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Process And Procedures Manual

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Introduction to Internal Controls

The four basic functions of management are often described as planning, organizing, directing, and controlling. Internal control relates to the fourth function, controlling. Adequate internal controls allow principals and managers to delegate responsibilities to subordinate staff and contractors with reasonable assurance that what they expect to happen, does happen. Administration must develop internal controls for each activity for which they are responsible. The internal controls exercised over individual activities, when taken collectively, become the internal controls of the program or administrative function of which they are a part. The internal controls for each school, department, program, and administrative functions, when combined with district-wide internal controls, comprise the school district's internal control documentation.

The paramount management objective in a school district is the education of children. The major activity is the instruction of students with the associated support activities being secondary. Internal controls apply primarily to the supporting service activities.

Management's role is to provide leadership and support to achieve the educational goals and objectives of the school district. Board policy, administrative rules and internal controls are tools used by managers and principals to help the district achieve educational objectives. Internal controls are the structure, policies, and procedures used to ensure that management accomplishes its objectives and performs its responsibilities.

Any discussion of fundamental management responsibilities would include effectiveness, efficiency, compliance with laws and regulations, and accuracy in reporting. Effectiveness measures whether an organizational unit achieves its objectives. Efficiency measures how good managers make use of available resources in achieving these objectives. While effectively and efficiently achieving the organization's objectives, managers must also comply with Oregon statute, Board policy, administrative rules and internal policies and procedures. Finally, to make sound decisions and comply with oversight requirements, managers must receive accurate information and prepare accurate reports. Internal controls can then be defined as a coordinated set of policies and procedures used by managers to ensure their agencies, programs, or functions operate efficiently and effectively in conformance with applicable laws and regulations.

What are Internal Controls?

The Committee of Sponsoring Organization (COSO) of the Treadway Commission developed the current official definition of internal control. In its influential report, *Internal Control - Integrated Framework*, the Commission defines internal control as follows:

“Internal control is a process, effected by an entity's Board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

This definition reflects certain fundamental concepts:

- Internal control is a process. It is a means to an end, not an end in itself.
- Internal control is affected by people. It is not policy manuals and forms, but people at every level of an organization.
- Internal control can be expected to provide only reasonable assurance, not absolute assurance, to an entity's management and Board.
- Internal control is geared to the achievement of objectives in one or more separate but overlapping categories.”

A less technical definition might state that:

Internal controls are tools that help managers be effective and efficient while avoiding serious problems such as overspending, operational failures, and violations of law.

Internal control has been further defined as consisting of five interrelated components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

The process of internal control also incorporates four *basic principles*. Because internal controls are a means to an end, they must help, rather than prevent or delay, an organization from reaching its objectives. Before designing and implementing internal controls, managers should consider the following:

1. Internal controls must benefit, rather than hinder, the organization.
2. Internal controls must make sense within each organization's unique operating environment.
3. Internal controls are not stand-alone practices. They are woven into the day-to-day responsibilities of managers and their staff.
4. Internal controls should be cost effective.

Consider internal controls as a continuous series of decisions affected by changing circumstances that will require periodic review and modification, rather than a static system. When managers evaluate their internal controls, they must first determine whether they are functioning as designed and still applicable given current operations.

Why Do We Need Internal Controls?

School administration is responsible for managing the resources entrusted to them for teaching children in public schools. A major factor in fulfilling this responsibility of trust

is ensuring that adequate controls exist in the education programs and support systems. Properly designed internal controls promote effectiveness and efficiency in our activities.

Public officials, legislators, and taxpayers are entitled to know whether government agencies are properly handling funds and complying with laws and regulations. They need to know whether government organizations, programs, and services are achieving the purposes for which they were authorized and funded. Officials and employees who manage programs must be accountable to the public. Frequently specified by law, this concept of accountability is intrinsic to the governing process of Oregon.

Governance Structure and Environment

Control Environment

Integrity and ethical environment:

Sound integrity and ethical values, particularly of top management, are developed and understood and set the standard of conduct for operations and financial reporting.

- **Board of Directors**
 - The Board understands, and exercises oversight responsibility related to Oregon statute, administrative rules and Board policy.
- **Management philosophy and operating style**
 - Management's philosophy and operating style support achieving effective internal control over financial reporting and compliance with applicable rules and regulations.
- **Organizational structure**
 - The organizational structure supports compliance and effective internal control over financial reporting.
- **Authority and responsibility**
 - Management and employees are assigned appropriate levels of authority and responsibility to facilitate compliance and effective internal control over financial reporting.

Under the oversight of the Board. Sets strategic direction and establishes an entity's value system. Provides assurance that risks are managed as part of a risk management process, operations are monitored, results are measured, and corrective actions are implemented in a timely fashion.

To assist the Board of Directors in monitoring the District's activities, the Board will:

Senior Management

- Receive monthly reports on Year to Date (YTD) expenditures and revenues compared to Budget;
- Receive monthly listing of all accounts payable checks;
- Complete and return questionnaires received from auditors and express concerns to the auditors;
- Receive copies of the completed audit and management letter;
- Receive an overview of the audit from the District's auditor at a public meeting; and
- Any changes made to this Procedures & Process manual will be approved by the Gervais School Board of Directors.

Operating Management

Deploys strategy, enforces internal control, and provides direct supervision for areas under its control. Accountable to senior management, and ultimately the Board, for implementing and monitoring the risk management process and establishing effective and appropriate internal control systems.

Internal Auditing

Performs assessments to provide assurance that governance structures and processes are properly designed and operating effectively. Provides advice on potential improvements to governance structures and processes.

External Auditing

Provides independent assurance on the financial statement preparation and reporting activities, in accordance with applicable regulations and accounting principles.

The roles of the parties are separate, and the responsibilities of each role are different. Effective governance is diminished if role boundaries are not respected. Good governance results from effective synergy generated among the activities of these differing roles.

Commonly Identified Organizational Governance Principles

Organizational governance is a broad concept. A partial list of principles often included in defining effective governance processes are:

1. Ensure a properly organized and functioning Board that has the correct number of members; an appropriate Board committee structure; established meeting protocols; sound, independent judgment about affairs of the organization; and periodically reaffirmed membership.
2. Make sure Board members possess appropriate qualifications and experience, with a clear understanding of their role in the governance activities, a sound knowledge of the organization's operations, and an independent/objective mindset.
3. Assure that the Board has sufficient authority, funding, and resources to conduct independent inquiries.
4. Maintain an understanding by executive management and the Board of the Organization's operating structure, including structures that impede transparency.
5. Articulate an organizational strategy against which the success of the overall enterprise and the contribution of individuals are measured.
6. Create an organizational structure that supports the Board in achieving its goals and strategy.
7. Establish governing policy for the operation of key activities of the organization.
8. Set and enforce clear lines of responsibility and accountability throughout the organization by adopting appropriate policy.
9. Ensure effective interaction among the Board, management, external and internal auditors, and any other assurance providers.
10. Secure appropriate oversight by management, including establishment and maintenance of a strong set of internal controls.
11. Make sure that compensation policies and practices related to senior management are consistent with the organization's ethical values, objectives, strategy, and control environment, and encourage appropriate behavior.
12. Communicate and reinforce throughout the organization an ethical culture, organizational values, and appropriate tone at the top, including an environment that allows employees to raise concerns without fear of retaliation, the avoidance of

potential conflicts of interest and requesting monitoring and investigations by senior management as deemed necessary.

13. Effectively use internal auditors, ensuring the adequacy of their independence, resources, scope of activities, and effectiveness of operations.
14. Clearly define and implement risk management policies, processes, and accountabilities at the Board level and throughout the organization.
15. Effectively use external auditors, ensuring their independence, adequate resources, and scope of activities.
16. Provide appropriate disclosure of key information, in a transparent manner, to stakeholders.
17. Provide disclosure of the organization's governance processes, comparing those processes with recognized national codes or best practices.
18. Ensure proper oversight of related party transactions and conflict of interest events.

Segregation of Duties

It is common knowledge that one of the best ways to protect assets is to have strong internal controls. Segregation of duties is an important piece of that effort. Everyone also knows that many school business offices do not have enough staff members making it difficult to distributed work sufficiently to attain complete segregation of duties.

However, no school business office should be complacent. Almost everyone can improve internal control, which will provide more confidence that the school district, employees and management are protected.

1. Who collects incoming money?

Mail: Administrative Assistant & Data Specialist OR Personnel Clerk

Walk-ins: Payroll Clerk, Personnel Clerk, Administrative Assistant or Business Manager

- a. Does this person make a list of amounts, payers and reasons for the receipt, which they subsequently compare to the cash receipts book? Yes
- b. Do this person's duties exclude all other accounting duties? No
- c. Does this person restrictively endorse checks immediately upon opening mail? Yes

2. Who prepares District checks? Payroll Clerk (Business Manager is back-up as needed)

Do these person's duties exclude general ledger access? No

Do this person's duties exclude access to cash receipts? No

- a. Are controls for hand-prepared checks the same as for machine-prepared checks?
All checks are prepared using the computer there is no hand-written checks.
 - b. How is access to unused checks controlled? All blank check stock is kept in vault. There is not account numbers or district information on the stock.
3. Who signs District checks? Business Manager has pre-printed signature. If the check is over \$2500 a second signature is required by either the Payroll Clerk, Administrative Assistant or the Superintendent.

- a. Do this person's duties exclude general ledger access? Limited Access

- b. Do this person's duties exclude access to cash receipts? No
- c. How is access to the check signing machine and signature plates controlled?
Other staff do not have the ability to print checks. There are no plates. Check printing is allowed through system security assignment. Only the Business Manager and Payroll Clerk can release printed checks
- d. Does the check signer maintain a log of the check signer counter, and account for all usage? – the Business System records and keeps and internal User Log. If the Superintendent's stamp is used, the Administrative Assistant keeps the log.
- e. Are original invoices cancelled immediately upon payment? Yes
4. Who records District checks? (See 3d)
Do this person's duties exclude access to cash receipts? NA
- a. Do this person's duties exclude those involving general ledger, and disbursement preparation and approval? No
5. Who is the internal auditor (if applicable)? Business Manager. The District does not have titled internal auditor.
- a. Do this person's duties exclude all other accounting duties? No
- b. Are payments approved only on the basis of original invoices? Yes
6. Would an undeliverable W-2 be returned to a person with no other payroll processing duties? Yes
- a. To whom? Administrative Assistant & Data Specialist or Personnel Clerk opens mail and returned items are routed to the Business Manager.
5. Is a live labor test done periodically by a person with no other payroll processing duties? Yes
- a. How often? Monthly with payroll review
- b. By whom? Business Manager
- c. Describe how the live labor test is performed:
Initial review of contract employee checks prior to posting of timecards and subs. Also, a full review of payroll edit list along with timesheets, sub forms and leave forms.
-

6. Who maintains the cash receipts book? All Business Office staff
7. Who maintains the general ledger? Business Manager
8. Who reconciles the bank account? Payroll Clerk
 - a. Do this person's duties exclude all other cash receipt and disbursement duties?
No
 - b. Does the bank reconciler obtain the "book balance" directly from the general ledger, and either through an intermediary person, or from some other document? Yes, the financial system has an internal bank reconciliation process that balances to the GL in the system.
 - c. Are bank statements delivered unopened to the person who reconciles the account? The statements for all accounts are downloaded from web based systems. The statements are downloaded by either the Payroll Clerk or the Business Manager.
 - d. Does the bank reconciler compare bank statement deposit dates and amounts with cash receipts book entries? Yes
 - e. Do the bank reconcilers compare date, payee and amount on cancelled checks with cash disbursements book/warrant entries? Dates and amounts only.
 - f. Does the bank reconciler evaluate endorsements on checks for reasonableness?
No, we do not get our checks back from the bank.
9. Is the bank notified promptly of any change in staff that is authorized to perform banking transactions? Yes
10. Describe how wire transfers are authorized:
The Payroll Clerk enters the required information for payments and the Business Manager approves and releases payments.
11. Are all general journal entries supported by a voucher packet of documentation that provides support for the reason and amount of the entry, and includes documentation of supervisory approval? Yes
12. How often are investments reviewed? Monthly
 - a. By whom? Business Manager
 - b. Who periodically reviews bank collateral to assure statutory amounts are adequate? Business Manager

13. Do accounts payable records contain documentation that the remaining balance of blanket purchase orders was sufficient for the purchase? Yes
14. Who prepares bills, when necessary, for district services? Business Manager, Elementary Office Manager, and Migrant Community Liaison
15. Does the Board specifically inquire into the reasons for under-budget revenues and over-budget expenditures? The Board receives monthly information of the budget and its status. Members are free to ask any question they may have regarding the District's finances.
 - a. Does the Board inquire into the methodology used to budget for revenues? Yes, if they wish. The methodology is presented during the budget process to the Board and the committee members.
16. Is there a policy requiring mandatory vacations, during which another staff member performs the duties of the staff member on vacation? No, there are not mandatory vacations.
17. Is an environment strongly fostered by the administration in which ethical behavior is frequently mentioned, and ample opportunity is routinely provided for staff members to discuss questions they may have during their work? Yes

Budget Preparation and Additional Appropriations

The Governing Board appoints the Budget Officer and appoints additional committee members as required for the committee. (ORS 294.331-336)

A Budget Calendar is developed listing budget meeting dates, considering the required public meeting notices and budget preparation timelines. The budget period is for the fiscal year beginning July 1st and ending June 30th of the following year.

Under the direction of the Budget Officer, the proposed budget is prepared for the Budget Committee to consider for approval.

Two public meeting notices are prepared for the first Budget Committee Meeting. The two notices, if published in the newspaper, should be published no more than 30 days before and not less than 5 days prior to the first meeting. The two notices should also be separated by 5 days.

Budget Committee Meeting

The first Budget Committee Meeting includes the following activities:

1. A Presiding Officer is elected by the Budget Committee. (ORS 294.331-336)
2. The Budget Message is presented by the Budget Officer. (ORS 294.391,396)
3. An estimate of budget resources is presented for each fund including: (ORS 294.361)
 - Estimated student ADMw and the associated State School Fund revenue
 - Estimate of the Local Revenue available.
 - An estimate of the Beginning Fund Balance.
 - Estimated taxes to be levied under the statutory limitations.
 - Estimated grant revenue available for educational programs.
4. An estimate of expenditures is presented for each fund including: (ORS 294.352)
 - Current budget amount and full time equivalent employees compared to the estimate for the new year.
 - An estimate for an increase in benefits.
 - Including a placeholder for short term interest in case of a need to borrow.
 - Consideration of the impact of existing contract obligations.
 - Necessary textbook adoptions, technology purchases, and maintenance needs of the district in the regular cycle.
 - Review insurance premium increases.
 - Identified bond principal and interest by issue.
 - A sufficient operating contingency in operating funds.
 - Estimate unappropriated fund balance necessary to start the succeeding year.

Budget Committee Action

The Budget Committee meets, receives the budget document, reviews the proposed budget estimates and makes changes as agreed. After making changes, if any, the budget committee approves the proposed budget with changes. The committee also approves the permanent tax rate and an estimated tax amount necessary to balance the fund budgets. The tax amounts necessary to pay for bonded debt obligations or a local option tax are also approved by the committee if applicable.

After the budget is approved, the governing body of the local government must hold a budget hearing. The governing body must publish a "Notice of Budget Hearing and Financial Summary" (ED-1) five to 30 days before the scheduled hearing. This information must either appear in a newspaper of general circulation, be mailed or hand delivered.

Governing Board Action

The governing body may make changes in the approved budget before it is adopted. Before the beginning of the fiscal year to which the budget relates, the governing body can also make changes to the adopted budget. However, if the governing body wants to make any of the following changes, they must first publish a revised "*Notice of Budget Hearing and Financial Summary*" and hold another public hearing:

- If the governing body increases taxes over the amount approved by the budget committee.
- If the governing body increases estimated expenditures in a fund over the amount approved by the budget committee by more than \$5,000 or 10 percent, whichever is greater.
- If the governing body increases estimated expenditures in a fund in a biennial budget over the amount approved by the budget committee by more than \$10,000 or 10 percent, whichever is greater.

After the budget hearing, and after considering public testimony, the governing body prepares a resolution or ordinance that formally adopts the budget, makes appropriations and, if property taxes are needed, levies and categorizes each tax. The budget is the basis for making appropriations and certifying the taxes. The resolutions or ordinances adopting the budget and making appropriations must be adopted no later than June 30 [OAR 150-294.435(4)].

Budget Document Distribution

Budget document distribution begins with the delivery of the ED-50 form to each county assessor in which a tax is levied by July 15th. The ED-50 serves as a certification of the tax amount or rate the assessor is authorized to levy. The budget resolution(s) enacted by the Board must accompany the Form ED-50. If a district has successfully passed a bond levy or an option tax levy, a copy of the ballot question should also be included.

The same documents should be filed with a copy of the budget document delivered to Oregon Department of Education, the education service district and the county clerk. Some assessors may also require a copy of the budget. Verification of receipt of the documents may be obtained by a date stamp from each agency.

Additional Appropriations

The Governing Board may make additional appropriations in the new fiscal year for the following events:

- Unanticipated grants or gifts.
- Emergency and/or natural disaster.
- Debt service requirements because of the sale of bonds, bond proceeds or debt proceeds.
- Appropriation transfers from one appropriation to another.
- Transfers from contingency-limited to 15% of fund expenditures.
- Appropriations made because of a supplemental budget.

Supplemental Budget

A supplemental budget may be prepared for a fund in which the occurrence or condition had not been ascertained at the time the district budget document was prepared. If the estimated expenditures for the supplemental budget are less than 10 % of any fund the supplemental budget may be adopted and appropriated at a regular Board meeting. A public notice must be published at least five days prior to the meeting. The notice should contain sufficient details for the revenue and expenditures for the supplemental budget.

If the estimated expenditures for the supplemental budget will exceed 10% of the original fund budget, a public hearing must be held. A public notice must be published following the publication rules for the regular budget hearing. Following the public hearing the governing Board must adopt the supplemental budget and make appropriations for the additional expenditures.

Appropriation Transfers

Appropriation transfers may be authorized by the governing Board during the fiscal year. The authority to move appropriations from a major function to another must be granted by the governing Board in a formal resolution.

Working Budget

A working budget may be developed from the adopted budget as budget line items are changed to reflect under spending in one-line item to be offset by overspending in another.

A working budget may also be developed to reflect a grant budget that was received after the preparation and adoption of the original budget. The working budget provides flexibility to track internal differences that may occur after the original budget was prepared. However, formal financial reports must reflect the adopted budget and include additional appropriations enacted by the governing Board.

RESOLUTION ESTABLISHING POLICIES FOR FUND BALANCE
GERVAIS SCHOOL DISTRICT #1
(updated April 16, 2015)

GASB 54, a ruling by the Government Accounting and Standards Board effective for the fiscal year ending June 30, 2011, requires fund balances to be reported in classifications that “comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.” The District wants to maintain a minimum general fund ending fund balance of 1 month or 8% of general fund expenditures. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted on-time expenditures. The District’s minimum Fund Balance Policy requires a Reserve for economic uncertainties

The District will strive to maintain total General Fund discretionary reserves equal to 5% - 10% of annual General Fund operating expenditures. Further, priority should be given to increase reserve levels. In addition, consideration should be given to increase reserve levels should resources become available. Additional resources need not be set aside at this time for economic uncertainties, but used to further other board goals.

The ending balance for all funds must be designated per the following categories set forth by GASB 54:

- **Non-spendable** – Funds which cannot be spent.
- **Restricted** – Amounts subject to externally enforceable legal restrictions (imposed by grantors, contributors, governmental regulations, etc.)
- **Committed** – Amounts whose use is constrained by limitations that a government imposes upon itself.
- **Assigned** – Intended use of resources established by the governing body itself, or by an official or officers to which authority is delegated by the governing body.
- **Unassigned** – Available for any purpose. (Reported only in the General Fund.)

Assignments

Authority to classify portions of ending fund balance as Assigned is hereby granted to the Superintendent and the Business Manager.

Spending as it Relates to Ending Fund Balance Policy

The Board of Education considers the spending of restricted fund balances on purposes for which such funds can be used to occur first when funds are spent for restricted and unrestricted purposes. When unrestricted classifications of fund balance are spent, the board will consider that committed amounts will be reduced first, followed by assigned amounts and then unassigned amounts.

NOW THEREFORE the Board of Education for the Gervais School District #1 hereby makes the following designations of ending fund balances and revenues for specific uses:

1. **Committed Fund Balances** – The ending balance of each of the following funds is **“Committed”** in accordance with the purposes stated for each fund or program in the adopted budget:
 - Fund 202- Textbook Reserve / Technology pertaining to Curriculum
 - Fund 232 – Private Grant Funds
 - Fund 240 – Facility Improvements
 - Fund 241 – Telecom and Technology Infrastructure
 - Fund 261/262 – Co-Curricular Activities
 - Fund 270/275-Fee Classes

2. **Restricted Fund Balances** –
 - The ending balance of all grant related special revenue funds (including food service) shall be designated as restricted for the sole uses intended by the granting authorities.
 - Ending balances in student body funds are restricted for the benefit and intent associated with each of the student body groups who generate the funds.

3. **Debt Service Funds**
 - Funds are **“Restricted”** for payment of principal and interested related with the associated debt offerings.

Federal and State Grant Compliance

Internal Control Objectives

The objectives of internal control regarding compliance requirements for Federal programs, as found in Office of Management and Budget (OMB) Circular A-133, are as follows:

1. Transactions are properly recorded and accounted for to:
 - Permit the preparation of reliable financial statements and Federal reports
 - Maintain accountability over assets
 - Demonstrate compliance with laws, regulations, and other compliance requirements
2. Transactions are executed in compliance with:
 - Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program.
 - Any other laws and regulations that are identified in the compliance supplements
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Allowable Costs & Cost Principles

The standards for allowable costs must be consistent with OMB Circular A-87. The allowable costs and cost principles apply to federal grants received directly as well as those received through the Oregon Department of Education. Supporting documentation must be provided to assure expenditures comply with the list of allowable expenditures.

An adequate separation of duties must exist to allow for a review and comparison of expenditures with the allowable costs and cost principles. The separate review must determine if the expenditures align with the objectives of the grant.

Payroll documentation must clearly divide federal and non-federal expenditures using time records or the semi-annual certification method. Documentation should clearly reflect the portion of federal vs. non-federal time allocated.

Reports reflecting grant expenditures compared to the grant budget must be available to those responsible for program expenditures. Reporting frequency may be immediate for on-line reporting or available at least quarterly. Grant budget over-expenditures should be reviewed to determine if a budget transfer from the Grantor may be necessary to sustain continuing program activity.

Cash Management

Cash drawdown must be limited to the immediate needs of each grant. Oregon Department of Education grant funds are accessed using the Electronic Grants

Management System (EGMS). Actual grant expenditure levels should be used to determine the amount and the frequency of cash drawdowns.

Davis-Bacon Act

Management understands and communicates to staff, contractors and subcontractors the requirements to pay prevailing wages for construction projects according to the Davis-Bacon Act. The request for proposal must clearly state the necessity of compliance with the Davis-Bacon Act and provide current information or references for the prevailing wage rates. Certified payrolls serve to provide documentation of compliance of the prevailing wage rates. Program Directors/Managers are responsible for monitoring compliance the certified payrolls submitted to the District.

Eligibility

Only eligible individuals or organizations should receive assistance under Federal & State grants. Documentation for procedures and calculations used to determine eligibility should be maintained for program participants. Verification of the accuracy of the data used in eligibility determination should be periodically reviewed by supervisors.

Equipment & Property Record Management

Accurate records must be maintained for all acquisitions and dispositions of property acquired with Federal awards. Property records must contain a description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and disposition data. The appropriate amount of reimbursement must be returned to the Federal awarding agency if the amount of sale exceeds certain thresholds.

Matching, Level of Effort, Earmarking of Funds

Responsibility and policies for assuring matching, level of effort or earmarking requirements are met as required in the grant document. Matching or level of effort funds should be marked in the accounting system, so the calculations and amounts are accurately maintained.

Authorized Grant Periods

Program Manager and Business Office understand the beginning and ending dates for each specific grant award. The effective dates must be honored, and expenditures and claims made within the stated dates. A reasonable estimate of any remaining balances must be provided to the program manager for effective decision making as the funding limits are approached.

Procurement

Procurement of goods and services must comply with federal requirements as well as Oregon statute. Oregon bidding requirements are generally followed as capital purchases and construction projects are not commonly available to the District.

Individual integrity, avoiding conflicts of interest and good moral behavior are all expected standards to assure competition is in place for procurements.

Program Income

Management and Business Office staff understands how program income is to be receipted and subsequently expended for activities directly related to program requirements.

Reporting

The required reports for federal and state grants are reported timely and have underlying data as a basis for the reports. Attention is given to assure the report includes financial activities within the authorized grant award dates. Internal reports for management must also have time periods identified and fiscal years delineated to clearly reflect expenditures for a specific period.

Subrecipient Monitoring

Some grant awards may contain pass-through opportunities to subrecipients, such as school districts or non-profit entities. The subrecipient activities must also comply with the grant requirements to be certain the program objectives are met. Monitoring may consist of reliance on the school district's independent audit report, requesting documentation for expenditures and/or obtaining progress reports comparing results to program goals.

The CFDA title and number must be communicated with the subrecipient and compliance and reporting requirements must be explained. Agreements for compliance according to the federal guidelines should be used to strengthen the likelihood of compliance. Assistance should be provided to the subrecipient in resolving audit findings or program deficiencies.

Human Resources

Recruitment, selection and training of employees are critical functions in maintaining good internal controls. An employee having a high standard of integrity lessens the likelihood of loss or diversion of assets. Background checks, references and fingerprint screenings are a critical part of selecting candidates with reputable work histories.

A professional growth, supervision and evaluation system is in place to assist staff in their professional development. The systems are designed to:

- Promote self-directed professional growth and development
- Improve and enhance professional practice and job performance
- Ensure accountability to high standards of performance
- Provide a process and framework for assessing performance

Evaluations are conducted annually for employees to encourage continual professional development. Individual goal setting and self reflection are key elements in the professional growth and development of employees.

As employment applicants are selected for hiring, the human resource office determines the salary scale range and step, completes the employment data and communicates work assignment codes to the payroll staff. Salary schedules and disciplinary actions are also managed or recorded by staff.

The separation provides strengthened internal control over the potential creation of non-existent employees being paid in payroll.

Cash Receipts and Accounts Receivable

Cash Receipts

Cash receipts may be collected at a specific site, program, activity, and event or received by mail or via electronic transfers. Collection methods may be different depending on the nature of the transaction and the setting in which the cash is collected. Receipts or other collection documents are used as the original documentation for cash received. The person paying the cash should be readily identified in the documentation for future reference and to enhance the documentation.

A comparison of the amount of cash received and the documentation generated is performed on a cash transmittal form with exceptions noted on the form. Names of the individuals involved in the collection activity are listed on the cash transmittal form. The cash collected, and transmittal form are delivered to the Business Office for deposit and recording.

Individuals receiving cash are to be cognizant of the trust and responsibility of receiving public monies. Documentation (receipts ticket reconciliations and event records) must demonstrate the accountability for cash received. Adequate documentation will also reinforce the integrity of the person(s) handling cash received.

Two persons should be present as cash counts are performed, and the transmittal summary document should reflect the names of those counting cash.

<u>Flow Chart</u> <u>References</u>	<u>Internal Control Objective</u>	<u>Description of Activity</u>
	Two Persons Count Cash	Two persons should always be present when cash is being counted. Cash transmittal documents must contain the names /initials of those involved in the cash counts.
	Separation of Cash Collection from Deposit Duties	Person collecting cash for tuition, fees, activities, and welcome center events, etc. should not be the same person completing the bank deposit slip.
	Separation of Bank	As receipts and the deposit are received in the

	Deposit Duties from the Person recording entries	District Office, the person completing the bank deposit slip is a different individual than the one recording revenue and accounts receivables entries.
	Accounts Receivable Recording	Accounts receivable transactions are recorded as income for services or supplies and become measurable and available.

Accounts Receivable

A periodic review of outstanding receivables must be performed to assure timely collection of billings.

Invoicing for Federal & State grant monies should be performed electronically through the electronic systems provided.

Payroll Procedures

Concepts of Internal Control

The payroll procedure consists of four functions:

- (1) authorization of payroll additions and changes
- (2) maintenance of time-attendance and accrual records
- (3) payroll preparation; and
- (4) distribution of payroll checks.

Effective internal control must be an integral part of each function. Control elements include staff competence and integrity, independence of their assigned function and their understanding of the related procedures. Three major control objectives are:

- (1) no payments are made to fictitious employees
- (2) no overpayments are made to bona fide employees; and
- (3) payroll related expenses are properly accrued and classified in the financial statements.

Accurate and appropriate reporting is the goal of the entire payroll process. Records of each payroll generated must be maintained for the appropriate time periods as designated by Oregon statute.

Authorization of Payroll Changes and Conditions

The human resource staff is responsible for initiating all payroll changes for employees. Records are maintained for changes to be made in each payroll period. Letters of resignation, retirement and other supporting documents are maintained by the human resource staff. The changes would include hours to be paid, work location, paid and unpaid leaves, new employees and terminated employees. Payroll staff controls the actual creation and issue of a paycheck creating a separation of duties between human resource staff and the payroll staff. The separation of duties strengthens internal

control over the payment of employees. Final pay checks should be calculated to assure the final pay reflects the actual days worked if annualized and leave accruals are properly adjusted if awarded at the beginning of the fiscal year. The timeliness of delivery of final checks at termination must meet Oregon legal requirements.

Time and Attendance Records

A supervisor is responsible for certifying the completeness and accuracy of time reported for each employee. The reporting duty may be assigned to support staff as desired although the records must be signed by the supervisor. Following the review and signature of the supervisor, the time and leave records are submitted to the payroll for verification and system entry.

Payroll Preparation

Annual calendars, attendance and leave data provide the basis for the monthly salary calculation for each employee. Leave taken in excess of a balance available triggers an automatic system dock in pay for the employee. Leave reports are available to principals and managers. System check registers are generated by payroll period and postings are made according to the position assignment and work records. Account classifications are assigned to each position but may be changed at data entry if the position worked is different than the position assigned. Supplemental pay code classification options are also available at the time of entry. As the payroll is executed posting entries are generated complete with classification coding.

Payroll Check Distribution

The direct deposit program for payroll checks is aggressively encouraged for the convenience of the employee and the employer. Checks are dispersed to building office managers to be distributed to the appropriate employees. Employees requesting a printout of their direct deposit slip have their checks/direct deposit slips mailed to them directly from the payroll office.

Payroll vendor checks are mailed directly from the business office.

	<u>Internal Control Objectives</u>	<u>Description of Activity</u>
	Separation of employee setup procedures	Human resource personnel consults with the principal or manager regarding job description modification as vacancies exist. Wording used for advertising is developed and the vacancy is posted. Recruiting, interviewing, selection and terminations are facilitated by human resource personnel and the principal or manager. Staffing change forms are used to communicate any changes to employment status to the business office in a timely manner.
	Time and attendance	Each principal or manager is responsible for time and attendance for employees they supervise. Time records and employee contracts form the basis for pay for each employee. Time and leave information authorized by a supervisor's signature or electronic approval is then forwarded to the payroll office for review then entered into the system. The time record is not returned to the employee after the supervisor signature is added to the record.
	Payroll Processing	Contracts, time and leave records are reviewed by payroll staff prior to manual entry into the system. Voluntary deduction information is modified as requested by employees. A preliminary payroll is processed, reviewed by Business Manager and the personnel clerk with the timesheets and leave forms and a subsequent final payroll is generated. Payroll checks, stubs and vendor checks are produced for timely release.
	Check Printing	Restricted access is maintained under the direction of the Business Manager. Review of the payroll may be accomplished by access to the payroll transactions and reports available in the system.
	Check Distribution	Office managers distribute checks. Checks for temporary employees and coaching staff are printed along with direct deposit slips for employees requesting it are mailed directly to the staff.
	Payroll Records	Payroll records are maintained for everyone. Established procedures dictate the process for maintaining pay-related documentation. The records are archived and maintained as required by state record retention guidelines.
	System Security	The Business Manager and Technology Director assigns staff security levels according to the related business functions. School principals, department managers have access to employee leave balances under their supervision.

Monitoring Payroll

Grant payroll expenses are monitored by each respective grant manager or assigned staff to assure correct classifications. Oversight and review functions are performed monthly by the district business office staff. The Governing Board also receives reports reflecting salaries and benefits compared to appropriation limits.

Purchasing Materials and Services

Authorization to purchase materials and supplies is resident with the principals or department managers. The purchases are limited by the amounts in the budget document as appropriated by the Board of Directors. The business office provides the secondary check to limit expenditures to the authorized appropriations. Dollar level authorizations may be assigned by the business office, principals and department managers.

The formal recording of the expenditure is the responsibility of the business office staff. Although purchase requests are initiated in the principal's or manager's office, the creation of the purchase order, verification of quantities, vendors and the classification code are reviewed and corrected if necessary in the business office. A purchase order is encumbered, and the expenditure recorded as the purchase order is created. The purchase order is later adjusted in the system if the pricing or quantities vary from the original purchase order.

Materials and supplies are generally drop-shipped at each school building or department office. The receiving staff member is responsible to determine variances in the amount ordered compared to the amount received. Payments are made for purchases as the materials are received at de-centralized locations. Receiving documents are compared to shipments received, exceptions noted, initialed and forwarded to the business office for payment.

Expense reports are available on demand or online from the business system reflecting the actual expenditures compared to budget, the encumbrances outstanding and the remaining budget balance. The reports are available to the business office, the principal's office or the department manager's office providing current information for purchase decisions.

	<u>Internal Control Objectives</u>	<u>Description of Activity</u>
	3-Way document match & review	Receiving documentation and purchasing documentation originate within school sites or departments. Vendor invoices are received by the district office separating the purchasing and ordering functions with that of recording invoices in preparation for payment. The purchase order and receiving document are matched with the invoice prior to paying the vendor.
	Principal/department review and approval	Purchase order requests and claim vouchers and receiving document are reviewed by school principal or department manager for appropriateness and completeness providing authorization either through the business system or by signing written form
	Business office review and verification	A secondary review of the documents, account coding and authorized signatures is performed by the business office.
	Payment of checks	Vendor checks are prepared by the Business Manager. Restricted access is maintained under the direction of the Business Manager. A final review of the payment transaction is provided by the Business Manager and Administrative Assistant or Payroll Clerk as a review of the check batch is performed. Purchase documents are made available for the Administrative Assistant and Payroll Clerk as the final review is performed.
	Check Distribution	Checks are mailed direct to the vendor to strengthen controls over fraudulent payments.
	System Security	The business manager and technology director assigns access levels according to the needs of the related functions. School staff, department managers and secretaries have access to the purchasing and receiving system as well as read-only access to the general ledger accounts related to their areas of responsibility.

Monitoring Purchases

Purchases are monitored by reports generated from the accounting system. Defined reports are available to school building staff as well as specialized reports for a specific transaction or a range of transactions. Reports are available using a date range or an account number range to suit the needs of the user.

The business office has full access to additional detail reports needed to perform their specific function. The accounting system tracks each individual transaction or change of transaction on the system with user and date stamp included in the system. As a result, a complete audit trail is maintained internally for all activity on the system.

Higher level reports are available for executive managers and the governing Board to review as they compare the year-to-date activity to the amount of the budget appropriation authorized when the budget was adopted.

Safeguarding Assets

Cash and Investments

Checking, Savings, Investments and the Local Government Investment Pool are utilized to control cash in the District. Savings accounts, investments and the Local Government Investment Pool are utilized to maximize earnings of cash accumulations.

Accounts Receivable

There is a growing amount of activity in accounts receivable. Invoicing for Daycare, Preschool, and Childcare services are much of the accounts receivable activity. There are a limited number of retiree checks for insurance coverage that are submitted monthly. Tracking procedures are in place to assure correct payments are in fact received.

Federal and state grant awards result in subsequent billings to federal or state agencies for amounts expended. Federal and state agencies transmit the funds electronically directly into District bank accounts. As a result, there is little risk of the funds being diverted. Grant balances are monitored by program staff as well as business office staff.

Land, Buildings and Equipment

District land and buildings are consistently secured and maintained for authorized use according to District policy and procedures. The frequent utilization of buildings for student and community activities provides minimal time periods for vandalism or destruction.

Fixed Asset Records

Asset records are maintained for land, buildings, and equipment. Surplus property is disposed of according to Oregon statute, specific grant requirements and/or District policy. Inventory records are maintained for specific high-risk assets that do not meet the fixed asset dollar threshold of \$5,000.

Electronic Transactions-Federal and State Agencies

Funds Transferred Electronically

The following agencies participate in Electronic Interface Transactions involving cash amounts received and paid:

Oregon Department of Education	Local Government Investment Pool
Internal Revenue Service	Oregon Department of Revenue
Oregon Department of Justice	US Department of Education
PERS	OEBS

All electronic cash transactions have password security authorized by the Business Manager. The Business Manager also provides security for the business accounting programs password protection and specific user assignment.

Student Activity Accounting

The student activity accounting procedures provide the rules, regulations and procedures to be used by the building principals, faculty advisors, student activity club officers, and school office staff. The following procedures are designed to provide consistency, completeness and continuity in the recording and reporting of student activity transactions. Careful observance of the procedures will:

1. Establish uniformity of practices and procedures.
2. Reduce or eliminate the misunderstanding of established procedures.
3. Assure financial operations are properly conducted.
4. Assure financial reports are properly presented.
5. Provide a reference for required and recommended accounting procedures.
6. Serve as a training tool for new employees.
7. Assure all financial transactions are recorded.
8. Strengthen internal control procedures.

This accounting system described herein has been developed in accordance with the following assumptions:

1. The Student Activity Fund transactions will be recorded in a Special Revenue Fund in the district accounting system.
2. Student Activity Funds should be accounted for on the modified accrual basis of accounting for year-end financial reporting purposes.
3. Budget estimates will be projected and included in the district's annual budget document.

Introduction

Management of Student Activity Funds must be accomplished within the framework of state laws and regulations, Board policy, and administrative rules. It is fundamental that management of student activities be organized to best serve the interest of pupils. The School Board has set forth in Board Policy IGDG the purpose, definition and authority for student "co-curricular activities," defined as those activities which are sponsored or approved by the Board, but which are conducted outside the regular classroom program.

Students who choose to participate in various activities should be involved in the fiscal management of those activities; consequently, each activity group should consist of a Student President, Student Treasurer, and Faculty Advisor. The Faculty Advisor may or may not be paid by the School District for their participation. The Faculty Advisor and Student Treasurer must maintain a record of their activity balance.

At the end of each month, the Faculty Advisors and Student Treasurers must review the financial report received from the school office. Any discrepancies must be brought to the immediate attention of the school office and differences reconciled. Discrepancies that cannot be reconciled must be reported to the Principal. Discrepancies that cannot be resolved should be reported to the District Business Office immediately.

The accounting system will account for revenue and expenditures of activity funds by various student groups. These funds should include only student funds, should be custodial in nature and should be used to promote the general welfare, education, and morale of all the students and to finance the normal, legitimate co-curricular activities of the various individual student groups. All funds derived from an individual student activity, must be expended only to benefit that student activity as a whole.

Cash Disbursements

Fees, donations from students, parent groups or commissions for providing services which the District General Fund bears the majority of expense should not be deposited in the Student Activity Fund. An example would be fees paid by users of facilities, cafeteria sponsored banquets or vendor payment for school pictures. The receipts should not be deposited in a student activity accounts but rather into the appropriate General Fund or Cafeteria Fund.

All payments for activities should be made by check. No expense should be paid in cash directly from ticket sales, dues collection, sales or other cash receipts.

The Building Principal, as trustee, will be ultimately responsible for the proper disposition of these funds.

Cash Receipt Procedures

1. Funds will be collected and counted by two of the following: the Faculty Advisor, Student Officer, or other authorized individuals, and a cash reconciliation form completed for each activity.
2. The Faculty Advisor and/or Student Officers shall compare the cash reconciliation form with the respective deposit slip for accuracy.
3. A copy of the deposit slip and the associated cash reconciliation form shall be retained in the club files.
4. One copy of the cash reconciliation sheet shall be sent to the District office for each completed bank bag.

Depositing Receipts

1. The Faculty Advisor and/or Student Officers will endorse all checks with a special deposit stamp as follows: FOR DEPOSIT ONLY, DISTRICT NAME, and BANK ACCOUNT NUMBER. If a stamp is not readily available, please legibly write this information on the back of the check where indicated.
2. A deposit slip must be completed by two of the following: the Faculty Advisor, Student Officer, or another authorized individual. The deposit slip will include the date, check amount, and cash amount.
3. As the deposit is completed an entry should be recorded in the accounting system, providing credit to the appropriate student organization.
4. The original deposit slip plus one copy shall be placed in a completed bank bag, sealed and deposited in the school safe, which is located within the building until it is delivered to the Business Office for deposit in the bank. The Revenue Posting form and reconciliation form are sent to the District Office separate from the Deposit Bag.
5. All receipts not deposited immediately will be kept under the safekeeping of the School Principal or a designated staff member.
6. When the validated bank receipt is received from the bank, the receipt shall be compared with the deposit slip and any discrepancies resolved immediately.
7. A copy of the bank receipt should be attached to a copy of the deposit posting form and filed sequentially in a deposit control file to be available for audit.

Graduated Class Funds

Money left over in senior class funds following the graduation of each senior high school class must be used to further a school-related purpose. The class officers must remove

the funds within six months of graduation. Maintaining or distributing funds for class reunions after graduation is not a legitimate use of the funds.

Upon graduation, senior class funds/assets should be handled in one of the following methods:

1. Expend remaining funds in a way that will benefit the student body;
2. Transfer remaining funds to the next year's graduating class accounts.
3. Transfer the remaining balance to the General Student Activity Account.

Senior Class officers should make the decision and clearly document, with records of minutes, etc., how the class funds were distributed within six months of graduation. If Senior Class officers do not make this decision within six months of graduation, the remaining graduated class funds will be transferred to the General Student Activity Account.

Inactive Accounts

Student groups that are no longer active may have any remaining balance in their activity account transferred to the General Student Activity account. All transfers of inactive accounts will be ordered by the building principal after considering the length of the inactivity and the potential resurgence of the group.

District Responsibility

Student Activity Funds must be supported by detailed records maintained at the school building responsible for the organization. Due to the fiduciary responsibility of the Board of Education, these funds are subject to the same internal controls and subject to audit as all other district funds.

GERVAIS SCHOOL DISTRICT NO. 1
MARION COUNTY, OREGON
BOND POST-ISSUANCE COMPLIANCE PROCEDURES

This Procedure establishes the requirements and procedures for ensuring compliance with federal laws and securities laws relating to the issuance and post-issuance monitoring of bonds and related disclosure obligations. This Procedure statement represents the objectives of GERVAIS SCHOOL DISTRICT, MARION County, Oregon (the "Issuer") and will be adhered to by all employees, officials, and financial representatives affiliated with the Issuer.

The Issuer will provide opportunities for education and training for the parties identified in this procedure in order to facilitate their performance of the responsibilities in this procedure. The Business Manager and his or her designated staff are responsible for staying current with any changes in the rules for tax-exempt bonds and disclosure. The Business Manager may rely upon outside advisors for assistance and guidance with these matters.

The Business Manager will monitor compliance with the guidelines contained in this Procedure as well as any other covenants related to bonds not specifically included herein.

FEDERAL TAX LAW COMPLIANCE

The Issuer shall comply with all federal tax laws related to tax-exempt bonds and tax-exempt bond financed facilities prior to and after issuance. The Business Manager of the Issuer is assigned the primary responsibility to monitor compliance with federal tax requirements. The Business Manager may assign staff responsibility for components of this Procedure.

1. Use of Proceeds

The Business Manager will monitor expenditure of bond proceeds and permit expenditures only as permitted in the authorizing documents and under federal tax law. If any proceeds remain following completion of the project, the Business Manager will, in consultation with bond counsel, direct the use of remaining proceeds in accordance with the authorizing documents or to the redemption or defeasance of outstanding bonds.

2. Use of Project Financed

To maintain the tax-exempt status of the bonds, the projects financed must be used for governmental purposes during the life of the bond issue except for permitted de minimus amounts or remedial actions. The Business Manager will monitor and maintain records regarding any private use by third parties (including business corporations, partnerships, limited liability companies, associations, non-profit corporations, natural persons engaged in trade or business activity, and the United States of America and any federal agency) of the project financing with tax-exempt bonds. The Business Manager will consult with the Issuer's bond counsel prior to any private use of the project (including sale or lease of all or a portion of the project, easements, use arrangements, management contacts, preference arrangements, "naming rights" contract, "public-private partnership" arrangements, or any similar use arrangement that provides special legal entitlements for the use of the bond finance property) to obtain federal tax advice in whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use. If the Business Manager determines that the use of bond proceeds or bond financed projects is different from the covenants and representation in the tax certificate, the Business Manager will contact bond counsel in a timely manner. The Issuer will work with bond counsel to implement any remedial action necessary to preserve the tax-exempt status of the bonds.

3. Arbitrage Rebate

Arbitrage is the difference (profit) earned from investing tax-exempt proceeds in higher yielding investments. The Business Manager will monitor ongoing compliance with regards to arbitrage rebate obligations of the Issuer for each bond issue.

- A. Timeline – an arbitrage rebate installment payment is required to be paid no later than 60 days after the end of every 5th bond year throughout the term of a bond issue and within 60 days of retirement of the bonds.
- B. Schedule – the Business Manager will maintain a schedule of each bond issue and the 5th bond year. The Business Manager reviews the schedule no less than annually to determine when a 5th bond year is approaching. Arbitrage rebate calculations on outstanding bond issues may be performed as often as annually or in alternating years, but never longer than the 5th year.
- C. Calculations – the Issuer has the option to perform arbitrage calculations internally or to contract with a third party provider for arbitrage rebate calculations and preparation of IRS Form 8038-T (Arbitrage Rebate, Yield Reduction and Penalty In lieu of Arbitrage Rebate). The Issuer will either complete the calculations internally or provide a third party provider with copies of all applicable records 30 to 60 days before the reporting deadline for the third party provider to prepare the arbitrage calculations and submit a report and IRS Form 8038-T, if applicable, to the Issuer. If positive arbitrage exists at the end of a 5th year bond period, the Issuer will prepare payment to submit with IRS Form 8038-T. Upon redemption of a bond issue, a payment of 100% of the amount due must be paid no later than 60 days after the discharge date.
- D. Yield Restriction – The Business Manager will monitor ongoing compliance with regards to yield restriction. Interim arbitrage calculations will be used to evaluate investment strategies or optional elections that may reduce future rebate liabilities.
- E. Yield Reduction Payments – If the Issuer fails to expend all amounts required to be spent as of the close of any temporary period specified in the Tax Certificate (generally three years for proceeds of a new money issue and 13 months for amounts held in a debt service fund), the Business Manager will determine and pay any required yield reduction payment.
- F. Exceptions – there are exceptions to the general rebate requirements applicable to government bond proceeds: the most common being the small issuer exception and spending exceptions. The Business Manager shall consult with the Issuer’s bond counsel to determine if any exceptions to rebate apply. The small issuer exception applies if the total principal amount of tax-exempt governmental obligations of the Issuer issued by or on behalf of the Issuer and subordinate entities during the calendar year, including the new issue, will not be greater than \$5,000,000, plus such additional amount not in excess of \$10,000,000 as is to be spent for the construction of public school facilities. If the small issuer exception does not apply, the Business Manager will monitor expenditures prior to semi-annual target dates for any expected spending exception outlined in the tax certificate for each issue (the six-month, 18-month, or 24-month spending rebate exceptions) to determine if the Issuer met the spending exception.
- G. “Bona fide” debt service funds – when possible, debt service funds will be accounted for and funded to achieve a proper matching of revenues with principal and interest payments within each bond year so the earnings are exempt from arbitrage.

- H. Advance Refunding Escrows – State and Local Government Securities (SLGs) are commonly used for refunding escrows to yield restrict the investments. The Business Manager will ensure SLGS for a refunding escrow account meet the yield restriction requirement.

4. Information Filing and Monitoring

At the time of issuance and throughout the bond life, issuers of governmental bonds must comply with certain information filing requirements under §149(e) of the Code. The Business Manager works with the Issuer's bond counsel to complete and file each applicable form by the required due date after each bond issue.

- A. Tax-exempt bonds: IRS Form 8038-G (Information Return for Tax-Exempt Governmental Obligations) must be filed by the 15th day of the second calendar month following the quarter in which the bonds were issued. For example, the due date of Form 8038-G for bonds issued on February 15th is May 15th.
- B. IRS Form 8038-T (Arbitrage Rebate, Yield Reduction and Penalty In lieu of Arbitrage Rebate) must be filed within 60 days after each five-year period reporting deadline or within 60 days after the debt is retired, if arbitrage rebate applies (See Section 3).

5. Reimbursement Resolutions

The Business Manager is responsible for ensuring that Reimbursement Resolutions are prepared in accordance with §1.150-2 of the U.S. Treasury regulations for projects the Issuer intends to finance with bonds.

RECORDS RETENTION

The Business Manager shall maintain the following records for the life of the bond issue, and for the life of any bond issue that refunds the bond issue, and for a period of three years thereafter.

1. The bond transcript (including the Official Statement, Board minutes and resolutions authorizing issuance, trustee statements, and bond counsel opinion);
2. Documentation showing expenditure of bond proceeds, including receipts, purchase contracts, construction contracts, progress payments, invoices, cancelled checks, and payment of bond issuance costs;
3. Documentation evidencing use of bond-financed property by public and private sources (i.e., copies of management contracts, leases, user agreements);
4. Documentation evidencing all sources of payment or security for the bonds;
5. Documentation pertaining to any investment of bond proceeds (including the amount of each investment, date investment is made, date investment matures, the sale date, the interest rate and/or yield, actual investment income received, SLGs subscriptions, yield calculations, guaranteed investment contracts, records of interest earnings on reserve funds).

6. Arbitrage rebate reports prepared internally and by outside consultants.
7. Information, records and calculations showing that, with respect to each bond issue, the Issuer was eligible for the “small issuer” exception or one of the spending exceptions to the arbitrage rebate requirements.
8. All tax returns and other communication related to the bonds such as certificates, forms and returns filed with the IRS.

FEDERAL SECURITIES LAW COMPLIANCE

The Issuer will comply with all continuing disclosure agreements under SEC Rule 15c2-12 (the “Rule”). The Rule prohibits any broker, dealer, or municipal securities dealer from acting as an underwriter in a primary offering of municipal securities unless the issuer promises in writing to provide certain ongoing information. The annual financial information is to be sent to the MSRB as designated by the SEC. The Business Manager will coordinate with staff, and may engage a dissemination agent, counsel or other professionals to assist in performing the actions listed below.

1. The Business Manager will compile and maintain a set of currently effective continuing disclosure agreements of the Issuer (the “Current Agreements”.)
2. The Business Manager shall ensure that all necessary financial and operating data is filed in the manner and by the filing dates set forth in the Current Agreements. The Business Manager shall review the Current Agreements annually prior to the filing dates keeping in mind the information and timing requirements may differ between Current Agreements. As part of the annual review, the Business Manager shall also review prior filings made within the past five years subsequent to the last such review of prior filings and the Business Manager will remedy prior late or missing filings.
3. The Business Manager shall keep a calendar of filing dates required under the Current Agreement and subscribe to notification services made available through the EMMA system.
4. The Business Manager shall monitor the occurrence of the following events and/or other events set forth in the Current Agreements and shall provide notice of the same in the manner required by the applicable Current Agreement (likely within 10 days of occurrence):
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other events affecting the tax status of the Bonds;
 - g. Modifications to rights of Bond holders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution or sale of property securing repayment of the Bonds, if material;
 - k. Rating changes;

- l. Bankruptcy, insolvency, receivership or similar event of the Issuer;
 - m. The consummation of a merger, consolidation, or acquisition involving the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
5. The Business Manager shall review drafts of any official statement for a new offering of securities and with assistance with its dissemination agent, counsel, or other agents of the Issuer, as applicable, and shall determine that the official statement accurately and completely describes the Issuer's continuing disclosure compliance history within the five years prior to the date of the official statement. This compliance review is not intended to limit the Issuer's other reviews of or diligence procedures relating to its official statements.
6. The Business Manager shall arrange for annual disclosure training with bond counsel for the Business Manager and designated staff to include education on these procedures and the disclosure obligations under federal and state securities laws.

Financial Accountability Meeting between School Board Members, Superintendent and Business Manager

On a quarterly basis (schedule to be determined), School Board Members will meet with the Superintendent and Business Manager. The purpose is to review and ask the following questions with answers documented and signed by the Superintendent and School Board Member as an example of fiduciary responsibility.

- Is the general ledger balance and reconciled?
- Does the adopted budget reflect expected expenditures?
- Are all payroll reports filed and have all payroll liabilities been paid in a timely manner?
- Have all federal and state grant reimbursement requests as well as required financial reporting forms been timely filed?
- Are there any cases of fraud that we need to be aware of?
- Are there any changes in the internal control system?
- Are there any changes in the accounting system or accounting procedures?
- Are there any other financial related matters we should be aware of?
- Are all cash and investment accounts reconciled to the records?
- Are all financial statements and information provided to the Board accurate and complete to the best of your knowledge?
- Without the Superintendent present, ask the Business Manager if he/she has been asked by the Superintendent to do anything that makes him/her uncomfortable or to present any information he/she feels is inaccurate.
- Without the Business Manager present, ask the Superintendent if he/she feels that there are reporting deficiencies, areas of apprehension in the financial oversight of the district and/or other areas of concern with the business office.

Open Questions / Outstanding Issues / Areas for Consideration:

- Consider a district-wide statement of expected ethical behavior signed by each new employee entering the District. Consider strategies for gaining agreement to ethical standards by all current employees.
- Consider a Board policy for the management and ownership of intellectual property developed by District employees as District employees. How does the District retain legal rights to that intellectual property? How does this apply to students who create items on District equipment?
- Develop clear expectations surrounding methods, types, frequency and Board involvement in audit communication.

Gervais School District Child Nutrition Program

PROCUREMENT PLAN

The Gervais School District will purchase goods, products, and/or services for use in the Child Nutrition Programs (CNP) in compliance with 2 CFR Part 200 as well as 7 CFR Part 225. Procurement standards are specifically located in 7 CFR Part 225.17 and 2 CFR Part 200.317-326. (Note Parts 3016 and Part 3019 have been superseded by 2 CFR Part 200 as adopted and supplemented by USDA in 2 CFR Part 400 for the SFSP and other Child Nutrition Programs.

The primary purpose of this procurement plan is to assure open and free competition, transparency in transactions, comparability, and documentation of all procurement activities. The procurement process practiced by the CNP Sponsor must not restrict or eliminate competition. For example, description of goods, products, and/or services to be procured should not contain features that unduly restrict competition. Competition helps assure that goods, products, and/or services will be obtained that best meets your organization's needs.

A new procurement plan does not need to be developed every year. However, an annual review of the approved plan is suggested to assure its relevance to current procedures.

It will be the responsibility of Food Service Manager to evaluate the procurement needs and forecast the amounts to be purchased so the correct method of procurement will be followed.

A Child Nutrition Program Sponsor must perform a cost or price analysis when purchases are estimated to exceed the Sponsor's most restrictive small purchase threshold (Federal simplified acquisition threshold is currently valued at \$150,000) in connection with every procurement action in excess of the simplified acquisition threshold including contract modifications.

Regardless of procurement method, the following factors will be determined regarding the allowability of costs:

- Be necessary and reasonable for proper and efficient administration of the program(s)
- Be allocable to federal awards applicable to the administration of the program(s)
- Be authorized and not prohibited under federal, state, and local laws.

A Child Nutrition Program Sponsor may set a lower simplified acquisition threshold than the federal simplified acquisition threshold. The most restrictive (lowest) threshold must be used.

Purchasing will be conducted at the most restrictive procurement threshold:

	Federal Procurement Thresholds	CNP Sponsor Procurement Thresholds (fill in) for CNP Purchases
Micro-purchasing	Less than \$3,500	\$3,500
Small/Informal	Less than \$150,000	
Formal	Greater than \$150,000 or any total Food Service Management Contract	
Equipment	Over \$5,000	
Service Only		Above \$15,000 requires School Board approval.

All staff conducting purchasing will be trained on the procurement procedures. Procurement training available on Agency website at: <http://www.oregon.gov/ode/students-and-family/childnutrition/Pages/Procurement.aspx>

Does Gervais School District have a lower simplified acquisition threshold?

Mark the appropriate answer. Yes List the dollar amount \$_____

No

A. Micro purchase procedures. This method applies to the purchase of supplies or services when the aggregate dollar amount does not exceed \$3,500 per transaction. These purchases may be awarded without soliciting competitive quotes if the entity considers the price reasonable. Sponsor must maintain written documentation as evidence of this reasonableness in records of all micro-purchases equitably distributed. Purchases must meet program needs and be priced reasonable.

- The Food Service Manager is responsible for contacting potential vendor/contractor.
- The Food Service Manager is responsible for documentation of records of the purchase, name of vendor/contractor, price, and the written specifications.
- The Food Service Manager is responsible for documentation that the actual product was received.
- The Food Service Manager is responsible for documentation that purchases are distributed equitably among qualified suppliers with reasonable prices.
- The Food Service Manager and the Business Manager are required to sign documentation, confirming a review and the approval of the purchase of the goods, products, and/or services.

B. Informal/small purchase procedures. This method applies for purchases of goods, products, and/or services when the aggregate dollar amount is less than \$150,000 (current Federal simplified acquisition threshold) or the Sponsor's simplified acquisition threshold if lower. Quotes from three (3) or more qualified vendor/contractor will be required.

- In developing the written specifications the same information needs to be provided to all vendors/contractors, you may use prices found online, in catalogs, sale flyers, newspapers, prices obtained from grocery stores, farmer's markets, and etc.
- Each vendor/contractor will be contacted and given an opportunity to provide a price quote on the same specifications.
- The Food Service Manager is responsible for contacting potential vendors/contractors when price quotes are needed.
- The price quotes are to remain confidential information until the actual purchase has been made.

- Quotes are awarded by Food Service Manager and the Business Manager. Quotes awarded are to the lowest and best quote based upon price, quality, service availability, and/or most advantageous to the District.
- The Food Service Manager and Business Manager are responsible for documentation of records to show selection of vendor/contractor, reasons for selection, names of all vendors/contractors contacted, price quotes from each vendor/contractor, and **written specifications**.
- The Food Service Manager and Business Manager are responsible for documentation that the actual product specified is received.
- Any time an accepted item is not available, the Food Service Manager will select the acceptable alternate. Food Service Manager will document the reason for accepting an alternate and keep the documentation on file.
- Quotes are awarded on the following criteria: Must meet the requirements of the solicited product or service and must have the lowest price. (Examples: quality, delivery, service, etc.)
 1. **Price**
 2. **Quality**
 3. **Service Availability**
 4. **Most advantageous to the District**
- The Food Service Manager and Business Manager are required to sign documentation, confirming a review and the approval of the purchase of the goods, products, and/or services.
- The Food Service Manager is the Sponsors authorized purchaser.

C. Formal purchase procedures. This method applies to purchases of supplies or services when the aggregate cost amount is more than \$150,000 or greater than the Sponsor's simplified acquisition threshold or for a Food Service Management Company. The formal procurement method requires the use of an Invitation for Bid (IFB) or a Request for Proposal (RFP).

- The Food Service Manager is the Sponsors authorized purchaser.
- An announcement of an **Invitation for Bid (IFB) or a Request for Proposal (RFP)** will be placed in The Oregon Procurement Information Network and the District's Website to publicize the intent of the Child Nutrition Program Sponsor to purchase needed items. The advertisement for bids/proposals or legal notice will be run for two weeks.
- An advertisement is required for all purchases over the Sponsor's simplified acquisition threshold of \$150,000. The announcement (advertisement or legal notice) will contain a general description of items to be purchased, the deadline for submission of sealed IFB's and RFP's and the address where complete specifications and other procurement documents may be obtained.

- In an IFB or RFP, each vendor/contractor will be given an opportunity to bid on the same specifications.
- The developer of written specifications or descriptions for procurements will be prohibited from submitting bids or proposals for such products or services.
- The IFB or RFP will clearly define the purchase conditions. The following, shall be addressed in the procurement document:
 - (1) Contract time period
 - (2) CNP Sponsor is responsible for all contracts awarded (statement)
 - (3) Date, time, and location of bid opening
 - (4) How vendor/contractor will be informed of bid acceptance or rejection
 - (5) Delivery schedule
 - (6) Requirements which bidder must fulfill in order for bid to be evaluated
 - (7) Benefits to which the Child Nutrition Program Sponsor will be entitled if the contractor can not or will not perform as required
 - (8) Statement assuring positive efforts will be made to involve minority and small business
 - (9) Statement regarding the return of purchase incentives, discounts, rebates, and credits to the Child Nutrition Program Sponsor non-profit Child Nutrition account
 - (10) Contract and/or purchase orders may be issued for firm fixed prices after formal bidding process
 - (11) Price adjustment clause based on appropriate standard or cost index
 - (12) Method of evaluation and type of contract to be awarded
 - (13) Method of award announcement and effective date (if intent to award is required by State or local procurement requirements)
 - (14) Specific bid protest procedures including contact information of person and address and the date by which a written protest must be received
 - (15) Provision requiring access by duly authorized representatives of the CNP Sponsor, State Agency, United States Department of Agriculture, or Comptroller General to any books, documents, papers and records of the contractor which are directly pertinent to all negotiated contracts.
 - (16) Method of shipment or delivery upon contract award.
 - (17) Program Regulations: The contractor shall be in conformance with the applicable portions of the CNP Sponsor's agreement under the program. The contractor will conduct program operations in accordance with 7 CFR Parts 210, 215, 220, 225, 226 and 250.

The contractor shall provide products that meet the Public Law 111-296, the Healthy, Hunger-Free Kids Act of 2010 (HHFKA). The contractor's products shall meet grade level caloric, sodium, saturated fat, and trans fat requirements as applicable for your program.

- (18) Affordable Care Act: The contractor understands and agrees that it shall be solely responsible for compliance with the patient Protection and Affordable Care Act, Public Law 111-148 and the Health Care and Education Reconciliation Act, Public Law 111-152 (collectively the Affordable Care Act "ACA"). The contractor shall bear sole responsibility for providing health care benefits for its employees who provide services to the CNP Sponsor as required by State or Federal law.

- (19) Buy American Provision (applies to NSLP, SBP, and USDA Foods): The contractor will purchase, to the maximum extent practicable, domestic commodities or products in accordance with 7 CFR 210.21(d) and 7 CFR 220.16(d). The contractor shall purchase, to the maximum extent practicable, domestic agricultural commodities or products substantially processed in the United States. "Substantially" means the final processed product contains over 51% domestically grown agricultural commodities. This provision applies to all food purchases paid from the nonprofit school food services account. There are limited exceptions to this provision which allow for the purchase of products not meeting the "domestic" standard as described above (*non-domestic*) in circumstances when use of domestic products is truly not practicable. However, before utilizing an exception, alternatives to purchasing non-domestic food products should be considered.
- (20) Disclosure of Lobbying Activities: Pursuant to Byrd Anti-Lobbying Amendment 31 USC 1352, the contractor must disclose lobbying activities in connection with school nutrition programs. If there are material changes after the initial filing, updated reports must be submitted on a quarterly basis. 7 CFR 3018.100 (**Only applies to contracts over \$100,000**)
- (21) Certification Regarding Lobbying: Pursuant to 31 USC 1352, the contractor must submit a certification regarding lobbying which conforms in substance with the language provided in CFR Part 200.450. No appropriated funds may be expended by the recipient of a Federal contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered Federal actions. (**Only applies to contracts over \$100,000**).
- (22) Certificate of Independent Price Determination: The vendor admits that all prices in their Offer have been arrived at independently, without consultation, communication or agreement, for the purpose of restricting competition, as to any matter relating to such prices with any other Offeror or with any competitor certification regarding non-collusion.
- (23) Civil Rights Compliance: In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, sex, disability, age, or reprisal or retaliation for prior civil rights activity in any program or activity conducted or funded by USDA. Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotope, American Sign Language, etc.) should contact the Agency (State or local) where they applied for benefits. Individuals who are deaf, hard of hearing or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English. To file a program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, and at any USDA office, or write a letter addressed to USDA and provide in the letter all of the information required in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (a) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email:

program.intake@usda.gov.

- (24) Clean Air Act, Clean Water Act, and Environmental Protection Agency Regulation: The contractor will comply with all applicable standards, orders or requirements issued under Section 306 of the Clean Air Act, Section 508 of the Clean Water Act, Executive Order 11738 and Environmental Protection Agency regulations which prohibit the use, under nonexempt federal contracts, grants or loans to facilities included on the EPA list of Violating Facilities. The CNP Sponsor will report all violations to ADE and to the USEPA Assistance Administrator for Enforcement. **(Only applies to contracts over \$100,000)**
- (25) Contract Work Hours and Safety Standard Act: The contractor shall comply with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR Part 5). **(Only applies to contracts over \$2,500).**
- (26) Debarment, Suspension, Ineligibility and Voluntary Exclusion: By signing the Offer & Award form, the contractor shall certify that they have not been debarred, suspended, or otherwise excluded from or ineligible for participations in federal assistance programs under executive order 12549 and 12689. The contractor shall comply with regulations implementing Office of Management and Budget Guidance in Non-procurement Debarment and suspension codified at 2 CFR Part 180 and 2 CFR Part 417. These regulations restrict transactions with certain parties that are debarred, suspended or otherwise excluded from, or ineligible for, participation in Federal assistance programs or activities. **(Only applies to contracts over \$25,000).**
- (27) Energy Policy and Conservation Act: The contractor shall meet the mandatory standards and policies relating to energy efficiency which are contained in the State Energy Conservation Plan issued in compliance with the Energy Policy and Conservation Act. (Pub. L. 94-163,89 Stat.871)
- (28) Equal Employment Opportunity: The contractor shall comply with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations. (41 CFR Chapter 60)
- (29) Record Keeping: The books and records of the contractor pertaining to operations under this agreement shall be available to the CNP Sponsor at any reasonable time. These records are subject to inspection or audit by representatives of the CNP Sponsor, State Agency, the USDA, and the US General Accounting Office at any reasonable time and place. The CNP Sponsor shall maintain such records, for a period of not less than three (3) years after the final day of the contract, or longer if required for audit resolution. (7 CFR 210.23, and 2 CFR Part 200.381)
- (30) Invoicing: The contractor fully discloses all discounts, rebates, allowances and incentives received by the CNP Sponsor from its suppliers. If the contractor receives a discount, rebate, allowance, or incentive from any supplier, the contractor must disclose and return to the CNP Sponsor the full amount of the discount, rebate, or applicable credit that is received based on the purchases made on behalf of the CNP Sponsor. The contractor must identify the amount of each discount, rebate and other applicable credit on bills and invoice presented to the Sponsor for payment and individually identify the amount as a discount, rebate, or in the case of other applicable credits, the nature of the credit. (2 CFR 200 and 7CFR 210.21)

No expenditure may be made from the nonprofit food service account for any cost resulting from a cost-reimbursable contract that fails to include the requirements of 2 CFR 200 and 7 CFR 210.210, nor may any expenditure be made from the

nonprofit food service account that permits or results in the contractor receiving payments in excess of the contractor's actual, next allowable costs. (2 CFR 200 and 7 CFR 210.21)

(31) Termination Clause: The contract may be terminated for cause and for convenience by the CNP Sponsor. Appendix II to 2 CFR Part 200. **(Only applies to contracts over \$10,000).**

(32) Signed statement of non-collusion.

(33) For building projects:

Copeland "Anti-Kickback" Act

All contracts and sub grants in excess of \$2000 for construction or repair awarded by recipients and sub recipients shall include a provision for compliance with the Copeland "Anti-Kickback" Act.

Davis-Bacon Act.

The contractor shall comply with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations. (29 CFR Part 5)

(34) Optional:

Applying a Geographical Preference. 7 CFR Part 210.21(g)

(Only use if applicable)

A. The Sponsor seeks to increase its purchase of seasonal, minimally processed fresh fruits and raw vegetables as part of the Farm to School Program. Reasons for purchasing local products include the potential cost savings, nutrition education for students, and quality of product.

B. The Sponsor is interested in the following locally grown products: **apples, pears, corn, cucumbers, tomatoes, lettuce, blueberry, strawberries, peas, green beans, melons, and squash.**

C. The contractor will make every effort to provide the Sponsor with locally grown products according to the definitions below.

1. Locally Grown: **Grown in Oregon or more than minimally processed in Oregon.**

2. Minimally processed: Includes refrigerating, adjusting size (peeling, slicing, dicing, cutting, chopping), washing, packaging and adding ascorbic acid or other preservatives to prevent oxidation or produce (as described in USDA's Final Rule of Geographic Preference).

D. All products designated under the geographic preference clause shall be labeled with its designating origin (grower name and address/state or area of production) on each case/invoice delivered.

E. Locally grown products should be generally free from insect damage and decay (flexible on grading for produce only per USDA guidance). Produce items are to be rinsed, cleaned and packed in appropriate commercial produce packaging such as waxed cardboard boxes or sanitary/reusable bins.

➤ Specifications will be prepared and provided to potential vendors/contractors desiring to submit IFB or RFP for the products or services requested. Vendors/contractors will be selected using the Sponsor's procedures such as:

1. Does the vendor's product meet the required specifications?

2. Does the vendor's delivery schedule meet the Sponsor's needs?

3. Is the vendor's service and product advantageous to the school district?

➤ If any potential vendor/contractor is in doubt as to the true meaning of specifications or purchase conditions, an interpretation will be provided by Food Service Manager.

- The Business Manager is responsible for securing all IFB or RFP.
- The Food Service Manager and Business Manager are responsible to ensure all CNP Sponsor procurements are conducted in compliance with applicable Federal regulations, State General Statutes or policies of the Sponsor.
- The following criteria will be used in awarding contracts as a result of bids. (Examples: quality, delivery, service, etc.)
 1. **Price**
 2. **Quality**
 3. **Service Availability**
 4. **Most advantageous to the District**
- In awarding a competitive negotiation (RFP), a set of award criterion in the form of a weighted evaluation sheet will be provided to each bidder in the initial bid document materials. Price alone is not the sole basis for award, but remains the primary consideration when awarding a contract. Following evaluation and negotiations a firm fixed price or cost reimbursable contract is awarded.
- The contracts will be awarded to the responsible bidder/proposer whose bid or proposal is responsive to the invitation and best meets the needs of the CNP Sponsor, price, and other factors considered. Any and all bids or proposals may be rejected in accordance with law.
- The Superintendent required to sign on the bid tabulation of competitive sealed bids or the evaluation criterion score sheet of competitive proposals signifying a review and approval of the selections.
- The Business Manager will review the procurement system to check ensure compliance with applicable laws.
- The Food Service Manager is responsible for documentation that the actual product specified is received.
- Any time an accepted item is not available, the Food Service Manager will select the acceptable alternate. The contractor must inform Food Service Manager **within 24 hours after order placed** that a product is not available. In the event a non-domestic agricultural product is to be provided to the CNP Sponsor, the contractor must obtain, in advance, the written approval of the product. The Food Service Manager must comply with the Buy American Provision (if the Sponsor participates in NSLP, SBP or USDA Foods).
- Full documentation as to the reason an accepted item was unavailable, and to the procedure used in determining acceptable alternates, will be available for audit and review. The person responsible for this documentation is Food Service Manager.
- The Food Service Manager and Business Manager are responsible for maintaining all documentation of the procurement process.

D. Non-Competitive Negotiation Procedures (only with State Agency approval). If items are available **only** from a single source (aka Sole Source) when *the award of a contract is not feasible under simplified acquisition purchase, IFB or RFP* Non-Competitive Negotiation procedures will be used: (must have prior approval from State Agency before executing. (2 CFR 200.320)

- Written Specifications will be prepared and provided to the vendor/contractor.
- The Food Service Manager is responsible for the documentation of records to fully explain the decision to use the non-competitive negotiation. The records will be available for audit and review.
- The Food Service Manager is responsible for documentation that the actual product or service specified was received.
- The Business Manager is responsible for reviewing the procedures to be certain all requirements for using single source or non-competitive negotiation are met.
- Non-competitive negotiations shall be used for one-time purchases of a new food item in order to determine food acceptance by students and for samples for testing purposes. A record of non-competitive negotiation purchase shall be maintained by the Gervais School District. The record of non-competitive purchases shall include, at a minimum, the following:
 - a. Item name
 - b. Dollar amount
 - c. Vendor/contractor, and
 - d. Reason for non-competitive procurement

E. Emergency Procurement. If it is necessary to make an emergency procurement to continue service, the purchase shall be made, and a log of all such purchases shall be maintained by the Food Service Manager. The following emergency procedures shall be followed. All emergency procurements shall be approved by the Business Manager. At a minimum, the following emergency procurement procedures shall be documented:

- a. Item name
- b. Dollar amount
- c. Vendor/contractor, and
- d. Reason for emergency

F. Record Keeping. The contractor shall agree to retain all books, records and other documents relative to the contract agreement for three (3) years after final payment. The CNP Sponsor, its authorized agents, State Agency, and/or USDA auditors shall have full access to and the right to examine any of said materials during said period. Specifically, the CNP Sponsor shall maintain, at a minimum, the following documents:

- a. Written rationale for the method of procurement;
- b. A copy of the original solicitation;
- c. The selection of contract type;
- d. The bidding and negotiation history and working papers'

- e. The basis for contractor selection;
- f. Approval from the State agency to support a lack of competition when competitive bids or offers are not obtained;
- g. The basis for award cost or price;
- h. The terms and conditions of the contract;
- i. Any changes to the contract and negotiation history;
- j. Billing and payment records;
- k. A history of any contractor claims; and
- l. A history of any contractor breaches.

G. Equipment Purchases. If the amount of purchase for equipment is greater than \$5,000, the following procedure is used. Equipment means tangible personal property (including information technology systems) having a useful life of more than one (1) year and per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statements purposes, or \$5,000.

During an administrative review, as required by 7 CFR Part 210.18, and audits as required by 2 CFR 200.501 the Sponsor's equipment purchases will be reviewed. Sponsors may purchase any equipment from the Pre-Approved Capital Equipment List (see list located at: <http://www.oregon.gov/ode/students-and-family/childnutrition/Documents/capital-equipment-fns-pre-approved-list-06162016-final.pdf>) following proper Federal, State, or local procurement procedures, as applicable, without submitting a *Capitol Equipment Purchase Request* to Agency for approval.

- Written specifications will be prepared and provided to vendors.
- Each vendor will be contacted and given an opportunity to provide a price quote on the same specifications. A minimum of two (2) vendors shall be contacted.
- The price quotes will receive appropriate confidentiality before award.
- If using USDA funding for the purchase, the CN Sponsor will seek prior approval from the Oregon Department of Education by completing the Capital Expenditure Pre-Approval Request.
- Quotes will be awarded by Food Service Manager. Quotes awarded will be to the lowest and best quote based upon quality, service availability, price, and or the most advantageous to the district.
- The Food Service Manager and Business Manager are responsible for documentation of records to show selection of vendor, reasons for selection, names of all vendors contacted, price quotes from each vendor, and written specifications.
- The Food Service Manager is responsible for documentation that the actual product specified is received.

H. Code of Standards of Conduct. The Child Nutrition Program Sponsor must maintain a written code of standards of conduct (2 CFR 200.318 and 7 CFR 210.21) that includes procedures that governs the performance of its officers, employees, or agents who are engaged in the award and administration of contracts supported by Child Nutrition Program Funds.

The following conduct will be expected of all persons who are engaged in the awarding and administration of contracts supported by Child Nutrition Program Funds.

- No employee, officer or agent of the Gervais School District shall participate in the selection or in the award or administration of a contract supported by program funds if a conflict of interest, real or apparent, would be involved.
- Conflicts of interest arise when one of the following has a financial or other interest in the firm selected for the award:
 - a. The employee, officer or agent;
 - b. Any member of the immediate family;
 - c. His or her partner;
 - d. An organization which employs or is about to employ one of the above;
 - e. A less-than-arms-length transaction. This is one party's ability to control or influence the other party to the transaction. A less-than-arms-length transaction occurs:
 - i. when a transaction is conducted between related parties, meaning that the integrity of the transaction could be compromised;
 - ii. When one party to the transaction is able to control or influence the actions of the other party.

Examples could include:

1. Hiring the CEO's brother as a janitor.
2. Purchasing goods or services from a business owned by an officer, employee, or relative of the Sponsor's entity.
3. Agreement for computer maintenance between a business and person who are related to the Sponsor's employees or board members.

- The Gervais School District employees, officers or agents must not solicit or accept gratuities, favors, or anything of monetary value from prospective contractors/vendors, potential contractors, or parties of subcontract.
- The Gervais School District must set standards when financial interest is not substantial or the gift is an unsolicited item of nominal value and may be acceptable.
- Disciplinary actions for violation of the code of conduct of the Gervais School District will be the following actions: (list appropriate actions for your organization).
 - a. As listed in the Negotiated Employee Group Contracts
 - b. As shown in District Policy (GDP & GDP-AR)

- I. **Minority, Women Owned and Small Business.** A Child Nutrition Program Sponsor (applies to CACFP and SFSP only) must take all necessary affirmative steps to assure that minority business, women business enterprise, and labor surplus area firms are used when possible. (2 CFR 200.321, 7 CFR 226.22, and 7 CFR 225.17)

The following affirmative steps must be used in determining if a firm is available:

- Placing qualified small and minority businesses and women's business enterprises on the solicitation lists;

- Assuring that small and minority businesses and women's business enterprises are solicited whenever they are potential sources;
- Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses and women's business enterprises.

A resource available to use is Certification Office for Business Inclusion and Diversity (COBID). This site provides information on Minority/Women Business Enterprise (MWBE), Emerging Small Business (ESB) and Disadvantaged Business Enterprise (DBE).

<https://oregon4biz.diversitysoftware.com/FrontEnd/VendorSearchPublic.asp?XID=6787&TN=oregon4biz>

- J. Intergovernmental Agency.** The CNP Sponsor is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services. (2 CFR 200.318)
- K.** The CNP Sponsor entity alone must be 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 non-Federal entity of any contractual responsibilities under its contracts. The Federal awarding agency will not substitute its judgment for that of the non-Federal entity unless the matter is primarily a federal concern. Violations of law will be referred to local, State, or Federal authority having proper jurisdiction. (2 CFR 200.318)

SAMPLES

Language that Sponsor can use in their Ordering Instrument when using Price Agreements

THIS PURCHASE IS SUBMITTED PURSUANT TO OCNB PRICE AGREEMENT # _____ (Ordering Organization will insert Agreement Number). THE PRICE AGREEMENT INCLUDING CONTRACT TERMS AND CONDITIONS AND SPECIAL CONTRACT TERMS AND CONDITIONS (T's & C's) CONTAINED IN THE PRICE AGREEMENT ARE HEREBY INCORPORATED BY REFERENCE AND SHALL APPLY TO THIS PURCHASE AND SHALL TAKE PRECEDENCE OVER ALL OTHER CONFLICTING T's & C's, EXPRESSED OR IMPLIED.

INFORMAL PROCUREMENT LOG AND EVALUATION MATRIX

(Purchases costing less than \$150,000)

Supplier Name:										
Items to be Purchased: • Delivery Frequency : _____ • Bid will be honored for: _____ (number of day(s)/week(s)/month(s)) (sponsor will state time period)	Quantity estimated to be purchased	Unit Price	Extended Price (Quantity x Unit Price)	*BS (line item) (✓)	Unit Price	Extended Price (Quantity x Unit Price)	*BS (line item) (✓)	Unit Price	Extended Price (Quantity x Unit Price)	*BS (line item) (✓)
1. Product name & specification:				<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>
2. Product name & specification:				<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>
3. Product name & specification:				<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>
4. Product name & specification:				<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>
5. Product name & specification:				<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>
6. Product name & specification:				<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>
Total:		\$			\$			\$		
*Bidder Selected (BS) on lowest bottom line price			<input type="checkbox"/>			<input type="checkbox"/>			<input type="checkbox"/>	
*Bidder Selected (BS); sponsor can award all items to one bidder (lowest bottom line price) or award purchase on a line item basis (lowest line item price). Sponsor need to tell the bidders which option they will use for awarding the purchase when they are asking for pricing. Sponsors can state that either option may be used by the school to award the purchase.										
Method of contact: Email/Fax/Mail/In person/Phone										
Name of person quoting pricing:										
Date contacted:										
Additional Notes:										
Signature of person completing this form:								Date:		

Name of bidder selected: _____
Bidder selected was notified on: _____ (If notification was in writing attach document to the procurement log/evaluation matrix)
Method of notification: _____ (Email/Fax/Mail/In person/Phone)

MICRO PURCHASE DOCUMENTATION FORM

1. Recipient Information

Date: _____

School District Name: _____

Contact: _____ Phone: _____ EXT: _____

Address: _____ email: _____

City: _____ Zip Code: _____

2. Micro Purchase Description

Vendor Name	Item/Service Description	Unit Price	Quantity	Total Price

3. Price Determination & Required Certification

I hereby determine the price to be fair and reasonably based on at least one of the following:

Found reasonable on recent purchase	Personal knowledge of item cost	Other:
Obtained from current price list	Commercial market sale price	
Obtained from current catalog	Regulated rate	

Equitable Distribution & Fair and Reasonable Price Determination

I, _____ certify that _____ (Agency name)
 Distributed micro purchases equitably among qualified suppliers and the price to be fair and reasonable.
 (2 CFR 200.67, 2 CFR 200.320(a), 2 CFR 200.404)

No Splitting the Aggregate Dollar Amount

I, _____ certify that _____ (Agency name)
 Did not reduce the size of the procurement merely to come within the micro purchase threshold.
 (2 CFR 200.67, 2 CFR 200.320(a))

Buy American Provision

I, _____ certify that _____ (Agency name)
 Was in compliance with the enforcement of the Buy American Provision for food products.
 (7 CFR 210.21(d))

Authorized Signature: _____

Date: _____