

CERTIFICATION OF RESOLUTION
FISCAL OFFICER INTERNAL FINANCIAL POLICIES MANUAL

Parma Academy
(An Ohio Non-Profit Corporation)

The Governing Authority (the "Board") of **Parma Academy**, (the "School" and the "Corporation"), a non-profit corporation organized under the laws of the State of Ohio, hereby resolves as follows:

IT IS HEREBY RESOLVED that the Parma Academy Board of Directors has retained the services of C. David Massa and Massa Financial Solutions, LLC. As the Fiscal Officer, Massa Financial Solutions LLC utilizes an Internal Financial Policies Manual. This Manual, Exhibit A, is attached hereto and incorporated herein as if restated in its entirety. This manual replaces any other manual previously approved by the board. Any updates or changes made to the manual by the Fiscal Officer are expressly accepted.

IT IS FURTHER RESOLVED that the Board Chair is authorized and directed to execute any and all forms, and/or documents required in connection or by reason of this resolution.

APPROVAL AND ADOPTION OF RESOLUTION

Motion to accept the Fiscal Officer Internal Financial Policies Manual (without) with amendment(s),

Made by PETREA

Seconded by SANZOTTA

Board Member <i>Name</i>	AYE	NAY	Other <i>(Not present, abstain, etc.)</i>
Diane Faehnrich	✓		
Mary Galinas	✓		
Jonathan Petrea	✓		
Mark Sanzotta	✓		
Kimberly Bartlett, Chairwoman	✓		

Duly adopted by a vote of the Board on this 10th day of MARCH, 2025.



Kimberly Bartlett, Chairwoman
Parma Academy



Financial Policies and Controls Manual

v. 2025



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Fiscal Management Overview

Massa Financial Solutions (MFS) strives to reflect sound internal controls and accounting policies in the operation of the Schools it serves. MFS believes that having established procedures and strong internal controls is an integral part of delivering the educational model and achieving the overall school mission.

MFS has established the following procedures to maintain internal control over all school assets and processes. The purpose for establishing internal control is to provide reasonable assurance that the school will accomplish its objectives of safeguarding assets, providing accurate financial information, promoting operational efficiency and ensuring compliance with laws, regulations and established school policies and procedures.

MFS utilizes SAGE 50 Accounting Software to record the financial transactions of the schools it serves. This same software is used to generate all of the financial statements and related reports that are presented to stakeholders such as the Board of Directors, Authorizers (Sponsors), and State Departments of Education. The accounting system is maintained on a Microsoft Azure cloud-based environment that is secured and backed up on a daily basis, thus providing piece of mind to MFS clients that its financial systems are protected. (see Disaster Recovery Plan at end of this document) Additionally, MFS utilizes cloud applications such as BOX.com and AVIDxChange to store scans of all School financial records generated during the course of an engagement with MFS. Finally, as described in the Payroll section of this document, MFS strongly encourages the use of ADP payroll service, where applicable. This service not only ensures that the School will remain in compliance with its tax reporting and filing obligations, but that all payroll records are protected and available for viewing at any time through password restricted access to the School's private payroll portal. SOC Reports are available for both the ADP and AvidxChange systems.

Finally, MFS employees high quality individuals with several years of charter school experience dating back to 1999. Many of the team members are credentialed as CPAs and Licensed School Treasurers or have many years of expertise in School Finance. MFS always maintains appropriate levels of professional services insurance or bonds, as required.



Bank Accounts

General

Bank accounts will be maintained at a financial institution as designated by the Board of Directors. If necessary, separate accounts will be established to properly segregate financial activity where needed. The School Fiscal Officer will maintain online access to these accounts via the bank's website which will allow for regular and timely monitoring of the financial transactions in the school's accounts.

Reconciliation

On at least a monthly basis, the School Fiscal Officer shall perform a reconciliation of the bank account activity with the activity posted in the School's accounting system. Any reconciling items requiring attention will be adjusted prior to the completion of the following month's bank reconciliation. All reconciliations completed in the system will be published as a standard part of the School's monthly financial package.

Authorized Signatories

Certain designated individuals will be authorized to conduct business on the School's accounts. Such individuals shall be approved by resolution of the Board of Directors and also be on the appropriate signature card on file at the bank. For MFS clients, only the designated Fiscal Officer will be the authorized signer on all account, unless otherwise resolved by the Board of Directors.



Investments

General

If there are sufficient liquid cash balances on hand, the School may wish to invest a certain amount of School reserve funds in authorized investment vehicles. The Board of Directors shall be solely responsible for authorizing and establishing the School's investment strategy through a separate investment policy.

MFS may assist the Board in this effort by providing information and analysis of eligible investment options, as well as, executing investment transactions.

At all times, any investments of the School shall be as permitted under current Ohio law. Depending on currently available interest rates, the School may look to invest excess funds in the following:

- Money Market Accounts
- US Treasuries
- Certificates of Deposit
- STAR Ohio

The amounts of invested funds shall always be approved by the Board of Directors and should not reduce the School's operating cash balance below 60 days cash on hand.



Revenues

State and Federal Programs

Revenues of the School will primarily consist of direct deposits of monies from the State for various State and Federal Programs. Currently, the Schools receive monies from the following sources:

- State Aid (based on the legislative formula)
- National School Lunch and Breakfast Reimbursement (if applicable)
- Federal program funds passed through the Ohio Department of Education and Workforce (e.g., Title I, IIA, IDEA, etc) as applicable.
- Casino Tax Distribution
- Medicaid Reimbursement (if applicable)
- Quality Community School Support Fund. (if qualified)

Receipts of direct deposits from these sources throughout the year are recorded as revenue according to their source (using appropriate Fund codes) in the month they are received. At year end, receivables are established for any amounts due as of the end of the fiscal year, but not yet received. These receivables are established under “AR-Grants”. Once received in the subsequent fiscal year, monies are credited against the established receivable in the SAGE 50 accounting system in the month they are received. Federal revenues should generally be equal to federal expenditures at June 30.

Miscellaneous Receipts

General

From time to time, Schools may receive cash or checks on-site. This may be related to special events admissions, book fairs, fundraising, donations or other such sources. Regardless of the source, it is important for the School to account for and safeguard all cash or cash equivalents (checks and money orders) received. To the extent possible, it is recommended that all cash be placed in a combination safe that is kept in the School leader’s office. If this is not possible, any monies should, at a minimum be secured in a locked drawer or cabinet. On a regular basis, such collections can be sent to the Fiscal Officer via UPS, courier, or mail. Actual cash however, should never be sent by mail. If pre-arranged, the Fiscal Officer may permit monies to be deposited locally into the School’s operating account.

Revenues – Page Two

Once the monies have been deposited by the Fiscal Officer, the deposit receipt from the bank shall be maintained with the School's other financial records and be available for review and audit at all times. This activity will also be recorded in the general ledger and reconciled with other cash activity on a monthly basis.



Accounts Receivable

Accounts Receivable (AR)

To the extent required, MFS will generate invoices to outside entities/agencies on behalf of the School. Such invoices will be generated through the SAGE 50 accounting system, reviewed by the Fiscal Officer and sent to the appropriate party for collection.

Upon collection of monies due on a particular invoice, the Fiscal Officer will deposit the funds and credit the appropriate invoice in the accounting system.

AR-Grants

As described in the Revenue policy, the School will establish a receivable for Federal monies as needed in any given month, but primarily at year end. Once the cash request is generated, and the funds are deposited, the receivable will be credited.

AR-Other

Items owed to the School that are outside of the State and Federal sources should be recorded in the AR-other account. Primarily, this account will be used for items that the School paid for that are expected to be refunded or reimbursed at a future point.

AR Monitoring

On a regular basis, no less frequently than monthly, outstanding amounts left unpaid will be reviewed for collectability by the Fiscal Officer. After an amount has remained uncollected after 6 months, a determination will be made (based on the specific circumstances that may exist) as to what action will be taken on the receivable (leave open or write-off).



Requisitioning/ Purchasing Policy

General

In general, the School Fiscal Officer is responsible for assuring that all purchases are appropriate and necessary. However, based on the structure of some management agreements, the procurement process for some schools may be performed by the management company. In the absence of other procurement guidance and/ or board approved purchasing policies, the following process will be utilized by a school to requisition needed goods or services.

Requisition Initiation

The purchasing process is initiated when a staff member submits a purchase requisition via email to the School Leader or Business Manager (if one exists).

All requisitions from staff must be sent using the established Requisition Form. This form should be completed in full and attached to the email sent to the address established for requisitions. Requisitions not in the prescribed format will not be approved.

Additional requisitions less than \$1,000 may be made as authorized by the School Leader/ Board of Directors/ School Fiscal Officer via email approval. Requisitions under \$100 may be authorized by the School Leader/ Board of Directors/ Fiscal Officer via verbal approval.

Fiscal Approval

Once the Requisition has been approved by the School Leader, it will then be forwarded to the School Fiscal Officer for budget review and approval. If there are insufficient funds available in the budget or the Fiscal Officer has questions about the requisition, the form will be returned to the originator who will modify the request and return it to the Fiscal Officer. If the modifications are satisfactory, the Fiscal Officer will then approve the requisition and return it to the School for procurement.

Requisition Policy - Page Two

Placing Orders

Once the School receives an approved requisition, the order will be placed. If required by the vendor, a PO may have to be generated. Completed POs will then be used as the basis for contacting the appropriate vendor and placing the order. Only one individual at the School should be authorized to actually place orders with vendors. When orders are placed, the billing address should always list the School's physical address.

Receiving

Once goods and services are received, packing slips shall be reviewed by the receiver. If the goods or services are accurate, the packing slip will be initialed by the receiver and maintained at the School for audit purposes. The invoice can then be approved by the school and submitted to Accounts Payable for processing. The Accounts Payable process is addressed in a separate policy.

Enforcement

Please note that requisitions made outside of this process will not be recognized as liabilities of the School, but of the individual initiating the unauthorized order. Exceptions to this policy are only permitted with the express written approval of the School Fiscal Officer. Further, any violation of this policy by members of the School staff may result in disciplinary action.



Procurement Policy for Federal Grants

Policies developed in accordance with federal guidelines in OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (**2 CFR §200**).

Purpose of these Procurement Standards/Policies

To clarify Federal requirements and procedures for the procurement of supplies and other expendable property, equipment, real property and other services with Federal funds. These standards are furnished to ensure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal statutes and executive orders.

School (Recipient) Responsibilities

The standards contained in this section do not relieve the School (recipient of Federal funds) of the contractual responsibilities arising under its contract(s). The recipient is the responsible authority, without recourse to the Federal awarding agency, regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into in support of an award or other agreement. This includes disputes, claims, protests of award, source evaluation or other matters of a contractual nature. Matters concerning violation of statute are to be referred to such Federal, State or local authority as may have proper jurisdiction.

Codes of Conduct

No employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. The officers, employees, and agents of the recipient shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to sub-agreements. However, recipients may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The School may take appropriate disciplinary actions for violations of such standards by officers, employees, or agents of the recipient.

Competition and Cost/Price Analysis

All procurement transactions must be conducted in a manner that provides, to the maximum extent practical, open and free competition. This means that, even if it seems like a "good deal," grantee agencies (the School or program) cannot make the purchase until a *cost/price analysis* has been done, or other vendors also are given consideration

Cost analysis is the review and evaluation of each element of cost to determine whether it is reasonable, allocable to that grant program, and an allowable cost for that grant program. *Cost analysis* involves an examination of all the elements used in calculating a contract's total estimated cost. For example, when fixed-price contracts are based on cost estimates, grantee agencies should perform a cost analysis to determine the reasonableness of the prices. Every cost element listed in the vendor's offer must be examined. Additional cost analysis should be done if there are contract modifications that introduce new conditions or more current information is needed.

Price analysis involves a comparison of marketplace prices. There are various ways to conduct a price analysis. These include comparing offered prices including discounts with those listed in commercial catalogs, or with those recently submitted for similar services. It can be done, for example, by comparing the price quotes submitted by vendors, or by telephoning other vendors to obtain their market price, or simply by comparing published market prices (such as from a classroom supply catalog, for example).

Soliciting competitive bid prices from vendors might be done in different ways. For example, a grantee agency could get vendor prices by advertising in newspapers, sending letters to prospective vendors, telephoning prospective vendors, or even by comparing prices in office supply catalogs.

The recipient shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. Also, to eliminate unfair advantage, contractors who develop or draft grantee applications or contract specifications or requirements (or statements of work, invitations for bids or requests for proposals) must be excluded from the competition for that procurement.

Procurement Policy for Federal Grants – Page Three

Solicitations for bids should clearly state all the requirements the vendor must fulfill in order for the bid or offer to be evaluated by the grantee agency. The procurement should be given to the vendor whose bid or offer is responsive to the solicitation, and is the most advantageous to the grantee agency (considering price as the primary factor, quality, and other applicable factors). Any and all bids or offers may be rejected when it is in the grantee agency's interest to do so. This means that grantees do not have to accept the lowest bid received because other factors, such as quality of the product or service record of the vendor, also may be considered by the grantee in making the decision.

METHODS OF PROCUREMENT

The following is a summary of available procurement methods. Additional information on each method is presented following the table:

Method	Aggregate Dollar Amt.	Notes 1:	Notes 2:
Micro-Purchase	Not to exceed \$10,000 (\$2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act).	No quotations required if price is reasonable.	To extent practicable, distribute equitably among qualified suppliers.
Small Purchase	\$10,001 to \$250,000	Rate quotations from an adequate number of qualified sources.	No cost or price analysis required.
Sealed Bid	Over \$250,000	Primarily constructions projects, firm fixed price contract.	Price is a major factor, formal process for bidding
Competitive Proposals	Over \$250,000	Fixed price or cost reimbursement	RFP with evaluation methods for an adequate number of qualified sources.
Sole Source	Any dollar amount	No competition must be authorized by agency (or pass-through entity).	Unique or public emergency.

MICRO PURCHASES (< \$10,000)

Purchases under \$10,000 require little formal documentation; they are likely to be catalog purchases, with prices that are readily available from many vendors. A quick notation or copy of prices checked from at least one other source should be attached to the order or noted in the file. Conduct all procurement transactions in a manner that maximizes opportunities, increases quality (if a factor), and reduces the cost of the purchase.

SMALL PURCHASES (\$10,000 to \$250,000)

Purchases from \$10,000 to \$250,000 should have telephone or other quotations and simple purchase or performance descriptions. Inquire in the open market to ensure an advantageous price and quality. The file should document the inquiries made and offers received from at least three sources.

LARGE PURCHASES (>@250,000 – “Simplified Acquisition Threshold”)

Purchases greater than \$250,000 should be treated more formally, either through competitive proposals or sealed bids:

Procurement By Sealed Bids

Primarily used for construction projects, sealed bids are publicly solicited requests for bids or proposals at a fixed contract price. The contracts are awarded to the bidder whose bid conforms in all material respects to the specified requirements and offers the lowest price. Sealed bids are the preferred method for procuring construction contracts if the following conditions apply:

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

If sealed bids are used, the following requirements apply:

- The invitation for bids shall be publicly advertised;
- Bids must be solicited from an adequate number of known suppliers, providing them sufficient time to respond;
- The invitation for bids must fully describe the items or services sought, so that the bidder may properly respond;

Procurement Policy for Federal Grants – Page Five

- All bids will be opened at the time and place prescribed in the invitation for bids;
- A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
- Any or all bids may be rejected if there is a sound, documented reason

Procurement by Competitive Proposals

Competitive proposals are used when more than one source is submitting an offer, and either a fixed price or cost-reimbursement contract is awarded. It is generally used when conditions are appropriate for the use of sealed bids. When this method is used the following conditions apply:

- Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to the publicized requests for proposals must be considered to the maximum extent practical;
- Proposals must be submitted from an adequate number of sources;
- A written method will be used for conducting technical evaluations of the proposals received and for selecting recipients;
- Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and
- Competitive proposal procedures may be used for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

SOLE SOURCE PROCUREMENT

“Sole source” or non-competitive procurement may be used only when one or more of the following circumstances apply:

- The item is available only from a single source.
- Public exigency or emergency will not permit a delay resulting from competitive solicitation.
- The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the School.
- After solicitation of a number of sources, competition is determined to be inadequate.

GENERAL PROCUREMENT PROCEDURES

(a) Federal procurement procedures require at a minimum, (1), (2) and (3) below.

(1) Recipients must avoid purchasing unnecessary items.

(2) Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical method of procurement for each Federal Government grant expenditure.

(3) When soliciting competitive bids for goods and services, the solicitation process must provide for all of the following.

(i) A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features which unduly restrict competition.

(ii) Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals.

(iii) A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.

(iv) The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitation.

(v) The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.

(vi) Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.

(b) Positive efforts shall be made by recipients to utilize small businesses, minority-owned firms, and women's business enterprises, whenever possible.

Procurement Policy for Federal Grants – Page Seven

When soliciting bids for goods or services, recipients of Federal awards shall take all of the following steps to further this goal:

(1) Ensure that small businesses, minority-owned firms, and women's business enterprises are used to the fullest extent practicable.

(2) Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small businesses, minority-owned firms, and women's business enterprises.

(3) Consider in the contract process whether firms competing for larger contracts intend to subcontract with small businesses, minority-owned firms, and women's business enterprises.

(4) Encourage contracting with consortiums of small businesses, minority-owned firms and women's business enterprises when a contract is too large for one of these firms to handle individually.

(5) Use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the solicitation and utilization of small businesses, minority-owned firms and women's businesses.

(c) The type of procuring instruments used (e.g., fixed price contracts, cost reimbursable contracts, purchase orders, and incentive contracts) shall be determined by the recipient, but shall be appropriate for the particular procurement and for promoting the best interest of the program or project involved. The "cost-plus-a-percentage-of-cost" or "percentage of construction cost" methods of contracting **shall not be used**.

(d) Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources.

In certain circumstances, contracts with certain parties are restricted by agencies' implementation of E.O.s 12549 and 12689, "Debarment and Suspension." Recipients shall comply with the nonprocurement debarment and suspension common rule implementing E.O.s 12549 and 12689, "Debarment and Suspension." This common rule restricts subawards and contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Procurement Policy for Federal Grants – Page Eight

No contract shall be made with parties listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs in accordance with E.O.s 12549 and 12689, "Debarment and Suspension." This list contains the names of parties debarred, suspended, or otherwise excluded by agencies, and contractors declared ineligible under statutory or regulatory authority other than E.O. 12549. Contractors with awards that exceed the Simplified Acquisition Threshold shall provide the required certification regarding its exclusion status and that of its principal employees.

(e) Recipients shall, on request, make available for the Federal awarding agency, pre-award review and procurement documents, such as request for proposals or invitations for bids, independent cost estimates, etc., when any of the following conditions apply.

(1) A recipient's procurement procedures or operation fails to comply with the procurement standards in the Federal awarding agency's implementation of this Circular.

(2) The procurement is expected to exceed the "Simplified Acquisition Threshold" (currently \$250,000) and is to be awarded without competition or only one bid or offer is received in response to a solicitation.

(3) The procurement, which is expected to exceed the Simplified Acquisition Threshold, specifies a "brand name" product.

(4) The proposed award over the Simplified Acquisition Threshold is to be awarded to other than the apparent low bidder under sealed bid procurement.

(5) A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the Simplified Acquisition Threshold.

Procurement records. Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. For price analysis, this would mean keeping copies of all the documentation of the prices and vendors that were compared, identifying which vendor was chosen, and stating why that vendor was chosen. For cost analysis, it would mean keeping written documentation of the determination of whether a cost was reasonable, allocable to that grant, and allowable for that grant.

Procurement Policy for Federal Grants – Page Nine

In addition, the procurement records for purchases in excess of the Simplified Acquisition Threshold (currently \$250,000) shall include the following at a minimum:

- Basis for contractor selection,
- Justification for lack of competition when competitive bids or offers are not obtained, and
- Basis for award cost or price.

Contract administration. A system for contract administration shall be maintained to ensure contractor conformance with the terms, conditions and specifications of the contract and to ensure adequate and timely follow up of all purchases. Recipients (Linfield School person overseeing the grant) shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.

Contract provisions. The recipient shall include, in addition to provisions to define a sound and complete agreement, the following provisions in all contracts. The following provisions shall also be applied to subcontracts.

(a) Contracts in excess of the Simplified Acquisition Threshold shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms, and provide for such remedial actions as may be appropriate.

(b) All contracts in excess of the Simplified Acquisition Threshold shall contain suitable provisions for termination by the recipient, including the manner by which termination shall be affected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.

c) Except as otherwise required by statute, an award that requires the contracting (or subcontracting) for construction or facility improvements shall provide for the recipient to follow its own requirements relating to bid guarantees, performance bonds, and payment bonds unless the construction contract or subcontract exceeds \$150,000. For those contracts or subcontracts exceeding \$150,000, the Federal awarding agency may accept the bonding policy and requirements of the recipient, provided the Federal awarding agency has made a determination that the Federal Government's interest is adequately protected.

Procurement Policy for Federal Grants – Page Ten

If such a determination has not been made, the minimum requirements shall be as follows:

(1) A bid guarantee from each bidder equivalent to five percent of the bid price. The "bid guarantee" shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder shall, upon acceptance of his bid, execute such contractual documents as may be required within the time specified.

(2) A performance bond on the part of the contractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.

(3) A payment bond on the part of the contractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by statute of all persons supplying labor and material in the execution of the work provided for in the contract.

(4) Where bonds are required in the situations described herein, the bonds shall be obtained from companies holding certificates of authority as acceptable sureties pursuant to 31 CFR part 223, "Surety Companies Doing Business with the United States."

(d) All negotiated contracts (except those for less than the Simplified Acquisition Threshold) awarded by recipients shall include a provision to the effect that the recipient, the Federal awarding agency, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts and transcriptions.

(e) All contracts, including small purchases, awarded by recipients and their contractors shall contain the procurement provisions of Appendix A to this Circular, as applicable.

Costs

All allowable costs will be determined by **OMB 2 CFR §200**, FARs, and/or by the granting entity through grant manuals or award terms and conditions.

For Federally Sponsored awards, allowable costs generally fall within these guidelines:

1. Costs must be reasonable. This is defined as the action that a prudent person would take under the circumstances.
2. Costs must be allocable to federally sponsored agreements under the principles and methods described in OMB A-21. (See OMB Circular A-21; Unallowable Costs.)
3. Costs must be given consistent treatment through application of Generally Accepted Accounting Principles (GAAP) appropriate to the circumstances as dictated by Cost Accounting Standards (CAS). This includes the use of account codes for cost classification.
4. Costs must conform to any limitations or exclusions set forth in OMB Circular A-21 or in the sponsored agreement as to types or amounts of cost items.

Cost Classification: Assigning Account Codes

The administration of a contract or grant project involves identifying all costs associated with it. Cost information is needed both to manage the internal affairs of the School and to satisfy external requirements. An account code is assigned to each cost to classify the expenditure according to goods or services received.

Allowable Direct Costs

Direct costs are expenditures associated with grants, contracts, and cooperative agreements that are necessary for and can be identified with the performance of a specific sponsored project. Direct costs of a sponsored project include all personnel costs charged to the project, expenditures for supplies and equipment, travel expenses, printing, other service department charges, and any other expenses specifically identified with the project. The award document contains requirements or restrictions specific to the project.

Unallowable Costs

Unallowable functions, such as lobbying, public relations, and fund raising, are groups of costs that due to the nature of the function will make the expenditure unallowable. For example, salaries and wages are generally allowable costs; however, those same salaries and wages incurred for the benefit of a fundraiser are unallowable. Therefore, the function makes the expenditure unallowable.

Some unallowable costs, such as alcoholic beverages, are types of expenditures that are specifically unallowable by law, regulations and/or contract terms. See OMB Circular A-21 section J. Both unallowable costs and expenses connected with unallowable functions must not be direct charged to sponsored agreements. Other costs, such as utilities and building maintenance are unallowable as a direct cost unless approved in the proposal process and by the sponsor.

Facilities and Administrative Costs (Formerly Indirect Costs)

Facilities and Administrative (F & A) costs are expenditures associated with a grant, contract, or cooperative agreement that cannot be directly charged to nor specifically identified with individual sponsored projects. These costs include maintenance of physical facilities, library services, administrative services, and departmental administration. In general, F&A costs involve expenditures necessary for the development and maintenance of an environment conducive to research and other sponsored projects.

Most grants and contracts provide for the recovery of F&A costs incurred in their executions and management. The recovery is based upon negotiated rates and assessed to individual projects on a percentage basis. The negotiation is based on a review of the School's costs and assessment of the reasonableness of the charges.

In most cases, F&A costs for a sponsored project are calculated by multiplying the approved F&A rate and the wages paid on the award. F&A cost is charged based upon the rate and base in the approved award, up to the federally negotiated rate. Slight F&A cost adjustments may be made manually by the Grants Coordinator during the award closeout process.



Accounts Payable and Cash Disbursements

Massa Financial Solutions utilizes **AvidxChange** (avidxchange.com) to capture and route invoices for approval and to import approved invoices into the SAGE accounting system. Once invoices are selected for payment from the aging report in SAGE, approved payments are then exported back to AVID for payment processing. AVID will then debit the school's bank account for the appropriate amount of each individual item being paid. AVID's Supplier team will then communicate with the vendor to handle the payment terms, reducing the administrative burden on the MFS accounting team. As authorized debits are being made from the school's bank account, there are very few outstanding items on the school's monthly bank reconciliation.

Steps to the invoicing/ payment cycle using AVID:

- Invoices are sent to the Fiscal Officer's office for upload into AVID or emailed directly to AVID at MassaAP@avidbill.com
- Invoice then is routed through a pre-established approval workflow that is custom to the school. School level approvals are typically conducted first and it goes to the Account Payable teams (Accel and/ or Massa Financial) for additional review to make sure all source documents are included, account numbers appear correctly, general ledger coding and descriptions are accurate, etc.
- Fiscal Officer conducts the final review of all invoices and then authorizes the AP Manager to begin the batching process.
- Once all approved invoices are batched by school, they are imported into SAGE and AP Agings are generated for review by the Fiscal Officer. This process is performed on a weekly or a bi-weekly basis.
- Fiscal Officer determines from the aging report which items are to be paid depending on the available cash flow at the time and highlights the items to pay directly on the aging report.
- The AP manager at Massa then selects the invoices in SAGE that were approved to be paid. A file is then generated that exports the paid items back to AVID for payment processing.
- The Fiscal Officer is required to do a secondary review and approval once the payment is in the AVID queue.
- All approved payments are then debited directly out the school's bank account by AVID. Each debit is clearly noted on the bank statement, including the vendor name.
- Once the debits are made to the school's account, AVID then reaches out to the vendors and asks how they would like to receive the payment: by check, ACH, or a virtual credit card.
- Massa has the ability to void or cancel any payment if necessary.

In order to determine the completeness of accounts payable at the end of each fiscal year, the Fiscal Officer will review all invoices paid by the School after yearend (6/30/XX) during the months of July and August (the “review period”). The review will primarily focus on the date that services were rendered or the period for which the charge is intended to benefit. The review will only apply to individual invoices that exceed \$3,500. Each item reviewed will be evaluated to determine if it was properly included or properly excluded from the School’s accounts payable listing at 06/30/XX. If adjustments are required to properly classify items reviewed, they will be posted in real-time to the SAGE 50 accounting system as they are identified. Items identified outside of the review period that should be included in the School’s accounts payable listing at 06/30/XX, should be brought to the Fiscal Officer’s attention for a final determination on how the item will be recorded.

Checks are signed electronically by authorized signatories (See Bank Accounts Policy) using the MFS check writing software (PrintBoss). The checks and the appropriate back-up documents are then assembled and presented for final review by the Fiscal Officer. Any corrections needed are made immediately. Once the review is completed and any necessary corrections made, the check is then authorized for release and the supporting documents are uploaded to a secure cloud environment. No manual checks are authorized without consent of the Fiscal Officer.

Finally, all other disbursement transactions outside of the procedures described in this policy require specific approval from the School Fiscal Officer (i.e., transfers, cashier’s check, withdrawals) and without such approval are unauthorized.



Purchasing Card (“PEX Card”) Policy

The purpose of the School PEX card is to facilitate small purchases for the School when other means are not practical or efficient. The card is not a credit card nor a debit card. The card is a purchasing card intended to facilitate small dollar purchases via a pre-authorized funding of the card. This policy shall govern the appropriate use of the School’s card and accounting for any card activity.

GENERAL

1. The Fiscal Officer will be responsible for the issuance, account monitoring, card retrieval or cancellation, and generally for overseeing compliance with the PEX Card Policy. The PEX card will be issued in the name of the Fiscal Officer and/or an employee designated by the Fiscal Officer.
2. The Fiscal Officer or an employee designated by the Fiscal Officer may use the PEX card, only for goods or services for the official business of the School.
3. Documentation detailing the goods and services purchased must be submitted through the standard requisition process and approved before payment with the card can occur.
4. The School will use disciplinary measures consistent with current law for any unauthorized use.
5. Any benefits derived from the use of the PEX card will be the property of the School.
6. The PEX card account will be funded prior to purchase being made. The School accepts full responsibility for funding the PEX card.

PEX CARD GUIDELINES

A VISA PEX card will only be issued to the School Fiscal Officer and those designated by the Fiscal Officer to receive a card. It will be honored for School business by any vendor or merchant who accepts the card. The PEX card does not have a set limit, but purchases are limited to the amount of funding available on the card, which is done by direct transfer and pre-approved by the School Fiscal Officer.

PEX Card Policy – Page Two

Purchases made via the PEX card must comply with the School's financial policies and purchasing guidelines. This card in no way changes such policies. It simply provides another method for making certain payments.

Violations of this Policy and Guidelines may result in revocation of use privileges and termination of employment. Anyone who has inappropriately used the PEX card will be required to reimburse the School for all costs associated with such improper use.

CARD USAGE PROCEDURES

All PEX card transactions can be performed over the internet, over the phone, or in person by authorized individuals. When the PEX card is used, the following guidelines shall be used.

- Plan expenditures in advance and obtain appropriate approvals in accordance with School purchasing and requisition policies.
- Once approved, proceed with the purchase. Tell the merchant that payment will be made with the School's PEX card and that it is a non-taxable purchase. If it is an internet, phone or mail order, give the merchant the card number and expiration date.
- Ensure all receipts are itemized.
- Retain all receipts and PEX card slips for audit purposes.

TAX EXEMPTION

Individuals making the purchase must notify the vendor or merchant that the PEX card transaction should be tax exempt, as it is for goods or services to be used by the School. If requested, the standard Ohio Sales Tax Exemption Certificate should be presented to the vendor for audit purposes.

ALLOWABLE CHARGES

In general, the PEX card may be used for the following expenses:

1. Travel expenses
2. Conference registration fees.
3. School Materials
4. Small Equipment purchases (less than \$500)
5. Supplies
6. Other expenses not listed but approved in advance by the Fiscal Officer.

The PEX card may not be used for personal use, items not covered by the categories listed above, or for non-School use. However, should such unauthorized use occur, reimbursement by the responsible party will be due to the School immediately.

PEX CARD SECURITY

Authorized users of the PEX card are responsible for its protection and custody, and must keep the card in a secure location at all times. The Fiscal Officer will maintain ultimate control of the PEX card through the PEX secure website. If a card is lost or stolen, the Fiscal Officer must be notified immediately so that the card can be disabled.

ACCOUNTING PROCEDURES

PEX card statements, along with receipts for all items paid for by the School will be reconciled on a monthly basis by the Fiscal Officer. This will include reconciling original receipts to the statement transactions. Receipts must show the date, purpose, and name(s) for which the expense was incurred.

The Fiscal Officer or designee will then assign an account code to each charge and record all activity in the School's SAGE50 accounting system on at least a monthly basis.

The Fiscal Officer must retain the approved PEX card statements and accompanying receipts on file in accordance with the School's Record Retention Policy.



Payroll and Related Liabilities

The School Leader, designated official, or management company is responsible for the monitoring the hiring or employees, authorizing salaries, initiating employment contracts and maintaining the staffing levels approved in the annual budget.

For those school clients that do not process payroll through their contracted management company, MFS strongly encourages the use of Automatic Data Processing (ADP), a national payroll provider, to execute its semi-monthly payroll. However, other similar companies may be used if circumstances warrant it. This decision will rest with the School fiscal officer. Using a national provider will help ensure a timely execution of payroll, the filing of required returns, and overall compliance with current tax laws.

A designated School representative will work closely with MFS to collect all employee paperwork necessary to create an employment profile in the ADP payroll system. All contracts are paid equally over 24 pays (or 26 pays if cycle was established prior to engaging MFS) unless otherwise designated by the Board of Directors. Additionally, all contracts are pro-rated for varying dates of hire. Before each pay, any changes (new hire, termination, pay increase, etc) are forwarded to the School Leader for review and approval prior to entering the change into the ADP payroll system and employee records.

The School is responsible for reporting staff absences and the use of substitute employees. These reports are submitted to School Administration and are used to update employee leave balances. Leave taken without sufficient leave balances are docked from employee's pay.

Enrollments and notices for all insurances and other deductions are submitted to School Administration on the required forms and maintained in the employee personnel file. Such deductions are made from the employees' pay once approved by both the School and MFS.

Payroll and Related Liabilities – Page Two

Upon the completion of preparing the semi-monthly payroll in the ADP system, a “Payroll Preview” is generated by the School and submitted to the School leader, Fiscal Officer, and management company (if applicable) for review and approval. If no changes are necessary, the School then authorizes the Fiscal Officer to submit the payroll for processing and payment. Payroll is automatically debited from the School’s operating cash account. In cases, where the management company employs the staff, payroll may be debited directly from the School’s account or invoiced to the School for reimbursement based on established protocols.

As noted in previous sections, all of the School’s bank accounts are reconciled on a monthly basis.



Capital Assets, Federally Funded Equipment, and Inventory

This policy defines the accounting treatment and reporting of all capital assets belonging to the School in accordance with applicable accounting standards and federal guidelines and shall be consistently applied by the School Fiscal Officer. Management of all physical assets, including periodic inventories, is the responsibility of School on-site personnel and/ or the related management company.

The School will follow a policy of capitalizing individual assets costing greater than \$10,000 or other thresholds as approved by the Board of Directors. This is an increase from a threshold of \$5,000 and will be in effect beginning in fiscal year 2025. Items capitalized under the prior threshold will not be restated for financial reporting purposes.

For purposes of this policy, capital assets are defined as:

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

- Land, buildings, technology, furniture, vehicles, equipment, and intellectual property (including software), whether acquired by purchase, construction, manufacture, exchange; and
- Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance)
- In accordance with GASB Pronouncement No. 87, capital assets may also include the recording of intangible right-to-use assets.

The School through the direction of the Fiscal Officer will maintain a record of all assets owned by the School and meeting the criteria for capitalization in a Schedule of Capital Assets.

The Schedule shall include than the following information:

- Asset tag number
- Description
- Serial number (if available)
- Check number
- Acquisition date
- Estimated life

Capital Assets, Federally Funded Equipment, and Inventory – Page Two

All depreciation expense related to the maintaining of these assets will be calculated using the straight-line method based on estimated useful lives of the individual assets and recorded in the financial statements of the School through a posting to the SAGE 50 accounting system.

Current estimated useful lives are established as follows for each type of asset classification:

- Land (not depreciated)
- Building and Building Improvements – 39-40 years
- Leasehold Improvements – school specific
- Computers and Software – 3 years
- Furniture and Fixtures – 5 years
- Equipment – 5 years
- Vehicles – 5 years

Net Book Value (NBV) of all assets is equal to the original acquisition cost less accumulated depreciation.

All requests for removal of surplus property, deletions and discards must be approved by the Board of Directors. All requests must be processed through the Fiscal Officer who will review the request and determine if it is reasonable. In no case should equipment be removed or discarded without prior authorization from the Board. If practical, photos should be taken of the disposed equipment.

For Federally funded assets, including equipment, with a current per unit fair market value of \$10,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency.

Items greater than \$10,000 must have the approval of the Federal awarding agency. If disposition instructions are not provided within 120 days of the initial request, items of equipment with a current per-unit fair-market value in excess of \$10,000 may be retained by the non-Federal entity or sold. The Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the Federal awarding agency's percentage of participation in the cost of the original purchase. If the equipment is sold, the Federal awarding agency may permit the non-Federal entity to deduct and retain from the Federal share, \$1,000 for its selling and handling of the equipment.

Additional Federal Considerations (excerpt of 2 CFR 200.439)

The following rules of allowability must apply to equipment and other capital expenditures made from Federal funds:

- (1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity (Ohio Department of Education).
- (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$10,000 or more have the prior written approval of the Federal awarding agency or pass-through entity (Ohio Department of Education).
- (3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the Federal awarding agency, or pass-through entity. See § 200.436 Depreciation, for rules on the allowability of depreciation on buildings, capital improvements, and equipment. See also § 200.465 Rental costs of real property and equipment.
- (4) When approved as a direct charge pursuant to paragraphs (b)(1) through (3) of this section, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the Federal awarding agency.
- (5) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the Federal cognizant agency for indirect cost.
- (6) Cost of equipment disposal. If the non-Federal entity is instructed by the Federal awarding agency to otherwise dispose of or transfer the equipment the costs of such disposal or transfer are allowable.
- (7) Equipment and other capital expenditures are unallowable as indirect costs. See § 200.436 Depreciation.
- (8) OMB Circulars A-87, A-102, A-110, A-21 should be monitored for any changes in guidance.



Loans and Other Long-Term Debt

From time to time, schools may have to take out a loan or other long-term debt. This may be related to working capital needs or facility financing. Once the loan or debt is executed, the corresponding liability is recorded on the School's Statement of Net Position and split between the Current and Long-Term Portions. As principal payments are made against the outstanding debt (based on a frequency determined in the terms of the debt agreement), an entry is recorded to reduce the liability accordingly. Any associated interest with such payments is recorded as a non-operating expense at the time of payment. All debt must be approved by the School's board of Directors prior to any proceeds being received.

Note: On the School's audited statements, the School may be need to record entries required by the Governmental Accounting Standards Board (GASB) to record certain assets and liabilities related to leases, pension and other post-employment benefits. These entries are required by current accounting standards as described in GASB Pronouncements Nos., 68, 75, and 87 and are made *for presentation purposes only*. They do not represent debt liabilities under which the school is required to make any structured payments with the school's operating funds.



Business Expense Reimbursement

Employees and Board Members of the School are entitled to reimbursement of business-related expenses associated with their performance of official school business. Where applicable, all reimbursements are processed in accordance with any pre-established travel policies or guidelines. Mileage shall be reimbursed at the rate currently established by the Internal Revenue Service for business travel.

Reimbursement requests must be submitted on a standard form established by the School and completed with all required information (dates, places, business purpose, amount). All requests, with the exception of mileage, shall be accompanied by an original receipt to evidence the expense incurred. Finally, all requests must be signed by the individual seeking reimbursement and their immediate supervisor.

All employees/ Board members are eligible for reimbursement of travel related expenses upon return from their trip. Prepayment for meals and/or lodging is not allowable.

Approved reports are submitted to the Fiscal Officer for processing under the Accounts Payable guidelines.

Reimbursement for any items not specifically related to the approved travel or for items that do not serve a proper public purpose (e.g. alcohol) are strictly prohibited and are not reimbursable to the employee.



Budgeting

The Board of Directors will annually adopt an operating budget for the upcoming School year. Depending on the School, the Operating Budget will be prepared under the direction of the Board, management company (if applicable), School leaders or their designees, and the Fiscal Officer. In all cases, the final budget draft will be reviewed by the Fiscal Officer. The final decision-making authority with regard to budget issues rests with the Board with input from the Fiscal Officer and School or management personnel.

If any increases, decreases, or other material adjustments to the final operating budget become necessary throughout the year, they must be presented to the Board for approval. Once approved, the change is recorded in the budget and updated in the SAGE 50 accounting system by the Fiscal Officer. A revised budget is then issued and becomes the new operating budget for the School.

At each regular meeting of the Board, the Fiscal Officer shall present to the Board a statement that compares YTD actual financial results to the YTD budget.

These guidelines shall also be followed in the development and approval of all five-year forecasts as required by the Ohio Revised Code.



Federal Programs

Comprehensive Continuous Improvement Plan (CCIP)

All schools are entitled to receive annual allocations of formula-based funds through the Department of Education including, but not limited to Title I, Title IIA, Title IV, IDEA funds, etc.

Upon receipt of an allocation award notice, an application and budget is prepared in the CCIP and then submitted to the Fiscal Officer for review and approval. Once approved by the Fiscal Officer, it is then approved by the Authorized Representative (typically the School Leader) and then forwarded to the Department of Education for FINAL review and approval. No funds can be drawn against the allocation until the school receives an initial Final Approval.

Final approved grant budgets are included in the School's overall operating budget. The Fiscal Officer is then responsible for monitoring grant award budgets. The School official or program coordinator is responsible for monitoring any specific compliance issues related to the grant.

Project Cash Requests

Project Cash Requests (PCRs) related to approved grant programs will be completed and submitted once a month or less frequently if determined to be reasonable. For the most part, requests for program cash will be supported by expenditures already made by the school in the month prior (negative cash request). If there is cash on hand at the time a project cash request is made, this will be taken into consideration and adjusted on the request accordingly.

Final Expenditure Reports

At the conclusion of each program period and by the required due date required (typically September 30th), the School shall submit Final Expenditure Reports for each program detailing and certifying the total amounts expended or obligated during the reporting period. All amounts reported on the Final Expenditure Report shall be supported by underlying financial records that reflect amounts paid to eligible employees and vendors.

Overall, the School shall follow all applicable provisions of the Education Department General Administrative Regs (EDGAR), which is inclusive of 2 CFR (Code of Federal Regulations), Part 200.



Month End Closing Procedures

On a monthly basis, MFS staff will conduct a series of closing procedures to ensure the monthly statements are reconciled and reflective of the true financial position of the School. Upon final review by the Fiscal Officer, MFS will produce a standard set of financial statements that will consist of no less than the following components:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position (compared to Budget)
- Bank Reconciliation for all accounts
- Monthly Check Register
- Accounts Payable Aging

Optional reports that may be included are:

- Statement of Cash Flows
- ODEW Payment Comparison Report

These documents will be presented to the Board of Directors at the regularly scheduled meetings for approval. On a monthly basis, the financial statements will be also submitted to the School's Sponsor according to the established schedule for submissions. From time to time, the Fiscal Officer may respond to inquiries from the Sponsor about certain aspects of the financial statements.



Year End Closing and Financial Statement Preparation

At each year end (6/30/XX), MFS staff will begin the annual closing process which includes additional adjustments beyond what are typically recorded during the monthly close process of interim periods. These adjustments may include, but are not limited to the following:

- Accounts Receivable – Grants
- Accounts Receivable – FTE (State Aid)
- Accrued Wages and Benefits
- Accrued Expenses
- Accounts Payable (longer evaluation for accrual)
- Depreciation Expense
- GASB Statements Nos. 68, 75, and 87 Entries

Once all yearend adjustments are posted to the SAGE 50 system, a trial balance is exported and dropped into an Excel-based financial statement template that includes the following:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

These statements collectively make up what is referred to as the “Basic Financial Statements”. All three statements are reviewed by the Fiscal Officer for accuracy and consistency. Once reviewed and approved, the Statements are then used to create and/ or update the “Notes to the Basic Financial Statements” which include all required and necessary disclosures about the school’s financial statements. In addition, a draft Management’s Discussion and Analysis (MD&A) is prepared, as well as any Required Supplementary Information. This comprehensive package of Basic Financial Statements, Notes, MD&A, and RSI Schedules is then combined into a single PDF document and submitted for a final review by the Fiscal Officer. Any needed changes are made immediately, and an updated copy is generated. Once the final draft is approved, it is then submitted by the Fiscal Officer to the Hinkle filing system which is contained within the Auditor of State’s eServices system. A report for each school is required to be filed in the system within 150 days of fiscal yearend, which is generally around the end of November. Once the report is filed, an email confirmation of submission is received. Finally, though it is not a required part of the Hinkle filing, MFS staff will also draft a Schedule of Expenditures of Federal Awards (SEFA) for instances when the auditor is performing a Single Audit of federal funds expended.



Community School Funding Adjustments

In Ohio, ORC Section 3314.08 provides that funding for community schools is primarily driven by enrollment that is calculated on an annualized full-time equivalent basis or “FTE”. These calculations are based on the monthly submission of specific student data into EMIS. At the end of the year, a final EMIS submission is done and funding is adjusted accordingly. In addition to changes in data, FTE adjustments may also occur through FTE reviews conducted by the ODEW to verify the accuracy of data reported. Through either the data submission process and/or an FTE review, adjustments are determined on an annual basis by comparing these “final” results to what the revenues the School actually received during the fiscal year. These adjustments may result in either additional funds being owed to the School (receivable)...or additional funds being owed by the School (payable).

MFS staff will continuously monitor the monthly ODEW Settlement Reports and the posting of Final FTE Adjustment Listings on the ODEW website for information on necessary adjustments. MFS will also monitor the results of any FTE review for any additional adjustments that may be required. MFS will record all such adjustments (positive or negative) at the time that they are identified. Generally, because these adjustments are determined after the year end of a given fiscal year, MFS will record these adjustments in the appropriate fiscal year on an accrual basis (positive adjustment=“receivable” and negative adjustment=“payable”) up until the 150-day unaudited financial statement deadline. After this deadline, such adjustments will be discussed with the auditor to evaluate materiality and discuss the proper treatment of such adjustments on the School’s financial statements.

After properly accounting for the revenue adjustments, MFS staff will work with the community school to identify all contracts and agreements that may be based on a percentage of revenue or number of FTEs. (e.g., often management agreements or sponsor contracts), as well as, determine which components of the ODEW Settlement Report should be considered in the calculation. Any such contracts or agreements identified as meeting this requirement will also have amounts paid (or owed) to the other party adjusted accordingly with the final FTE/ Revenues set by the State. If necessary, MFS will work with the School and legal counsel to determine the proper handling of these items. Otherwise, MFS will work to ensure that these parties are aware of the adjustments needed and will also monitor current year invoices received from (or payments made) to these parties to ensure the adjustments are properly and timely accounted for. Should the School end their relationship with one of these providers, any amounts remaining due to School will be payable in full prior to the transition date. Lastly, MFS will advise the School if collateralization of possible future repayments is necessary.



Audit

The School will undergo an annual independent financial audit by a State Agency or independent firm qualified to perform audits of charter schools. In cases where the auditor is an independent firm, the Fiscal Officer shall make the selection after review of proposals from interested firms. The auditor will perform their audit in accordance with Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards to determine whether the financial statements are fairly presented, financial reporting controls and policies have been properly designed and implemented, and whether the School has complied with all applicable laws and regulations. However, the auditor shall only render an opinion on the fair presentation of the financial statements. Additionally, if the School has expended over \$750,000 in federal monies, the auditor shall be required to perform a Single Audit of the School in accordance with OMB Circular A-133. Throughout the course of any audit, MFS will support the School and audit team by answering questions, being a liaison between the School and the audit staff, and providing all of the underlying records that support the amounts and disclosures contained in the School's financial statements.

Once the audit is completed, it will be released and made available to all stakeholders (board members, authorizers (sponsors), and management company officials). Audits are electronically distributed based on the roster of stakeholders established in the Auditor of State's eServices system.



Cybersecurity

MFS is acutely aware of the risks posed by cyber-attacks, phishing schemes (payment redirect), and other fraudulent activities. To every extent possible, the Fiscal Officer and MFS staff will take measures to mitigate this risk wherever possible. This includes validating information received that requests that payment information to a particular vendor or employee be updated. Further, while ACH and wire transfers may be used as a payment method, these types of transactions are only executed by the Fiscal Officer after careful consideration of all payment details and/ or circumstances. Finally, MFS works continuously with its technology partner to implement active measures of protection and monitoring of all systems, including email. MFS believes that the controls outlined in this manual, the inherent controls of the systems that are in place to perform routine/ ongoing transactions, and the cumulative experience of the Fiscal Officer and MFS staff provides a strong defense against these types of events occurring. However, as a precautionary measure, MFS carries appropriate levels of cyber and professional liability insurance.



SOC Reports

In support of some of the key processing systems described in this policy manual, System and Organization Control (“SOC”) Reports are available for FIT Technologies, ADP, and AVIDxChange on an annual basis, in addition to any related “bridge letters”. These reports provide verification of a company’s compliance with best practices for information security and further support the overall internal control environment of MFS. Any complimentary user entity controls described in these reports are implemented as applicable. The most recent reports are available upon request.



Massa Financial Solutions, LLC
Disaster Recovery
February 2, 2025



Overview

In this document, FIT outlines the disaster recovery plans and options for Massa Financial Solutions, LLC as it pertains to the business-critical platform for the organization hosted within Microsoft Azure and Massa data contained within Microsoft 365.

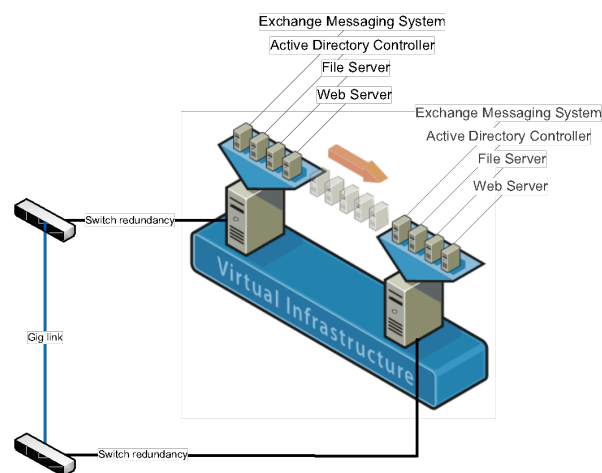
Microsoft Azure

All Massa Financial Solutions' servers are hosted in a fully redundant server cluster using Microsoft Azure. This cluster is hosted within an Azure datacenter with redundant uninterruptible power and generator backup. Azure is composed of a globally distributed datacenter infrastructure, supporting thousands of online services and spanning more than 100 highly secure facilities worldwide.

Azure is a cloud computing platform offered by Microsoft. Massa Financial Solutions uses the infrastructure as a service (IaaS) to provide storage, network, servers, and virtualization. Virtualization hides the physical characteristics of a computing resource from its applications and/or end users. This makes a single physical resource (such as a server, an operating system, an application, or storage device) appear to function as multiple logical resources; or it can include making multiple physical resources (such as storage devices or servers) appear as a single logical resource. Hosting servers in this environment provides ease of storage, backup of stored data and redundant power systems.

By virtualizing the systems in place, an additional means of failover can be utilized. Normally, if a system fails all its roles are unavailable until that system is replaced. In a virtual environment, it is possible to configure virtual machines to host those critical roles on a shared storage platform allowing the virtual machines to be re-attached to another system which will return the environment to an operational state.

The image below depicts virtual servers running on a physical server in a virtual infrastructure environment. The diagram demonstrates the virtual hosts' portability from one physical server to another across a redundant switched network. The diagram assumes a shared storage system is attached to each of the two systems.



Security

Microsoft strictly enforces and controls physical access to the areas where Massa data is stored through state-of-the-art physical security. A layered approach is used to reduce the risk of unauthorized physical access to the data and datacenter resources. The layers that Microsoft uses are as follows:

- Perimeter security
 - Camera-monitored entrance gates and security guards patrol nondescript buildings that have perimeter fencing and 24-hour exterior lighting.
- Entering the datacenter
 - All entrances are staffed with professional security officers who have gone through rigorous training and background checks. These officers patrol the datacenter and monitor video feeds from security cameras.
- Inside the datacenter
 - To continue moving through the datacenter, two-factor authentication with biometrics is required. Once authenticated, access is granted to the authorized portion of the data center for only the time approved. Areas designated as highly sensitive require additional two-factor authentication.
- Datacenter floor
 - The floor can only be accessed with prior approval and after a full body metal detection screening at the time of entry. Only approved devices can make their way onto the datacenter floor. Video cameras monitor the front and back of every server rack. Upon exiting the floor, all individuals are subject to an additional full body metal detection screening.
- Leaving the datacenter
 - When leaving the facility, each person must go through a final security checkpoint and all visitors must surrender their temporary badges. After collection, all badges have the access levels removed before being reused for future visits.

To access the resources within Microsoft Azure, Massa Financial uses a managed user accounts in Microsoft Entra ID. Microsoft Entra ID is a cloud-based identity and access management service. It is continuously replicated to multiple geographically dispersed data centers. To secure the Local Area Network (“LAN”) environment from outside intrusion, the hosted service solution uses Azure Bastion. The Azure Bastion service is a fully platform-managed PaaS service that you provision inside your virtual network. It provides secure and seamless RDP/SSH connectivity to your virtual machines directly from the Azure portal over TLS. When you connect via Azure Bastion, your virtual machines do not need a public IP address, agent, or special client software.

Azure Backup

With the Azure Backup service offering, backups are provided for all Massa Financial Solution servers. Azure Backup is a policy-based data and recovery solution that provides image-based backups daily. The service ensures that all operating system, file system, and application data hosted on the Massa Financial Solution servers are captured as a snapshot image. All imaged based backups have a retention period of thirty (30) days.

Acronis Microsoft Cloud Backups

On top of the Azure backups for all Massa Financial Solution servers, Massa also backs up company data contained within Microsoft 365 (specifically OneDrive, SharePoint, and Outlook) using a third-party vendor. The third-party vendor is Acronis and performs daily backups of the data contained in the Microsoft 365 services indicated above. This data has an infinite retention allowing Massa to recover from any accidental or non-accidental deletions and/or changes. All access to backed up data included is secured and protected by two-factor authentication.

Microsoft 365 does, by default, retain copies of Massa data held within the Microsoft 365 environment, however, holds no liability to being able to restore the data. It is the responsibility of Massa to provide backups of their data in Microsoft 365, which is why a third-party vendor is used to provide restorable data contained within Microsoft 365.