GAN

Setting up the Budget

Once the Grant Award Notice (GAN) is received, program administrators notify the Business Office staff. A copy of the GAN is forwarded to the Business Office for the audit files and to allow the setting up of the budget in KVS with the appropriate school codes, program codes and function codes for expenditures. In setting up the function codes, Business Office staff shall only set up expenditure function code and object code (for contracted services, supplies, travel, etc.) combinations that are appropriate for end of year report filing.

Implementing the Budget

Program administrators shall meet with Business Office staff as soon as possible after the GAN is received and in most cases within two weeks of receipt, to review the program budget, projected salaries as applicable, and fringe costs to determine whether any significant changes have taken place since the grant application was submitted. A change in program staff may necessitate a request for a budget amendment from the awarding authority. If a budget amendment request is necessary, program administrators will meet and discuss with the Business Office. The Superintendent will also be consulted by program administrators if a budget amendment request is driven by programmatic changes or any staffing changes beyond salary or fringe benefit costs (e.g. adding or removing teachers or paraprofessionals from the grant).

If the GAN should be for an amount that is either significantly higher or lower than the budget submitted with the grant application, program administrators shall follow the same steps as outlined above for a budget amendment request in consulting with the Business Office staff.

Amending the Budget

Program administrators shall work with the Business Office staff to formulate and review and budget amendment requests to funding agencies. Program administrators shall submit final budget amendment requests to the Superintendent for review and signature, and mail or scan the signed form to the funding authority, as required. Program administrators shall give a copy of the final signed budget amendment request to the Business Office for the audit files.

Program administrators shall notify the Business Office whether the requested amendment has been approved or denied by the awarding authority. In most cases, the awarding authority will respond within one month. The program administrator is responsible for following up with the awarding authority if no decision on the requested budget amendment is communicated within one month of the submitted request. If the budget amendment is approved, a copy of the written approval shall be forwarded to the Business Office. The Business Office staff will make the applicable changes to the program budget in KVS.

If the budget amendment request is denied by the awarding authority, the program administrator shall forward a copy of the written decision to the Business Office. Program administrators shall meet as soon as possible, to discuss how programming will proceed within the approved grant budget.

It is important to note that during the time that a budget amendment request has been submitted, the program administrators must continue to operate under the status quo budget as approved by the awarding authority. No spending changes may occur until the budget amendment request is approved in writing by the awarding authority.

Budget Control

The District monitors its financial performance by comparing and analyzing actual results with budgeted results.

Monitoring the Budget and Projecting Expenses

The program administrator for each grant is responsible for maintaining expenditures within the allotments of each category (i.e. instructional salaries, non-instructional salaries, contracted services) of the approved grant budget. Program administrators shall monitor grant expenses no less than monthly to ensure that grant expenses and projected expenses do not exceed the allocated budget for each category. Grant expenditures and encumbrances reports are available to program administrators at any time from the Business Office and provided monthly. As previously outlined in the grant award notice section, program administrators shall meet individually with the Business Office staff after the GAN is received to review program budgets and projected expenditures, including salaries and fringe costs. Program administrators shall meet at least one additional time with Business Office staff approximately halfway through the grant financial reporting period timeline to ensure that grant expenditures and projected expenses continue to align within the allocated budget categories.

In monitoring grant expenses through the grant award period, program administrators may discover that programmatic or staff changes may make requesting a budget amendment from the

awarding authority advantageous. Program administrators shall follow the procedures regarding requesting budget amendments as outlined in the previous section. In no cases shall expenditures or encumbrances be made that exceed the approved grant budget by category. Grant expenditures must align with the approved grant budget and programmatic or other changes may not take place unless approved in advance by the awarding authority through written approval of a budget amendment request.

Program administrators shall have a plan to finalize grant program expenses no later than sixty days from the end of the grant period, i.e. by May 1 for grants ending June 30th and by July 1 for grants ending August 31. At this time, final program expenses shall be encumbered through the requisition system or projected to be expended through payroll, and MTRS. Program administrators shall meet with Business Office staff prior to the sixty day ending period to discuss the final grant closeout plan. Some grant awards are multi-year or allow program administrators to request additional time to expend awarded grant funds. If program administrators are going to take advantage of additional grant periods, this information and the amount of grant funds that are will be requested to be extended beyond the current grant period shall be communicated to the Business Office staff prior to the sixty day grant closeout period. Business Office staff will take this information into account when requesting grant reimbursement drawdowns for the grant award period.

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](http://www.sec.state.ma.us/arc/arcpdf/MA_Municipal_Records_Retention_Manual.pdf).

Relevant definitions in this section include the following:

- An asset is: 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 others.
- A liability is: 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: 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.
- An expense is: the amount of assets or services used during a period.

If an error is found while reviewing grant expenditures, the individual will notify the Business Office staff. The Business Office staff will research the potential error, and if necessary, generate a journal entry in KVS with supporting documentation placed in the grant file. The Business Office reviews the journal entry for accuracy, enters into KVS and forwards the journal entry document to city auditing to be cross posted.

Organizational Codes

The Chart of Accounts for the grant fund organization codes is set up so that an individual could track expenses by fund. Below is an outline detailing the structure of the organization codes for the District grant funds.

Grant Fund Code 3 Digits	Department Code 4 Digits	Line Item 4 Digits
-----------------------------	-----------------------------	-----------------------

The first three digits in the sequence denote the grant fund code. Whenever possible the original grand code is used in the District’s KVS. In the City KVS federal grant funds are coded as 16, state grants are coded as 17, and private grant funds are coded as 18. Carry forward grants are labeled as such in the account title and a different department code is used.

E. Spending Grant Funds

As the recipient of federal funds, North Adams Public Schools 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 grant administrator is responsible for ensuring compliance with EDGAR and 2 CFR Part 200.

Although each grant may have specific allowable and unallowable costs, North Adams Public Schools adheres to the federal cost principles when developing and administering the budget. Federal cost principles require costs to be allowable, reasonable, and allocable.

To meet the definition of “allowable,” a cost must:

1. Be necessary and reasonable to carry out the grant;
2. Be consistent with the policies and procedures that apply uniformly to federal and non-federally financed expenses;
3. Not be included as part of a match of federal funds; and
4. Be adequately documented.

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. Use of sound business practices, adherence to federal, state and local laws and regulations; and the terms and conditions of the Federal award.
2. Use of market prices in the metro west Boston area for comparing the costs of goods and services.

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.

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

While developing and reviewing the grant budget, program administrators and Business Office staff 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 particular 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. 2 C.F.R. § 200.413(a). Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. 2 C.F.R. § 200.56. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. 2 C.F.R. § 200.413(a).

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. 2 C.F.R. § 200.413(b). 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. 2 C.F.R. § 200.413(c).

Indirect Cost Rate

North Adams Public Schools indirect cost rate is determined by DESE and posted on the grants section of the DESE website under “essential information.”

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. 34 C.F.R § 75.564; 34 C.F.R. § 76.569. 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. 34 C.F.R. § 75.564. 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.

In compliance with Massachusetts finance law, funds claimed for indirect costs for municipal school districts are general fund revenues and shall be deposited with the city treasurer as municipal revenue.

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 grant program administrator 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 grant program administrator must consider these factors when making an allowability determination

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. 2 C.F.R. §200.404

While 2 C.F.R. §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. 2 C.F.R. §200.405. 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. 2 C.F.R. §200.406.

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, with the exception of grant specific travel. The district will take advantage of all prompt pay discounts. All payments from federal grants shall be processed through the District’s accounting system through the invoice payment process.

Part 200’s cost guidelines must be considered when federal grant funds are expended. As provided above, federal rules require state-level 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 55 specific cost items (commonly referred to as selected items of cost) at 2 C.F.R. §§ 200.420-200.475. 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 a number of 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 costs	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
Alcoholic beverages	2 CFR § 200.423

Alumni/ae activities	2 CFR § 200.424
Audit services	2 CFR § 200.425
Bad debts	2 CFR § 200.426
Bonding costs	2 CFR § 200.427
Collection of improper payments	2 CFR § 200.428
Commencement and convocation costs	2 CFR § 200.429
Compensation – personal services	2 CFR § 200.430
Compensation – fringe benefits	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	2 CFR § 200.438
Equipment and other capital expenditures	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
Participant support costs	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
Termination costs	2 CFR § 200.471
Training and education costs	2 CFR § 200.472
Transportation costs	2 CFR § 200.473

Travel costs	2 CFR § 200.474
Trustees	2 CFR § 200.475

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. For example, often the state’s travel rules are more restrictive than federal rules, which mean the state’s policies must be followed.

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), or the Carl D. Perkins Career and Technical Education Act (Perkins)), 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 Network Administrator. New purchases must be compatible with current operating, storage and network configurations.
- Furniture (including carpet) purchases require the prior approval of the Director of Facilities. 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 Superintendent. 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 cost 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 policies. 2 C.F.R §200.474(a).

Costs incurred by employees 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. 2 C.F.R §200.474(b).

In addition to the federal guidelines regarding travel, employees must adhere to North Adams Public Schools travel procedure.

Helpful Questions for Determining Whether a Cost is Allowable

In addition to the cost principles and standards described above, grant program administrators 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, grant program administrators 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. 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.

Also, funds should be targeted to address areas of weakness, as necessary. To make this determination, grant program administrators should review data when making purchases to ensure that federal funds to meet these areas of concern.

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 at 31 CFR Part 205. Generally, the District receives payment from the Massachusetts Department of Elementary and Secondary Education (DESE) on a reimbursement basis. 2 CFR § 200.305. 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. 2 CFR § 200.305(b)(9).

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 federal grant. The District Business Office staff will request reimbursement for actual expenditures incurred under the federal grants monthly, with the exception of the final drawdown of funds with an ending period of August 31. The final drawdown for these funds is the July drawdown window, and shall include all funds encumbered and projected to be spent through the final grant period ending August 31. Reimbursement or drawdown of funds for all federal grants funded through DESE is initiated through the DESE web-based grants management system, as well as email requests submitted to DESE staff for Title I, Title IIA and Part 2 grant carryover amounts for these grants. Business Office staff request reimbursement for all expended funds as of the request date. All reimbursements are based on actual disbursements, not on obligations.

Documentation of funds expended through KVS as of the request date shall be included in the grant file. Documentation shall include KVS revenue and expenditure reports, the previous month's reconciliation, and KVS revenue and expenditure reports. 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 DESE and/or auditor's review upon request. Reimbursements of actual expenditures do not require interest calculations.

Federal Grant Reimbursements through DESE

Massachusetts DESE will process reimbursement requests through the online system within a week or two. Email based requests for Title I, Title IIA and carryover Part 2 grants may take a few additional days. Business Office staff may check the state comptroller's VendorWeb system to track requests. If requests are not processed in VendorWeb within two weeks, Business Office staff may contact DESE to confirm that requests, particularly email based requests, were received and processed. While reimbursement through DESE typically takes a week or two, official regulations state that it may take up to six weeks to receive requested reimbursements.

Direct Federal Grant Reimbursements through G5

The federal government processes grant reimbursements for awards that are made directly to a school district through the G5 system. The District requests monthly drawdowns through the G5 system. Business Office staff follows the same protocols outlined in the previous paragraphs with reconciliation and source documentation and drawdown a reimbursement amount for the month's expenditures. Payment from the G5 system is made directly to the city's bank account through an electronic funds transfer. Typically the payment is received in one to three business days. Business Office staff is responsible for identifying and reporting the revenue to the city treasurer's office so that the payment is correctly credited to the appropriate grant.

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. The District will hold federal advance payments in interest-bearing accounts, unless an allowable exception applies. The District will work with the City Treasurer's Office and 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. Within 30 days of the end of the quarter, the District will annually remit interest earned on U.S. Department of Education grants received through DESE, by mail, to:

Massachusetts Department of Elementary and Secondary Education
75 Pleasant Street
Malden , MA 02148-4906

Interest returned on direct federal grants will be returned to the U.S. Department of Education. The District may retain up to \$500 of interest earned per year.

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. 34 C.F.R. § 200.71

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 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 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.

34 C.F.R. § 75.707; 34 C.F.R. § 76.707.

Period of Performance of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project. 2 C.F.R. § 200.309. This period of time is known as the period of performance. 2 C.F.R. § 200.77. 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 general 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 each year. While the District will always plan to spend all current grant funds within the year the grant was appropriated for, the period of obligation for any grant that is covered by the “Tydings Amendment” is 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability, plus a 12-month period for carryover. 34 C.F.R. § 76.709. For example, funds awarded on July 1, 2015 would remain available for obligation through September 30, 2017.

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. 2 C.F.R. § 200.343(b). 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. 2 C.F.R. § 200.343(d). 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. 34 C.F.R. § 76.709. Accordingly, the District may have multiple years of grant funds available under the same program at the same time.

Title I and Title IIA

Through DESE, the District is permitted to carryover funds for Title I, Title IIA and the Special Education I.D.E.A. grant (fund code 240). A carryover form is submitted to DESE in the Spring for estimated carryover amounts for Title I and Title IIA. The carryover amounts for Title I and IIA are labeled as carryover in the accounting system, with the same fund code. These amounts must be tracked separately for the purposes of state mandated End of Year reporting and so therefore funds obligated or expended between July 1 and June 30 are tracked in the current year in KVS. Carryover funds are set up with a different department number and are accounted for in the subsequent year in KVS. The total amounts for both periods are added together for the purposes of reporting revenue and expenditures on the fiscal report to DESE, the FR-1.

Special Education I.D.E.A. Grant

Special Education grant 240 carryovers are treated as a separate grant from the initial award by DESE, with separate account codes and FR-1 reports for each grant. Any unexpended funds at the end of August 31 that are intended to be used as carryover funds shall remain at DESE and shall not be claimed through the drawdown process. The current year grant shall be amended down, ideally by July 1, for all expenditures through August 31, so that the exact amount of drawdown for the July period is identified. Once the budget amendment request is approved by DESE to the new, lower amount, the Administrator of Special Education may submit a new grant application to DESE for the carryover funds for the subsequent year. This is a full grant application including narrative and budget pages. The grant period for the carryover amount starts the date the grant is approved and must be completed by August 31.

Direct Grants

Grantees receiving direct grants are not covered by the 12 month Tydings period. However, under 2 C.F.R. § 200.308, direct grantees enjoy unique authority to expand the period of availability of federal funds. The District is authorized to extend 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.

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. 2 C.F.R. § 200.308(d)(2).

In multi-year direct grants, grant funds are typically awarded for a similar amount each year over a three-year period. If the District requests a 12-month extension period, typically it is to continue the work of the grant at the end of the three-year period, essentially extending the timeline of the grant for a fourth year, with no additional funds.

Program administrators who are interested in requesting a program extension for a direct grant must make the request through the Superintendent. Program administrators shall keep specific federal grant timelines in mind; it is suggested that a program extension request is submitted to the Superintendent no later than sixty days before the end of the grant period. If approved by the Superintendent, the program administrator is responsible for submitting the written extension request to the awarding authority no less than 10 days before the end of the grant period, or sooner as required by the grant.

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. 2 C.F.R. § 200.80.

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. 2 C.F.R. § 200.80. 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. 2 C.F.R. § 200.307.

Use of Program Income

The default method for the use of program income for the District is the deduction method. 2 C.F.R. § 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. 2 C.F.R. § 200.307(e)(1). 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. 2 C.F.R. § 200.307(e)(2).

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

II. Procurement System

The District maintains the following purchasing procedures.

A. Responsibility for Purchasing

The Superintendent is the purchasing agent for the school district and as such, retains the authority to review and approve all purchases. North Adams Public Schools requires all requests to purchase goods or services be initiated with a requisition.

1. Complete a Requisition Form and submit to the Business Office.
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 so as 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 Business Office staff reviews the requisition to ensure that the budget is sufficient and the item is charged appropriately. If there are no errors, the requisition is approved and converted to a purchase order. Requisitions containing errors are sent back to the initiator for correction.
4. Once the requisition is approved it is converted into a purchase order in KVS which assigns a unique number.

5. Upon approval of the purchase order, the system generates copies of the purchase order: vendor copy, initiator copy and file copy. The vendor copy is emailed and in some cases faxed or mailed to the vendor. The initiator copy are sent to the person initiating the order who once items are received initials the Purchase Order and forwards to Account payable for processing. The file copy is maintained in the Business Office.
6. Program administrators are responsible for approving payment for invoices for non-tangible goods such as software subscriptions or service contracts that are not received through normal channels. Approval for payment shall be made as soon as the invoice is received and the contract is completed. Partial payments of contracts, based on the percentage completion, may be approved if the contract is written to allow such payments. In this case, program administrators shall approve the completed portion of the contract for payment.

B. Purchase Methods

The type of purchase procedures required depends on the cost of the item(s) being purchased.

Purchases up to \$3,500 (Micro-Purchases)

Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed \$3,500. 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 Business Office can review the equitable distribution of purchases as part of the monthly grant review. If it appears micro-purchases are not being equitably distributed, the Superintendent 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.

Purchases between \$3,500 and \$9,999 (Sound Business Practices)

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. A contract cannot exceed three years unless the North Adams School Committee and North Adams City Council authorize a longer

contract period. Contact the Business Office for any questions regarding contract length or price quotes.

Purchases between \$10,000 and \$34,999 (Solicit Written Quotes)

Procurement of supplies and services between \$10,000 and \$34,999 are governed by Massachusetts General Law, Chapter 30B. The procurement procedure for purchasing supplies and services between \$10,000 and \$34,999 requires soliciting three written quotes. North Adams Public Schools recommends a written description / terms be provided to all vendors to ensure an ‘apples to apples’ comparison of prices. A copy of the written description should be included with the three quotes. 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 contract cannot exceed three years unless the North Adams School Committee and North Adams City Council authorize a longer contract period. Contact the Business Office for any questions regarding contract length or price quotes.

Purchases over \$35,000 (Sealed Bids or Proposals)

Sealed Bids (Formal Advertising)

For purchases over \$35,000, 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 (RFP) is issued, the most advantageous proposal from a responsible and responsive proposer taking into consideration price and non-price proposals.

The sealed bid method is the preferred method for procuring construction, if the following conditions apply:

- A complete, adequate, and realistic specification or purchase 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 publically 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, posting in public view, usually outside the office of the City's Chief Procurement Officer, at least two weeks before bids or proposals are due. If the sealed bid or proposal for goods and services is in the amount of \$100,000 or more, advertise once in the *Goods and Service Bulletin* maintained by the Massachusetts Secretary of State's Office.

Invitations for Bids (IFB) or RFPs for construction or real property are to be advertised in the *Central Register* maintained by the Massachusetts Secretary of the Commonwealth and have longer advertising requirements and different thresholds. Contact the Business Manager regarding sealed bids or RFPs for construction or real property procurement.

Procurement with State and National Contracts

In compliance with M.G.L. Ch. 30B and North Adams Public Schools procedure, program administrators may purchase from state or national contracts for goods, if procured in a manner that complies with the requirements of 30B. For more information on whether a national contract complies with M.G.L. Ch. 30B, please contact the Business Manager. Note that this only applies to the purchase of goods; state law does not permit the purchase of services through national contracts.

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 requests 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 whereby competitors' 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 though A/E firms are a potential source to perform the proposed effort.

Requests for Proposals

Massachusetts General Law, Chapter 30B has additional requirements regarding Requests for Proposals (RFP). The Business Manager along with the Chief Procurement Officer for the City of North Adams conducts procurements. Below are the RFP requirements:

1. The procurement office shall determine in writing that the selection of the most advantageous offer requires comparative judgement of factors in addition to price.
2. Bidders must submit separate price and non-price proposals.
3. Comparative criteria reflect those factors for which the District 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.

(Information copied from the Massachusetts Inspector General's Office, Chapter 30B training materials).

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

Purchases Over \$150,000

In addition to M.G.L. Ch. 30B, the following federal rules apply for purchases over \$150,000:

Sealed Bids (Formal Advertising)

For purchases over \$150,000, 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.

The sealed bid method is the preferred method for procuring construction, if the following conditions apply:

- A complete, adequate, and realistic specification or purchase 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 publically 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.

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. 2 C.F.R. § 200.323(a). 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 Business Manager and Chief Procurement Officer must come to an independent estimate prior to receiving bids or proposals. 2 C.F.R. § 200.323(a).

When performing a cost analysis, the Business Manager with the Chief Procurement Officer 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. 2 C.F.R. § 200.323(b).

Noncompetitive Proposals (Sole Sourcing)

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 available only from a single source;
- The public exigency or emergency for the requirement will not permit a delay resulting from 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 Business Manager for approval in writing before a requisition is submitted. The memo will

provide the contractor's name, amount of the contract, and a listing of supplies or services procured. The Business Manager will ensure each sole source contract, if approved, is appropriate and properly documented.

A cost or price analysis will be performed for noncompetitive proposals when the price exceeds \$150,000.

C. Purchase Cards

North Adams Public Schools is a municipal school district, and as such, per state finance law the use and opening of a credit card account is approved by the City of North Adams Treasurer's Office. Currently, the use of a District credit card is not permitted.

The District uses purchase orders in connection with store cards at several stores:

- Home Depot
- Walmart
- Staples
- Big Y
- Sears
- Tractor Supply

In order to use the accounts at these six stores, program staff shall have a valid purchase order and must sign out the card from the Business Office. The card and receipt must be returned promptly to the Business Office, generally within 24 hours. Program staff should call ahead to the Business Office to reserve the card at 776-1458.

Additionally, the District utilizes purchase orders and may pay by invoice at Price Chopper in North Adams, and online at Amazon. As prices change frequently at Amazon, contact the Business Office to coordinate Amazon orders.

Personal items shall not be purchased using a district store card. The purchase of gift cards is also not allowable as the final items to be purchased are not easily tracked for auditing purposes and may not meet federal allowability rules or cost principles. Any violation of these rules may result in discontinued access to store cards and disciplinary procedures.

The grant program administrator is responsible for reviewing what items are allowable for purchasing under the grant with program staff before requesting a purchase order and/or use of a store card. Store receipts are reviewed by Business Office staff before submitting to accounts payable. Any questions about a purchase shall be brought to the attention of the Business Manager. Items that do not meet federal cost principles and allowability rules may not be paid using federal funds, and must either be returned or another source of funding must be found.

D. 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;
- 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.

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. 2 C.F.R § 200.319(c).

E. 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. Please see page 13 for written procedures on determining allowability.

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 given 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. 2 C.F.R. Part 200, Appendix II(1) and 2 C.F.R. §§ 180.220 and 180.300.

North Adams Public Schools utilizes two methods to determine if a potential vendor has been suspended or disbarred. Prior to approving a requisition for a contracted services in excess of \$25,000 funded by a Federal grant, the Business Manager will check Sam.gov and will require the vendor to sign an affidavit. A copy of the affidavit is attached in Appendix A.

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 43 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 means 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 Superintendent. The Business Manager, 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 Superintendent 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 Business Manager 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.

F. Conflict of Interest Requirements

Standards of Conduct

In accordance with 2 C.F.R. §200.18(c)(1), 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

If the District has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, the District must include written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization. 2 C.F.R §200.318(c)(2).

North Adams Public Schools shall comply with MGL Chapter 268A conflict of interest law and disclosure. Additionally, the district may not operate 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 North Adams Public Schools or members of its management, unless the private benefit is considered merely incidental. This 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.
- Payment of compensation, unless authorized by the North Adams 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 or assets of North Adams Public Schools unless specifically voted by the North Adams School Committee.
- Thus, North Adams Public 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 North Adams 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, step relations, 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 District's policies and procedures regarding federal grants.

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.

G. 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.

The contract manager for North Adams Public Schools varies based on the type of contract. For example, technology related contracts are overseen by the Network Administrator. When a contract does not clearly fall within a department, the Business Manager 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 Business Manager.

The Business Office maintains copies of signed contracts, contract amendments and payments. Contract managers are responsible for maintaining correspondence files with the selected contractor. In the event of a contract breach, correspondence files are essential in demonstrating that the district notified the contractor of the breach and gave the opportunity to cure the situation. Contract managers shall consult with the Business Manager without delay if there is a question about a contractor's performance.

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. 2 C.F.R. §200.33.

Supplies means all tangible personal property other than those described in §200.33 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. 2 C.F.R. §200.94.

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. 2 C.F.R. §200.20.

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). 2 C.F.R. §200.12.

B. Inventory Procedure

North Adams Public Schools employee placing the requisition is responsible for receiving, tracking and cataloging all goods purchased by North Adams Public Schools, including the goods purchased by federal funds. The orderer is responsible for inspecting the property to make sure it's in good condition and that it matches what is listed on the purchase order. Once the product is received the orderer takes their copy of the purchase order, initials it and sends to the Business Office to be matched with the invoice and paid. All technology purchases are inventoried by serial number by North Adams Public Schools technology department.

Program administrators are responsible for cataloging and identifying all goods and equipment which are purchased with federal grant funds. Individual items shall be labeled with the grant name, date of purchase, and statement “purchased with federal grant funds.” Program administrators shall provide the Business Office with a list of all cataloged items each year at the conclusion of the grant year. The list shall be stored in the grant files and made available for the auditors as needed.

C. Inventory Records

For each equipment and computing device purchased with federal funds, the following information is maintained by the grant program administrator in and shared with Business Office:

- 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 grant program administrator 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 shall be included in the file. The updated inventory spreadsheet should be printed annually and provided to the Business Office for inclusion in the grant program files.

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 by the grant program administrator. 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 2 C.F.R.313(d)(4), the District maintains adequate maintenance procedures to ensure that property is kept in good condition. North Adams Public Schools employees are responsible for following the District's Acceptable Use Policy, which is reviewed annually as part of the compliance training. 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. Employees issued computer devices sign a receipt of inventory form for equipment issued to them. Employees are responsible for abiding by the District's Acceptable Use Policy. As previously stated, all hardware is inventoried and marked as property of North Adams Public Schools. 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 Network Administrator and the grant program administrator 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 program administrator 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.

Grant program administrators shall contact the Business Manager to discuss the disposition or trade-in of any items purchased with federal grant funds. Surplus equipment is first offered to other schools or departments within North Adams Public Schools and City departments before disposal. In addition to EDGAR, all dispositions must comply with state law regarding disposition of property, North Adams Public School policies and City of North Adams disposition procedures.

The disposal of equipment and property must be initiated and approved of through the use of a North Adams Public Schools Disposition or Relocation of Property form for inventory tracking purposes.

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

All employees, including teachers, teaching assistants, and other staff paid with federal funds must document the time and effort they spend within that program. The portion of federally-paid salary should reflect the time and effort the individual has put forth for that federal program.

Effort is the amount of work or portion of time spent, including summer and after school hours, expressed as a percentage of total time, on all activities performed within the scope of an individual’s appointment or employment. It includes the time spent working on a sponsored project to which the salary is directly charged or contributed. When a project budget includes funding support for faculty, staff, and students, each individual’s percentage of effort must be calculated in order to properly charge labor costs to the project. Business Office staff is responsible for calculating this percentage using hours worked and funding source from KVS payroll reports.

- **Semi-Annual Certifications:** required for personnel whose compensation is funded solely from a federal grant and document that an individual has been working solely in activities supported by the grant.
- **Monthly Certifications:** required for personnel whose time is charged in part to a federal grant and in part to other revenue sources (split-funded staff) and document the portions of time and effort, expressed as a percentage, dedicated to the grant and other revenue sources.
- **Stipend Certifications:** required for personnel who have received a Stipend for activities performed and the Stipend was paid from a federal grant.

Grant program administrators send out time and effort certifications to all employees funded through a federal grant. Certifications are mailed out every six months, after the reporting period has ended. Certifications are to be signed by the employee completing the work as well as an immediate supervisor having firsthand knowledge of the work performed by the employee. Once signed, the certifications are reviewed by Business Office staff and maintained on file in the Business Office. A sample Time and Effort reporting form is included in Appendix B.

Reconciliation and Closeout Procedures

It is critical for payroll charges to match the actual distribution of time recorded on the 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.

Program administrators are responsible for notifying Business Office staff and the Business Manager without delay if an employee supported by federal funds is changing work roles or is otherwise not anticipated to fulfill work activity that corresponds with the percentage budgeted through federal funds. Staff may only be charged to a federal grant in an amount that equals or is lower to the amount of time spent on federal funds.

Grant program administrators are responsible for reviewing all time and effort reporting forms from staff supported through federal grant funds twice a year as the signed forms are received. A copy of the time and effort form is to be sent to the Business Office to maintain with the grant paperwork. If the budgeted percentage for the six month period is higher than the corresponding work activity, the grant program administrator will notify the Business Manager. If the employee's work activity on the federal grant is less than a ten percent difference from the budgeted amount and is expected to increase and meet or exceed the budgeted amount in the subsequent six month period, the funded percentage may be maintained. However, if the difference is more than ten percent or not expected to increase in the next six month period within the same grant fiscal year, the employee's time must be charged to local budget or another funding source. All necessary adjustments must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

Grant program administrators shall work with Business Office to calculate and document any local funding matches that are required as part of the grant. Local matches are to be calculated on the same six month reporting schedule with time and effort forms, and documentation is to be placed in the grant file in the Business Office.

Employee Exits

Grant program administrators shall contact any federal grant funded staff who are exiting the district during the school year and make arrangements for them to sign final certification forms for time and effort before the staff member exits the district. Staff who depart the district during the summer will receive their final certification forms by mail. Grant program administrators shall follow up with former staff as necessary to ensure all final certification forms are submitted to the Business Office for the grant files.

B. Human Resources Policies

The District School Committee Policies ensure that that personnel compensation costs are spent in accordance with written policies and procedures. Refer to North Adams School Committee policy manual, collective bargaining unit contracts and the personnel handbook. Unless authorized by the School Committee and the grantor, North Adams Public Schools 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, ensure that the District has human resource policies which at least 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.

North Adams Public Schools employee handbook is available on the District website: http://www.napsk12.org/apps/pages/index.jsp?uREC_ID=276892&type=d&pREC_ID=616155

V. Record Keeping

A. Record 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. 34 C.F.R. §§ 76.730-.731 and §§ 75.730-.731. The District also maintains records of significant project experiences and results. 34 C.F.R. § 75.732. 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. 34 C.F.R. § 81.31(c). 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. 2 C.F.R. § 200.333.

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](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. Additionally, if records are kept electronically, 2 C.F.R. 200.335 allows recipients to transmit them electronically, meaning there's no need to make paper copies.

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

North Adams Public Schools protects personal information of both students and employees through regular training and updated policies and procedures. Staff participate in compliance trainings at the beginning of each school year to review relevant school committee policies and state and federal law.

Compliance training topics include:

- Civil Rights;
- Bullying and Cyberbullying;
- Confidentiality of Student Records;
- Sexual Harassment or Discrimination;
- English Language Learners and SEI Endorsement;
- Mandated Report of Suspected Child Abuse;
- Restraint Procedures; and
- Conflict of Interest

Additionally, the Business Manager reviews all public records requests for payroll, accounts payable, or other records that may contain protected information to determine whether the information is subject to public records request and if any personal information needs to be removed. Requests for information on student records are reviewed by building staff, and central office staff and legal counsel as appropriate, to ensure that the person requesting the documentation has the right to the documentation.

VI. Subrecipient Monitoring

In the event that 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

This section will be populated as questions arise.

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)

- <http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>
Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 200)
- <http://www.ecfr.gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&node=pt2.1.200&rgn=div5>

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

- http://www.ecfr.gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&tpl=/ecfrbrowse/Title02/2cfr3474_main_02.tpl
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

- North Adams Public Schools, School Committee Policies:
http://www.napsk12.org/apps/pages/index.jsp?uREC_ID=276483&type=d&pREC_ID=614954

Appendix A
Debarment Statement
(For consulting agreements >\$25,000)

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS (Executive Order 12549, Debarment and Suspension, 34 CFR Part 85)

Consultant certifies to the best of its knowledge and belief, that it and its principals:

- (a) Are are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
- (b) Have have not within a three-year period preceding award of this consulting agreement been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- (c) Are are not presently indicted for or otherwise criminally charged by a governmental entity (federal, state or local) with commission of any of the offenses enumerated in Paragraph (b) above; and
- (d) Have have not within a three-year period preceding award of this consulting agreement had one or more public transactions (federal, state or local) terminated for cause or default.

Consultant Signature

Date

Typed or Printed Name

Contractual Agreement No.

Appendix B

NAPS Time and Effort Certification

Employees who work on multiple activities or cost objectives (fixed schedule)

Time & Effort Certification (Employee with Fixed Schedule)

Employee	
Position	
School	

Certification Period W/E and
 Pay Date:

Type of Schedule: Daily
 Weekly
 Biweekly
 Other _____

Program or Cost Objective	Distribution of Time
TOTAL	0%

I certify that I performed work consistent with the attached schedule and as distributed in the above percentages during the Certification Period.

Employee Signature
 Date

I certify that I have firsthand knowledge that the above employee performed work consistent with the **above schedule** and as distributed in the above percentages during the Certification Period.

Supervisor Signature
 Date