

Town of Whitman
Procurement and Federal Awards Policy

Introduction

This policy sets forth the procedures used by the Town of Whitman to administer federal funds, and also applies to the expenditure of all other funds by the Town. The policy contains the internal controls and grant management standards used by the Town to ensure that all funds, including federal funds, are lawfully expended. It describes in detail the Town's financial management system, including cash management procedures, procurement policies, procedures for determining the allowability of expenditures, time and effort reporting, record retention, and sub-recipient monitoring responsibilities. New employees of the Town, as well as incumbent employees, are expected to review this policy to gain familiarity and understanding of the Town's rules and practices.

I. Financial Management System

The Town maintains a proper financial management system in order to receive both direct and state-administered grants and to expend all funds, including those 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

Identification

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

Financial Reporting

Accurate, current, and complete disclosure of the financial results of each federal award or program must be made.

Accounting Records

The Town 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 Town 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 the 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 Town maintains written procedures to implement cash management requirements.

Allowable Costs

The Town maintains written procedures for determining allowability of costs.

B. Overview of the Financial Management/Accounting System

The Town of Whitman utilizes SoftRight Financial Management software. SoftRight is the primary system for the Town’s budgeting and accounting. Separate inventory systems exist for payroll and information technology. Payroll is managed by the Treasurer/Collector’s Office. The Director of Technology is responsible for the inventory of all hardware and software Town-wide. Grant managers are responsible for the inventory of items purchased with grant funds from the time of purchase through to their disposal.

Once a grant award notice (GAN) is received, the Town Accountant will assign the appropriate account codes and provide a copy to the relevant Department Head and grant manager. The Town 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. Once the Town Accountant establishes the account codes in SoftRight, the grant budget is posted and is available for use. All grant expenditures must be within the dates of the grant award (start and end dates). Budgeted amounts in SoftRight must match the current grant award notice.

C. Budgeting

The Planning Phase: Meetings and Discussions

Before Receiving the Grant Award Notice (GAN): Once a grant opportunity has been identified, the Town Administrator is notified of the potential grant funds. A memo should be sent with the following information:

1. Source of funds;
2. Purpose of grant;
3. Benefits and pitfalls of the grant for the Town of Whitman;
4. Benefits to the residents;
5. Identification of grant manager;

6. Timeline for application and approval;
7. Match requirements, if applicable; and
8. Potential amount and time period of funds availability.

The Town Administrator reviews and approves all grant applications, and will review the timeline, match requirements, grant reporting requirements, budget development/projections and any potential concerns. If the grant could impact other departments, a list of individuals is developed for the grant manager to have a follow-up discussion with. For instance, if an application could result in technology purchases, the Director of Technology would be involved in the planning process.

Grant funds can supplement the Town of Whitman budget but cannot supplant budgeted funds. Therefore, when possible, it is critical that the grant application be developed in conjunction with the Town's annual budget.

Reviewing and Approving the Budget: Before the grant application is completed, and at least 15 days in advance of the grant application deadline, the relevant Department Head and the grant manager will review the items in the budget to ensure allowability. See Section E for a discussion on performing allowability determinations. If it is determined that a cost is not allowable, then the grant application is returned to the grant manager noting the items that are ineligible and suggestions for modification. The grant manager will revise the grant budget to ensure all items meet the allowability determination.

Once it is determined that all budgeted items are allowable and the budget is approved, the grant application is forwarded to the Town Administrator for final approval. A copy of the full grant application is submitted to the Town Accountant once signed by the Town Administrator. The application is filed in the Department's grant binder for the appropriate fiscal year.

After Receiving the GAN

After receiving the GAN, the approved budget can be loaded into SoftRight. If the GAN mirrors the grant submission budget, the GAN amounts are loaded into SoftRight without additional discussions. If the GAN amounts vary from the submission (whether increased or decreased), the grant manager and the relevant Department Head will meet to review the differences and implications for the variance. The grant manager will develop a revised budget based on the GAN and program objectives. The revised amounts, in sync with the GAN, are then loaded into SoftRight by the Town Accountant's Office.

Amending the Budget

The Town ensures grant amendments are submitted and approved in advance of needs. Grant amendments can be made for financial and/or programmatic purposes. Grant amendments must be submitted in advance of need; implementation of the amendment (either financial or programmatic) is reliant on the amendment approval date.

Budget Control

The Town monitors its financial performance by comparing and analyzing actual results with budgeted results. The Town Accountant runs year-to-date budget reports for all grant funds on a monthly basis. If significant variance(s) exist between the grant manager's records and the year-

to-date budget reports, or a trend that may lead to a significant variance is determined, the grant manager, relevant Department Head, and Town Administrator (as appropriate) are notified. The Department Head, in consultation with the Town Administrator, will determine if an amendment is appropriate.

D. Accounting Records

Accounting records are kept in hard copy. The Accounting Office is responsible for the maintenance of all related accounting records in conformance with the Municipal Records Retention Schedule. 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 the grant tracking sheet, the individual will notify the Town Accountant. The Town Accountant will research the potential error, and if necessary, generate a journal entry with supporting documentation. The Town Accountant then enters the information in SoftRight. The journal entry is then reviewed by the relevant Department Head. Upon approval, the journal entry document is forwarded to the Town Accountant to be finalized.

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

Grant Fund Code	Fiscal Year	Fund Code
2 Digits	4 Digits	3 Digits

Town Grant Fund:

This two-digit code designates the account as a Town federal grant.

Fiscal Year:

The four-digit code designates fiscal year representing the year the grant was awarded. All grants awarded in Fiscal Year 2022 would be 2022.

Fund Code:

The three-digit code designates the fund code of the grantor.

Object Codes:

The object codes are the same used by the general fund accounts.

E. Spending Grant Funds

As the recipient of federal funds, Town of Whitman is responsible for administering the grant consistent with the grantors terms and conditions.

Although each grant may have specific allowable and unallowable costs, Town of Whitman 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 be:

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 geographic 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).

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. Indirect costs are those that have been incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

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

costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award. The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

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

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 Town will spend its grant funds, the relevant Department Head 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.

Be Necessary and Reasonable for the performance of the federal award. Town of Whitman 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 Town 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 Town, its employees, its residents, the public at large, and the federal government.

“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 Town can demonstrate that the cost addresses an existing need, and can prove it.

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 the cost aligns with identified needs based on results and findings from a needs assessment.
- ❖ Whether the cost addresses program goals and objectives and is based on program data.

Allocable to the federal award. A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. For example, if 50% of an employee's salary is paid with grant funds, then that employee 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 Town.

Conform to any limitations or exclusions set forth as cost principles 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).

Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such. Some federal program statutes require the non-federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program.

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

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

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.

Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the Town in its regular operations as the result of its written travel policy. 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 Town's established policy.

In addition to the federal guidelines regarding travel, employees and officers must adhere to the Town of Whitman's Personnel Policy.

Helpful Questions for Determining Whether a Cost is Allowable

In addition to the cost principles and standards described above, this section can be referred to 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 Town may be required to use federal funds only to supplement the amount of funds available from non-federal (and possibly other federal) sources.
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

As a practical matter, the relevant Department Head and the grant manager should also consider whether the proposed cost is consistent with the underlying needs of 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, the department should review data when making purchases to ensure that federal funds to meet these areas of concern.

F. Federal Cash Management Policy/Procedures

The Town will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the Town. Generally, the Town receives payment on a reimbursement basis.

G. Timely Obligation of Funds

When Obligations are Made

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

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

If the obligation is for:	The obligation is made:
Acquisition of property	On the date which the Town makes a binding written commitment to acquire the property
Personal services by an employee of the Town	When the services are performed
Personal services by a contractor who is not an employee of the Town	On the date which the Town makes a binding written commitment to obtain the services
Public utility services	When the Town receives the services
Travel	When the travel is taken
Rental of property	When the Town uses the property

Period of Performance of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project. This period of time is known as the period of performance. The period of performance is dictated by statute and will be indicated in the GAN. Further, certain grants have specific requirements for carryover funds that must be adhered to.

State-Administered Grants: As a general rule, state-administered federal funds are available for obligation within the year that Congress appropriates the funds for.

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 Town must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period unless an extension is authorized. Any funds not obligated within the period of availability or liquidated within the appropriate timeframe are said to lapse and must be returned to the awarding agency. Consequently, the Town closely monitors grant spending throughout the grant cycle.

H. Program Income

Definition

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

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

II. Procurement System

The Town maintains the following purchasing procedures.

A. Responsibility for Purchasing

The Department Head is the purchasing agent for each Town Department. As such, the Department Head retains the authority to review and approve all purchases, and is responsible for ensuring that state procurement law is followed for procurements less than \$150,000. Once purchases are approved for payment, they are submitted to the Accounting Office so the invoices may be paid.

Before initiating any procurement a Department Head shall make a determination as to the dollar value and duration of any expected contract or agreement. Prior to the initiation of any procurement, including the renewal or continuation of an existing goods or services agreement, a Department Head shall transmit this determination, in writing, to the Chief Procurement Officer (CPO), together with a description of the tangible asset or service which is proposed to be purchased.

- **Procurements with an Expected Value of \$150,000 or More**

All procurements/purchases with an expected total value of \$150,000 or more are subject to approval by the Chief Procurement Officer (CPO). For these procurements, the Department Head or his or her designee shall prepare a draft solicitation for bids or request for proposals, which shall be transmitted to the CPO for his or her review. A solicitation or request for proposals with an expected value of \$150,000 or more shall be transmitted to potentially interested parties by the purchasing Department only after approval by the CPO. The purchasing Department shall collect all responses to solicitations and requests for proposals, and the CPO and Department Head shall review all responses prior to the awarding of a contract of \$150,000 or more.

- **Procurements Potentially Lasting More than Three (3) Years**

The relevant Department Head shall notify the CPO in writing of any procurement/purchase which may last more than three years. Unless authorized by a majority vote of Town Meeting, a contract or agreement for a term exceeding three years, including any renewal, extension, or option, may not be awarded.

- Contract Management

The relevant Department Head is responsible for monitoring the progress and performance of any contract, including reviewing certified payrolls when connected to a Prevailing Wage project. All proposed amendments, change orders, or extensions must be transmitted in writing by the Department Head with a copy of the original contract to the CPO, who must approve them before they are valid.

Department Heads are responsible for tracking the expiration dates of their contracts. The Department Head will notify the CPO at least 45 days in advance of a contract expiration date in order to facilitate a new contract.

B. Purchasing Methods

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

Purchases of \$9,999 or less (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 receipt 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 written contract is not required. A contract cannot exceed three years unless Town Meeting authorizes a longer contract period.

Purchases between \$10,000 and \$50,000 (Solicitation of Quotes)

Procurement of supplies and services between \$10,000 and \$50,000 are governed by Massachusetts General Law, Chapter 30B. The procurement procedure for purchasing supplies and services between \$10,000 and \$50,000 requires soliciting three written quotes. A written description / terms shall be provided to all vendors to ensure an ‘apples to apples’ comparison of prices. No formal advertising is required. The contract is awarded to the responsible and responsive bidder 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 Town Meeting authorizes a longer contract period.

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

Sealed Bids (Formal Advertising): For purchases over \$50,000, bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose

bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. If a Request for Proposals is issued, the most advantageous proposal from a responsible and responsive proposer is chosen, 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 publicly advertised;
- The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
- All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;
- A firm fixed price contract award must be made in writing to the lowest responsive and responsible bidder.

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

Advertising is required once in a newspaper of general circulation and on the Town of Whitman website at least two weeks before bids or proposals are due. If the procurement is of \$100,000 or more, it must be advertised at least once in the *Goods and Service Bulletin* maintained by the Massachusetts Secretary of State's Office.

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 Town 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.

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

1. The procurement office shall determine in writing that the selection of the most advantageous offer requires comparative 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 Town of Whitman would be willing to pay more money, and are used to further evaluate the relative merits of all proposals that meet the quality requirements.
4. Quality requirements establish standards of acceptability for the supplies and services you are purchasing.
5. Comparative criteria rating factors include: highly advantageous, advantageous, not advantageous, and unacceptable.

In addition, all Invitations for Bids (IFB's) and Requests for Proposals (RFP's) require vendors submitting bids to sign and submit a non-collusion and tax compliance forms.

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 Town; or
- After solicitation of a number of sources, competition is determined inadequate.

Under Massachusetts General Law Chapter 30B, a sole source procurement of any supply or service under \$50,000 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 \$50,000 are only allowable for the following purchases:

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

All sole source procurements require a memo from the relevant Department Head to the CPO that details the basis for determining there was only one practicable source for the purchase. This memo must be sent to the CPO before any purchase is finalized. The memo will provide the contractor's name, amount of the contract, and a listing of supplies or services procured. The CPO will ensure each sole source contract is appropriate and properly documented.

C. Purchase Cards

The Town of Whitman has a credit card that has been issued by the Town to the Town Administrator.

All detailed receipts must be retained and attached to the invoice prior to payment. When the invoice is received, the information is provided to the Accounting Office and the statement is paid with all receipts kept as back-up.

D. Full and Open Competition

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

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

Geographical Preferences Prohibited

The Town 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 Town 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 Town must not preclude potential bidders from qualifying during the solicitation period.

Solicitation Language

The Town 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.

E. Federal Procurement System Standards

Avoiding Acquisition of Unnecessary or Duplicative Items

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

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

Use of Intergovernmental Agreements

To foster greater economy and efficiency, the Town 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 Town 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 Town 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 Town may not subcontract with or award subgrants to any person or company who is debarred or suspended.

Maintenance of Procurement Records

The Town Clerk must maintain records sufficient to detail the history of all procurements, subsequent to these records being transmitted to him or her by the relevant Department Head. 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.

Time and Materials Contracts

The Town 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 Town 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 Town 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 Town 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 Town 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 Town 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 Town with a complaint regarding the procurement or award of contract, the complaint should be forwarded to the Town Administrator. The Town Administrator, CPO, and the individual responsible for the 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 Town Administrator 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 Town seeks advice on correcting the error, the CPO will ask the advice of the applicable state agency. If the vendor files a complaint in Superior Court, the Town will seek the advice of legal counsel.

F. Conflict of Interest Requirements

Standards of Conduct

The Town 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 Town 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 Ethics 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

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

- The sale, exchange or leasing of property between the Town 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 Town and an affiliated or unaffiliated organization or a private or related individual except for the rental of Town facilities.
- Payment of compensation, unless authorized by the Town Administrator, by the Town 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 the Town of Whitman unless specifically voted by the Board of Selectmen.
- Thus, the Town of Whitman will be guided by the principle of arm's-length standards with all affiliated or unaffiliated organizations or with a private or related individual(s).

Disciplinary Actions

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

Mandatory Disclosure

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

G. Contract Administration

The contract manager for the Town of Whitman varies based on the type of contract. When a contract does not clearly fall within a department, the Assistant Town Administrator 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; and
4. Approve or reject contractor payment requests.

The Accounting Office maintains all contract files.

III. Property Management Systems

A. Property Classifications

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the Town for financial statement purposes, or \$20,000.

Supplies means all tangible personal property other than those described in Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the Town for financial statement purposes or \$20,000, regardless of the length of its useful life.

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

Capital assets means tangible or intangible assets used in operations having a useful life of more than five years 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).

B. Inventory Procedure

Inventory will be maintained on all information technology hardware and software by the Director of Technology. The Information Technology Department will add the appropriate ship to address. At the time of receipt, the package is inspected to ensure the ordered materials were received in good order and the items mirror the order placed through the purchase order system. Items are inventoried at the time they are unpacked. Inventory records are inputted by a member of the Information Technology Department.

C. Inventory Records

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

- Date of purchase;
- 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 manager will review the inventory list and note changes. Changes to the inventory based on property being sold, lost, stolen or broken will be noted. If the item was stolen, a copy of the police report should be included in the file.

D. Physical Inventory

A physical inventory of information technology property must be taken and the results reconciled with the property records at least once every two years. If there is a discrepancy between the previous physical inventory and the current inventory, a report detailing the discrepancies will be provided to the Accounting Office.

E. Maintenance

The Information Technology Department maintains adequate maintenance procedures to ensure that property is kept in good condition.

F. Lost or Stolen Items

The Information Technology Department maintains a control system that ensures adequate safeguards are in place to prevent loss, damage, or theft of property. 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 Director of Technology and the Town 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

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

If acquiring replacement equipment, the Town 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.

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 Town on an integrated basis;
- Comply with the established accounting policies and practices of the Town; and
- Support the distribution of the employee’s salary or wages among specific activities or costs objectives.

Reconciliation and Closeout Procedures

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

The reconciliation process is conducted by the relevant Department Head (or their designee), in conjunction with the Town Accountant. At the beginning of each grant year, the grant manager creates a spreadsheet with the following information:

1. Federal grant name;
2. Federal grant account number;
3. Employee’s name;
4. Employee’s number;
5. Position Title;
6. Days schools are in session by month;
7. Budgeted number of hours by month; and
8. Variance (number of hours and percent).

On a quarterly basis, federal grant timesheets are collected and scanned into a folder on the shared directory. The relevant Department Head or their designee enters the number of hours worked into the spreadsheet. The completed sheet is provided to the grant manager quarterly.

Annual adjustments will be made only if (1) the quarterly comparisons show the differences between budgeted amounts and actual costs are less than ten percent; and (2) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. If not performed annually, quarterly adjustments should be made. All necessary adjustments must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

B. Human Resources Policies

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.

V. **Record Keeping**

A. Record Retention

The relevant Department maintains all records that fully show (1) the amount of funds under the grant or subgrant; (2) how the subgrantee uses those funds; (3) the total cost of each project; (4) the share of the total cost of each project provided from other sources; (5) other records to facilitate an effective audit; and (6) other records to show compliance with federal program requirements. The Department Head shall also maintain records of project results. These records and accounts must be retained and made available for financial audit.

At the state level, records retention is overseen by the Massachusetts Secretary of State's Office. The Department Head of any Department 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.

B. Collection and Transmission of Records

Most records may be maintained in either paper or electronic form, based on the current practices in the Town.

C. Access to Records

The Town 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 Town 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 Town's personnel for the purpose of interview and discussion related to such documents.

D. Privacy

The Town of Whitman must follow guidelines put forth in the Secretary of State's Public Records Guide when it comes to public records requests or requests for information.

VI. Subrecipient Monitoring

In the event that the Town 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.