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INTERDEPARTMENTAL SERVICE AGREEMENTS

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Executive Summary

[815 CMR 6.00](#) governs interdepartmental fiscal business including Interdepartmental Service Agreements (ISAs). Interdepartmental Service Agreements (ISAs) are non-chargeback business relationships between state departments that are evidenced by an Interdepartmental Service Agreement (ISA) Form.

The Interdepartmental Service Agreement (ISA) is the “Contract” that documents the business agreement (joint venture) between two state departments within any branch of state government. A department must be recognized as a department in the State Accounting System (hereinafter referred to as “MMARS”) in order to transfer or receive funding under an ISA. The ISA must comply with funding language in any appropriation act (GAA, interim or supplemental) funding the ISA, as well as all applicable general and special state or federal laws, regulations, policies and procedures.

See “Contracts – Quick Reference – Interdepartmental Service Agreements” for key requirements.

Considerations

Given current fiscal constraints, it makes good business sense to look for efficiencies and economies of scale through the sharing of resources. However, in doing so, there are several things Department Heads and Chief Fiscal Officers (CFOs) must be cognizant of:

- Departments need to be cautious about managing operations within appropriations; and
- Departments must also be careful not to use Interdepartmental Service Agreement (ISAs) inappropriately either as an alternative funding mechanism when appropriations are reduced or eliminated or to circumvent other requirements of law.

In short, when a Department Head or an employee delegated by a Department Head signs a contract, including an ISA, they certify that the contract is for the purposes for which the funds have been appropriated. This policy outlines these responsibilities in more detail. The following are highlights of these responsibilities:

- Departments, pursuant to Massachusetts General Laws (M.G.L.) Chapter 29, specifically sections 26, 27 and 29, are required to expend funds only for the purposes set forth by the Legislature and within the funding limits established through appropriation, allotment and subsidiary.
- Expending funds within funding limits means that a department cannot incur an obligation, authorize performance to begin under a contract (including a grant, ISA, chargeback, lease,

rental or TELP), or authorize, request or accept goods or services (including personnel) in excess of an existing appropriation and allotment, or sufficient non-appropriated available funds.

- Appropriations are authorized for goods, services and other obligations incurred, received and accepted in the current fiscal year and may not be used to pay for future fiscal year obligations (advance payments) nor for prior fiscal year obligations. [M.G.L. c.29, § 12](#);
- Relative to personnel, unless otherwise provided by law, pursuant to [M.G.L. c. 29, § 31](#) the Comptroller requires a certification from each spending authority that each employee receiving a salary under the warrant is being paid for “duties performed directly for the employing agency and not for duties performed for another state agency”.
- An ISA is a “contract” between two state departments that fulfills the legislative mandates of both departments. ISAs are used when contracting with another state department provides a “better value” than contracting with an outside vendor. The contract enables multiple departments to jointly fulfill the same or similar legislative mandates.
- Absent “specific” legislative authorization, ISAs may not be used to enable one department to transfer staff or payroll costs to another department; as a permanent or extended payroll funding mechanism for permanent state employees; or as a fiscal conduit, i.e., as a “back door appropriation” to supplement existing appropriations, or to move funds around in order to circumvent legislative actions or to circumvent state finance law requirements.

In summary, a department’s processing of a transaction in the state accounting system amounts to an affidavit by the Department Head (through an authorized designee) that the transaction is in compliance with state finance law, including but not limited to M.G.L. c. 29, sections 26, 27, 29 and 31, c. 7A, and applicable laws, regulations, policies and procedures.

See link below for [“Contracts – Quick Reference – Contracts, Grants, Subsidies, ISAs and Chargebacks”](#).

Policy

Role of the Office of the Comptroller

All interdepartmental fiscal transactions are required to be made through the state accounting system (Massachusetts Management Accounting and Reporting System – MMARS) as prescribed by the Comptroller. The Office of the Comptroller (CTR) will interpret 815 CMR 6.00 and take any actions necessary to carry out the purposes of 815 CMR 6.00, including issuing additional policies, guidance, procedures and forms to be used by departments. CTR’s oversight of Interdepartmental fiscal business is limited to review and processing of the fiscal transactions necessary to support an ISA and will not include a review of the underlying business decisions that lead to the submission of an ISA. The Office of the Comptroller presumes that departments have the expertise to manage their business operations effectively and in accordance with state finance law and other legal requirements.

Non-financial ISAs

A “non-financial” ISA is an Interdepartmental Service Agreement involving two or more departments that contractually agree to fulfill ISA performance through a commitment of funding and resources which is not transferred to a Seller Department. Departments commit to expending funds, allocating resources, fulfilling performance requirements or otherwise supporting ISA purposes without a fiscal transfer of funding. Since fiscal transactions are not involved in non-financial ISAs, departments are not required to have the ISAs processed through CTR. However, the ISA rules (other than the transfer of

funds) still apply. Non-financial ISAs may not be used as a mechanism to circumvent state finance law or other applicable laws, regulations, policies or procedures. See “Improper uses of an ISA” below.

Departments must use the ISA Form when entering into non-financial ISAs that are committing funding and other performance and may not use alternatives such as Memorandum of Understanding. Non-financial ISAs are equally as binding and enforceable as a financial ISA and Chief Fiscal Officers at any participating department must ensure that appropriate steps are taken to comply with the contractual terms agreed to in the ISA. Non-financial ISAs must use the ISA Form and indicate that the ISA is a non-financial ISA. A record copy of the non-financial ISA must be filed by the Buyer department and copies retained by Seller departments in accordance with records management requirements applicable to ISAs. If there is no clear “Buyer” or “Seller” Department, whichever department appears on the ISA as Buyer will be responsible for filing the record copy of the ISA.

Role of departments using ISAs

Unless a general or special law mandates that an ISA be entered into by several departments, ISAs are voluntary, requiring approval by both Buyer and Seller departments, just like any other contract.

Department’s will be responsible for conducting Interdepartmental fiscal business using best value and other common sense business practices similar to any other contract or department expenditure and will be required to certify that the interdepartmental fiscal business complies with all applicable state or federal general or special laws or regulations. Signature by a Buyer and Seller department on an ISA shall operate as the Department Head’s certification that the ISA complies with 815 CMR 6.00 and other requirements of law, including state finance law, and these policies.

Buyer department ISA Responsibilities

A Buyer department is a state department with legislative authorization to procure goods and services to implement programs, services or objectives authorized under general or special law. The Buyer department transfers funds (or expenditure authority as prescribed by CTR) to another state department (Seller department) as compensation for goods or services provided by the Seller department through an ISA. Buyer departments may also be referred to as the “Parent department”. A Buyer department account may also be referred to as a “Parent account”.

The Buyer department must take all necessary steps, upon execution of the ISA, to ensure that the Seller department receives an allocation of the full amount needed for the fiscal year in the authorized ISA account(s) (or transfers expenditure authority as otherwise prescribed by CTR), in order to ensure that the Seller department can encumber funds timely and make payment for its employees, contractors, grantees, etc. from the authorized ISA child account(s) in accordance with Commonwealth payment policies.

Seller Department ISA Responsibilities

A Seller department is a state department that is mandated or authorized in statute to provide the type of services, goods or programs that are requested or required by another state department. A Seller department provides goods or services, and receives a transfer of funds (or expenditure authority as otherwise prescribed by CTR) from a Buyer department through an Interdepartmental Service Agreement (ISA). Seller departments may also be referred to as “Child departments”, and a Seller department ISA account may also be referred to as a “Child account”.

Departments should complete processing ISAs before the fiscal year begins. Funds can be allocated beginning as of the opening of the fiscal year identified in the annual Open and Close Instructions, as follows:

Maintenance Funds:	Based upon provisional numbers in House 1
Capital Funds:	Based on the anticipated balance forward
Trust Funds:	Based on anticipated receipts for the Trust Fund
Federal Funds:	Based upon provisional numbers in House 1

The Seller department may not begin performance or incur any obligation prior to the execution of an ISA AND until ISA funding is in place, which will occur once funds are appropriated to the Buyer (parent) and obligation ceiling is transferred to the child account (budget). In MMARS, Seller (child) departments are assigned an account/budget within the parent account with the same account number as the parent account. Obligation ceiling is then transferred from the parent account to the child account/budget and the Seller (child) is assigned access to and can obligate and expend funds in the child account/budget just like any other account. All ISA activity occurs within the parent account.

ISAs may be conditionally processed against House 1 (for most account types) or based upon anticipated funds (capital and trust funds) when the fiscal year opens. Departments do not have to wait until the final annual budget is passed to execute an ISA, but can set up the necessary transfers of obligation ceiling (as early as the second week in May or when the fiscal year officially opens). Just like any other conditionally processed obligations, payments can not be made until the passage of an Interim Budget or the final budget.

The Seller department may obligate and expend funds for ISA performance only from an authorized ISA child account(s)/budget. Therefore, a Seller may not begin ISA performance unless funds are available for obligation in an authorized Seller ISA child account(s)/budget. This means that a Seller department must ensure that the ISA and funding are in place, prior to the start of performance, in order to timely encumber funds and pay employees, contractors, grantees, etc., directly from the authorized ISA child account(s), in accordance with Commonwealth payment policies, or as otherwise prescribed by CTR.

Seller departments may not expend funds from other accounts and then request that CTR transfer these charges as an expenditure correction (EX) to the ISA child account/budget. A Seller may not perform services in anticipation of funding expected to be appropriated through supplemental funding or even an annual appropriation act since such funding is not available for expenditure in an authorized Seller ISA child account. Certain ISAs may be funded through an Interim Budget prior to passage of the GAA, and departments must incur obligations and make expenditures in accordance with instructions by CTR and the Fiscal Affairs Division (FAD).

In MMARS, a Seller department will be assigned only one child account even if the Seller performs multiple ISAs with the Buyer which are funded by the same Buyer (parent) account. The child account will appear as a line under the Buyer (parent's) account and will have the same account number. A Seller that negotiates multiple ISAs with the same Buyer and receives funding from the same Buyer parent account will be required to properly account for expenditures for each ISA separately in accordance with the terms and funding specifications for each ISA. Establishing departmental budgets for the child account/budget to separately identify and account for multiple ISA budgets is one mechanism available to departments to properly account for funding for multiple ISAs from the same parent account.

The prohibition against obligation and expenditure from another Seller account in anticipation of the establishment of an ISA child account/budget applies equally to when a child account/budget is already in place for one ISA and a second account/budget is pending for a second (or third...) ISA with the same parent department and the same parent account. The Seller department may not “front” funding from any other child account/budget in anticipation of the creation of an additional child account/budget.

Under no circumstances may a Seller begin ISA performance without ISA funding in place. A Seller who begins performance assumes the risk for all obligations that are incurred for the performance and may not charge the ISA account/budget once in place (EX) or otherwise seek assistance to be compensated for the performance. The Seller has an obligation to immediately notify the Office of the Comptroller whenever the Seller anticipates a delay in receiving ISA funds or having funds in place in time for requested performance under an ISA. This notification will prevent a Seller department from needing to later request an EX or other corrective action due to funding delays, and oftentimes CTR can assist in expediting the set up of the child account/budget on behalf of the Seller.

When expending ISA funds, Seller departments must treat these funds the same as any other funds, and conduct procurements and make expenditures in accordance with the same state finance law and applicable general and special state and federal laws that apply to other types of contracts that the Seller department manages. For example, if the Seller department receives ISA funds to fund a contract or grant, the Seller department must comply with the relevant procurement requirements for that contract or grant.

When can a department enter into an ISA?

Pursuant to 815 CMR 6.00, Interdepartmental Service Agreements (ISAs) are in the following circumstances, when:

- a Seller department does not have specific legislative authorization to charge a fee for a good or service (Interdepartmental Chargeback), but the Seller is authorized and capable of providing goods or services that are needed by another state department.
- a Buyer department cannot complete performance itself and needs to contract for outside goods or services, and an available “contractor” happens to be another state department.
- two or more departments desire to enter into a joint venture “contract” which fulfills the legislative mandates of the departments.
- contracting with another state department provides a “better value” than contracting with an outside vendor. Best value can be based upon the unique circumstances, available resources, expertise, administrative efficiencies, data privacy or security concerns or other considerations which make it more cost efficient and effective for multiple departments to jointly fulfill the same or similar legislative mandates.

Improper uses of an ISA

Absent specific legislative authorization to the contrary an ISA (financial or non-financial) **MAY NOT** be used:

- to enable one department to transfer staff or payroll costs to another department. A department may not assign personnel (whether or not the individual is physically transferred to another location) to perform the services of another department whether or not the individual is under the supervision and control of the other department. A transfer

of staff must result in a termination from one department and the hiring by the other department following appropriate personnel requirements.

- as a permanent or extended payroll funding mechanism (for multiple fiscal years) for permanent state employees and for permanent state employees who are not funded under a current appropriation (unless the parent funding authorization identifies the use of an ISA or the Seller department has specifically notified the Legislature of the use of the ISA funding for these payroll expenditures.)
- as a fiscal conduit or as a “back door appropriation” to supplement existing appropriations to move funds around in order to circumvent Legislative actions or to circumvent state finance law requirements such as:
 - to continue to fund a function within a Buyer department that the Legislature has specifically terminated, under-funded or unfunded, unless the Seller department is also mandated to provide the same function and is contracting with the Buyer department to provide the function because the ISA represents best value.
 - to supplement funding reduced or eliminated by the Legislature. An ISA is inappropriate for funding or to continue to fund permanent state employees within a department for which the Legislature has specifically reduced funding or allotments with the intent to reduce the department’s payroll. ISAs that fund payroll should be deemed temporary funding and personnel must be hired into the ISA accounts and either be terminated or rehired under an appropriate existing appropriation when the ISA terminates.
 - as a means to circumvent state finance law or legislative directives by transferring or shifting expenses or charges from one department with a deficiency or insufficient funding to another department with a surplus of available funding or from one account to another account within a department or across subsidiaries.
 - as a means to enable collection of chargeback revenue in excess of a department’s chargeback ceiling without prior approval of the Office of the Comptroller. Any ISA submitted to enable the collection of excess revenues must clearly indicate the purpose of the ISA and must identify the chargeback accounts currently in use by the department. Any request to CTR for approval must be accompanied by a request to the Administration or the Legislature for an increased chargeback ceiling.
 - as a means of generating a “profit” for the Seller department. ISAs may only be used to compensate a Seller department for the actual costs providing requested goods and services, not to supplement a Seller department’s current available funding to pursue its own mission (such as offsetting all or a portion of administrative costs, equipment or for current personnel *not* designated for ISA performance). In no event may ISA rates exceed the actual cost to the Seller department for providing the ISA goods and services, unless otherwise specified by law. Actual costs may include any reasonable costs associated with provision of the ISA services approved by the Buyer Department including but not limited to administrative costs, equipment, personnel, contracts, or other operating costs. If ISA costs will be submitted for cost reimbursement for federal financial participation anticipated ISA services must be included under a federal cost allocation plan. Seller Departments must be able to document how costs are calculated and that costs were actually incurred in fulfillment of the ISA.
 - as a means of avoiding or circumventing state finance law or other requirements in statute, regulation or policy, such as competitive procurement requirements. Departments are reminded that pursuant to M.G.L. c. 29, § 66 any employee who knowingly violates, or authorizes or directs another officer or employee to violate state finance law, shall be punished by a fine of \$1,000, imprisonment for one year, or both.

For example, non-financial ISAs may not be used when a financial ISA is required. One department may not incur an obligation and then send the bills to another department to pay. In addition, one department may not ask another department to set up a contract and then incur obligations and direct the contractor to bill another department. These situations are inappropriate, and although they may appear fiscally prudent, they violate state finance law and sound accounting practices. An obligation must be paid by the department that incurred the obligation unless otherwise provided by law.

A department may not incur an obligation without an appropriation or sufficient available funding to support the obligation. See [M.G.L. c. 29, § 26](#); [M.G.L. c. 29, § 27](#); and [M.G.L. c. 29, § 29](#). Therefore, if a department anticipates incurring an obligation to perform a service on behalf of another department for which it does not have an appropriation, the department must execute an ISA and obtain sufficient funding to support the anticipated obligation PRIOR to incurring the obligation.

Best Value and Competitive Procurement

A Buyer department is not required to conduct a formal competitive procurement prior to entering into an ISA. ISAs are available to enable departments to utilize and combine available internal government resources and expertise to achieve similar or related legislative mandates efficiently and effectively without the added costs and profit margins sometimes associated with use of outside contractors.

In certain circumstances, state departments are the only sources of certain goods or services or can provide the most cost-effective performance. However, ISAs may not be used to circumvent competitive procurements or as an expeditious method of obtaining services without using an outside contractor or complying with other contracting requirements. Departments are responsible for conducting interdepartmental fiscal business using best value, fiscal responsibility, and other common sense business practices similar to any other contract or department expenditure. Departments must document why use of an ISA represents “best value” based upon the circumstances and available funding.

If a Buyer department does not have specific legislative authorization or funding authority specifying the use of an ISA or contract with a Seller department, the departments using an ISA will be required to document as part of Attachment A to the ISA why the use of the ISA achieves best value as opposed to contracting with an outside contractor(s). Departments using ISAs will also be required to certify that the interdepartmental fiscal business complies with all applicable state or federal general or special laws, regulations, and policies.

The Chief Fiscal Officer of the Buyer department (the purchaser of the needed goods or services) is responsible for determining whether an ISA represents best value based upon the available resources, expertise, and legislative mandates of other state departments. If it is unclear what type of entity would provide best value, the performance should be competitively procured through a solicitation process. State departments are free to respond to any state procurement.

CFO Responsible For ISA Management, Including Management of Federal Grant Funds

The Chief Fiscal Officer (CFO) for the Buyer and Seller departments will be responsible for oversight and management of ISAs within their department in accordance with 815 CMR 6.00 and these policies and procedures. Management of ISAs shall include but is not limited to: the evaluation of the ISA option

based upon best value as determined appropriate by the department, ensuring timely ISA execution, processing of MMARS transactions prior to the start of ISA performance, meeting reporting requirements, timely payment of invoices in accordance with the Commonwealth's bill paying policy, monitoring ISA performance, and acting as the liaison for the Quality Assurance Program.

If an ISA involves federal funds, the CFO is responsible for monitoring and reconciling the federal grant in compliance with the grant award, including any funds disbursed through an ISA. The CFO and Grant Liaison must provide accurate accounting information in "Attachment C – Federal Grant Child/Seller Account" of the ISA, and immediately notify the Seller/Child of any changes in Attachment C (such as program codes) to ensure the ISA and Seller/Child account can be timely updated to avoid lapses in funding or the inability of the Seller/Child to make timely payroll and other expenditures from the Seller/Child account. Please see additional CTR policies and guidance under Federal Grants.

ISA Managers

Both the Parent/Buyer and Child/Sellers are responsible for ensuring that the ISA Manager listed on the ISA, or ISA Amendment, is current and that the ISA Manager is an authorized signatory for the Department supported by the appropriate MMARS Security Profile. If the listed ISA Manager changes, the CFO shall be the ISA Manager until a replacement is identified in the same manner as other Written Notice. Buyer and Seller department managers designated for each ISA will be responsible for the day-to-day administration of the ISA (under the direction of the CFO) and will be the points of contact for ISA correspondence.

Interdepartmental Service Agreement Form (ISA Form)

Pursuant to 815 CMR 6.00, CTR publishes an Interdepartmental Service Agreement (ISA) Form for use by all Commonwealth departments. The ISA Form contains instructions to assist both Buyer and Seller departments with the interpretation and completion of the ISA Form. The ISA Form Instructions are incorporated by reference into the ISA Form and do not have to be filed with the completed ISA package.

The ISA Form is the "Contract" that documents the business agreement (joint venture) between two (or more) Commonwealth departments within the Executive, Judicial and Legislative Branches of government. A department must be recognized as a department in MMARS in order to transfer or receive funding under an ISA. The ISA must comply with funding language in any appropriation act supporting the ISA as well as all applicable general and special state or federal laws, regulations, policies or procedures.

Since the ISA form is issued electronically in Microsoft WORD© departments can insert required data and may also insert any additional terms or conditions that are not in conflict with 815 CMR 6.00 or the ISA Instructions and Policy. Departments may not change the content of the form instructions or policies. The ISA must be executed by authorized signatories of both Buyer and Seller departments. Electronic signatures for ISAs may not be made at this time.

Timely Full Fiscal Year Funding

Since Seller departments are required to make all ISA expenditures only from the authorized ISA child account(s)/budget(s) the Buyer department must take all necessary steps upon execution of the ISA to ensure that the Seller department receives an allocation of the full amount needed for the fiscal year in the authorized ISA account(s)/budget(s) or transfers expenditure authority as otherwise prescribed by

the Office of the Comptroller in order to ensure that the Seller department can encumber funds and make payment for its employees, contractors, grantees, etc. from the authorized ISA child account(s) in accordance with Commonwealth payment policies in a timely manner. ISA funds should be in place prior to the start of ISA performance. See also “Seller Department ISA Responsibilities” above.

This requirement prohibits Expenditure Corrections (EX) absent special circumstances approved in advance by CTR for charges made to accounts other than the authorized ISA child account(s)/budget(s) in cases where the original expenditures occurred prior to the effective date of the ISA or prior to the availability of funds in the authorized child account(s). Funds must be appropriated and allotted to the Buyer department and expenditure authority (obligation ceiling) allocated or otherwise transferred by the Buyer department to the Seller department.

Funds must be under the Seller department’s control to enable timely encumbering and payment of contracts, payroll and other obligations related to ISA performance from the ISA funds. A Seller department may not encumber or expend funds in another account in anticipation of ISA funds and then seek reimbursement by requesting that the charges be moved through an EX because accounts were not funded or available at the time of the start of ISA performance.

Therefore, under no circumstances should ISA performance begin prior to the establishment of child accounts and transfer of expenditure authority sufficient to support payment for the ISA performance.

Some Buyer departments may have funding authority that specifies an ISA or agreement with another department, and may or may not designate a specific amount earmarked for the ISA. Such a legislative designation alleviates the need to justify the use of the ISA is best value. If an amount of funding is specified, then the ISA will outline the performance to be accomplished within the amount of funding authorized for the ISA. If an amount is not specified, it is presumed that the department will have discretion to determine how much of the available funding will be used for the ISA and the performance to be accomplished with this available funding.

Absent specific legislative authorization mandating a transfer of funds from one department to another, legislative language authorizing the use of an ISA creates no entitlement to the ISA funds and a Seller department, even if specifically named in the funding authority, and even if a specific amount is earmarked for the Seller department, may not begin performance until an ISA is executed by the parties and funding is in place as required under these ISA policies.

ISAs Funded with Federal Funds – Indirect Costs Must be Negotiated as Part of ISA Budget

Expenditures in a seller account may trigger indirect costs. Both the buyer and seller department are responsible for negotiating the type of expenditures authorized under an ISA and determining if the expenditures will trigger the assessment of indirect costs. These costs must be included as part of the ISA and funded as part of the ISA budget. Departments requiring information on whether an expenditure will trigger an indirect cost assessment should contact the Federal Grants and Cost Allocation Unit at CTR.

Fringe Benefit Costs

Seller budget lines, in all account types, that include compensation to regular employees (object class AA) supported by the ISA, must also include DD (D09) object class. This is necessary to cover mandated

charge backs for employee pension, health insurance and terminal leave expenses from federal grants, expendable trusts, capital accounts and all other non-budgetary accounts to centralized state administrative accounts. Also, this is necessary to cover the cost of Unemployment Compensation Insurance Premium (UI), Universal Health Insurance (UHI) contribution, and the employer share Medicare Tax (MTX).

ISA Duration

ISAs can be executed for the duration that makes sense from a business perspective. Multi-Year ISAs are encouraged if it best supports the Buyer and Seller business processes. Similar to other types of contracts, all ISAs are subject to appropriation or other available funding. Therefore, departments can enter into a Multi-year ISA even if funding transactions have to be processed annually to support each fiscal year of the ISA. For Multi-year ISAs that require annual processing of a funding transaction, Buyer and Seller departments are responsible for ensuring that the funding is in place in the authorized Seller Child account(s) to ensure that the Seller department can timely encumber funds and pay employees, contractors, grantees, etc., from the authorized ISA child account(s), in accordance with Commonwealth payment policies.

Like any other contract, departments must execute the ISA prior to the start of performance. The effective date of an ISA is the same as any other contract, which is the latest of all execution and approval dates (such as secretariat approval if required by a secretariat).

Pursuant to the 815 CMR 6.00 Regulation "the effective start date of an ISA shall be the later of the date the ISA was executed by an authorized signatory of the Buyer department; the date the ISA was executed by an authorized signatory of the Seller department; or a later date as specified in the ISA. ISAs attachments identifying performance must specify when, upon or after execution of the ISA (and any approvals) and the transfer of funds, ISA performance may begin.

The Buyer department must enter the date the ISA will terminate. An ISA must be signed for the full duration and amount in accordance with what is negotiated between the Buyer and Seller department. Amendments to extend the termination date, such as renewals, must be made using the Interdepartmental Service Agreement Amendment Form and must be signed by both the Buyer and the Seller department PRIOR to the termination date (or as previously amended) in accordance with 815 CMR 6.00. Seller departments will have no right to claim compensation for performance provided prior to the date that an ISA and available funding are in place in an authorized ISA child account or after the termination date of the ISA.

Personnel Funding under an ISA

Pursuant to M.G.L. c. 29, § 31, unless otherwise provided by law the Comptroller requires a certification from each spending authority that each employee receiving a salary under the warrant is being paid for duties **performed directly for the employing department and not for duties performed for another state department.**

Under an ISA an employee may be assigned by their employing department to perform department tasks that support the ISA joint venture. A department may also temporarily hire contractors or temporary state employees to perform the tasks that support the ISA. These remain duties performed for the employing department. An ISA may also be used to accept funding that a department uses to

pay a portion of the salary costs of its own employees to perform services that fulfill its own department mandate including ISA performance. The services are duties performed for the employing department.

Personnel working for the Seller Department should be hired into the ISA child account or rules should be established in the state payroll system to point a portion of the payroll charges to the child account in accordance with ISA procedures.

ISAs may not be used to transfer employees to another department or to shift responsibilities duties and/or costs from one department to another. An employee of one department may not perform the duties of employees in another department. For example an ISA cannot be used by one department to transfer an employee to another department to perform administrative services, processing of fiscal transactions (encumbrances or payroll) or other operational services for both departments or to perform functions of terminated or laid off employees instead of rehiring staff or contractors.

The Department Head is the employer and responsible for supervision and control of all employees under the department. A Department Head exercises authority granted under statutory and funding authority granted by the legislature which presumes that the Department Head manages its funding and that all funding is spent for its employees and for its own obligations.

A Department Head is responsible for all obligations incurred by the department. Although for administrative efficiencies a Department Head may delegate Department Head signature authorization to state employee staff within the department to approve business on the Department Head's behalf, a Department Head can not delegate "away" Department Head signature authorization and make a non-state employee or a state employee not employed by the Department Head an "agent" who can legally bind the Department Head. Therefore a Department Head can not delegate Department Head signature authorization to a contractor, contract employee or an employee of another department.

Shared Administrative Processing Does Not Mean Shared Department Head Signature Authorization

Each Department is legislatively mandated to perform duties as outlined in enabling legislation and the General Appropriation Act. Although Departments have flexibility to fulfill these mandates by "contracting" out for performance with outside contractors and with other state agencies (Interdepartmental Service Agreements (ISAs) and Interdepartmental Chargebacks under [815 CMR 6.00](#)), the Department Head remains obligated for fulfilling these mandates. Responsibility for these legislative obligations can not be "transferred" to another state agency without legislative authorization. ISAs are authorized only to enable two Departments to fulfill a joint mandate, not to transfer a program or responsibility for performance to another state agency. Therefore, a Department Head can not transfer their decision making authority (signature authorization) to an employee of another Department or a non-employee.

In addition, under [M.G.L. c. 29 § 31](#), the Comptroller requires certification from each spending authority that **each employee receiving a salary under the warrant is being paid for duties performed directly for the employing agency and not for duties performed for another state agency.**

Some Departments are moving towards consolidating processing of administrative functions, such as payroll and MMARS transaction processing using a "shared processing" model. Either by legislative authorization or through the use of Interdepartmental Service Agreements (ISAs) Departments are designating employees to "process" transactions in MMARS or HR/CMS on behalf of multiple Departments.

However, shared “processing” does not mean shared “approvals”. Department Head Signature Authorization can not be delegated to employees in another Department, therefore, each Department is fully responsible for managing its business and signing off on all obligations, contracts, payroll, payments, etc.

- An employee of Department A can not assume the role of signing off or managing the business operations of Department B and can not act as a legal representative of Department B. Departments can work cooperatively to conduct joint procurements, and other administrative processes, but decision-making, supervision of employees or operations, and the act of “incurring a legal obligation” such as signing contracts, approving expenditures and other documents, remains with the authorizing Department and can not be “assumed” by another Department.
- Therefore, if Department A has MMARS Administrator security roles that allow “processing” transactions to “final” status on behalf of Department B, these transactions may not be processed to final status without signoff of the transaction by an authorized signatory of Department B. Signoff can be made in a variety of ways and does not necessitate approval in MMARS or HR/CMS directly or screen prints of MMARS or HR/CMS screens. Emails from the Department Head (or authorized signatory) with the key information for approval; signature or initials on invoices, spreadsheets or memorandum, or other “evidence” of signoff is sufficient. Departments may develop any internal process that efficiently “documents” Department Head signoff. Electronic evidence of approval such as emails must be printed and retained in order to document approval, since emails are not yet a sufficient electronic format to retain records.

Therefore multiple departments may not consolidate functions across agencies and share personnel who will be approving obligations on behalf of another department other than their employing department absent specific legislative authorization or an ISA approved for this purpose as prescribed by CTR. The limited exception occurs when staff in an executive office performs administrative services on behalf of departments within the secretariat. Centralized administrative services do not include Department Head approval of transactions, encumbrances, payroll, etc. which still must be performed by each department. But once approved the transactions or processes needed to implement the approved transactions may be implemented by secretariat staff. ISAs may be used to fund these centralized services provided the ISAs and funding mechanisms are approved in advance by CTR. In this circumstance the secretariat has broad authority over its departments and may provide such services centrally. In all cases ISAs must be voluntary and reflect the actual costs attributable to the services actually performed.

CTR will periodically review DHSA and MMARS Security as part of Quality Assurance and Internal Control reviews.

The following are two options that illustrate how personnel may be used under an ISA:

OPTION A. ONE LEAD DEPARTMENT THAT WILL RECEIVE AND MANAGE ISA FUNDS.

- 1) Lead Department as Seller Department enters into:
 - (a) **Financial ISAs** (transfer of funds to Lead Department) with each Department that will be providing funding for the ISA joint venture. Each financial ISA will identify what expenditures may be made with the ISA funds, including any portion that will be used to

fund personnel or contractors of the Lead Department (state, temporary or contracted). In addition, the financial ISAs should identify any additional non-financial “resources” (other than funds transferred through the ISA) that will be committed by each Department to fulfill the project. Resources may include space, use of equipment, printing or copying services, or research, planning and other performance by Seller Department personnel to fulfill planning or performance under the ISA.

- (b) **Non-Financial ISAs** (approved form for “MOU” between state Departments) with Departments that will not be transferring funds the ISA performance but will be committing non-financial “resources” (other than funds transferred through the ISA) to fulfill the project. Resources may include space, use of equipment, printing or copying services, or research, planning and other performance by Seller Department personnel to fulfill planning or performance under the ISA. Each Seller Department obligates and makes payment for these resources itself, rather than transferring funds to the Lead Department.
 - (c) **Personnel or Contracts.** With regard to personnel or contract assignments, whoever exercises supervision and control over an employee or contractor must be the employer and must fund the employee’s or contractor’s salary.
 - (i) **Funded by Lead Department.** The Lead Department may assign its own personnel or contractors to work on the ISA project funded by its own appropriations.
 - (ii) **Funded by ISA Funds.** The Lead Department may hire temporary employees, contract employees or contractors, or assign its own personnel to perform ISA work funded in whole or in part through the ISA funds, provided personnel are fulfilling performance of the ISA in proportion to their ISA funding. Once ISA funds are fully expended the personnel must be terminated or reassigned to other projects or funded by Lead Department appropriations. These temporary personnel or contractors may not continue performance of the ISA project without sufficient ISA funds to support payroll and associated payroll costs and obligations may not later be assigned to other Participating Departments.
 - (iii) **Funded by Participating Department.** A participating Department may assign its own personnel or contract for work on an ISA project (with no transfer of funds to the Lead Department). This assignment is accomplished through a Non-Financial ISA (if no other funds are being transferred for the ISA project) or through a non-financial subsection of the Scope of Performance within a Financial ISA. Any personnel or contractors assigned by a Participating Department (Seller) to work on the ISA project shall remain at all times employees or contractors of the Participating Department and under the supervision and control of the Participating Department, even if the Participating Department assigns the personnel or contractors for temporary relocation to work on the ISA project or a majority of meetings or performance is made at another location. Work on the ISA project may be performed at any location, provided the relocation of Participating Department personnel or contractors is deemed temporary and the personnel or contractors remain at all times under the supervision and control of the Participating Department and not the Lead Department. The Lead Department may not supervise, control or direct the work of Participating Department personnel or contractors, but may confirm time and attendance and performance to assist the Seller Department’s with its payroll certification and invoice payment obligations.
- 2) **Secretariat vs. Department as ISA Lead Department.** Depending upon the Secretariat’ enabling legislation, most Secretariat’s have broad authority to identify goals and priorities for underlying Departments in accordance with the overall goals of the Secretariat and the required mandates of both the Secretariat and the mandates and legislative appropriations for its Departments.

(Unless an underlying Department has legislation stating that it is within but not subject to the control of the Secretariat.) Therefore, when a Secretariat is charged with overseeing an ISA joint venture with multiple Departments within its own Secretariat or across Secretariats, it is preferred that the ISA(s) are managed at the Secretariat level, rather than being delegated to another Department, especially if personnel from multiple Departments will be assigned to work on the ISA project.

If a Secretariat can not manage the administrative work of the ISA centrally (contracts, payments, personnel) the Secretariat may still operate as the lead oversight entity of the ISA, but delegate Secretariat signature authorization to another Department within its Secretariat (that has legislative authorization to support the project completion) to manage the ISA administration on behalf of the Secretary. A Department that does not have a legislative mandate to accomplish the goals of the ISA can not be used merely to provide the administrative resources to operate the ISA. In addition, a Secretariat can not delegate through an ISA fund management to a Department across Secretariats since there is no employer or legal chain of command between the Secretariat and the Department and delegation of authority can not be made by contract.

IN-KIND CONTRIBUTIONS OF GOODS OR SERVICES - NO FUNDS TRANSFER

- (a) **Non-Financial ISAs.** (approved form for “MOU” between state Departments) Multiple Departments may not be transferring funds to another Department to support the ISA project, but may instead agree to commit in-kind or non-financial “resources” to fulfill the ISA project. Resources may include space, use of equipment, printing or copying services, research, planning and other performance by Seller Department personnel or contractors to fulfill planning or performance under the ISA. Each Participating Department obligates and makes payment for these resources itself, rather than transferring funds to a Lead Department.
- (b) **Personnel or Contracts.** With regard to personnel or contract assignments, whoever exercises supervision and control over an employee or contractor must be the employer and must fund the employee’s or contractor’s salary.
- (i) A participating Department may assign its own personnel to work on an ISA project (with no transfer of funds to the Lead Department). Any personnel assigned by a Participating Department (Seller) to work on the ISA project shall remain at all times employees of the Participating Department and under the supervision and control of the Participating Department, even if the Participating Department assigns the personnel for temporary relocation to work on the ISA project or a majority of meetings or performance is made at another location. Work on the ISA project may be performed at any location, provided the relocation of Participating Department personnel is deemed temporary and the employees remain at all times under the supervision and control of the Participating Department and not the Lead Department. The Lead Department may not supervise, control or direct the work of Participating Department Personnel, but may confirm time and attendance to assist the Participating Department with its payroll certification obligations.

Department Head Certifications

By executing the ISA the Department Head of the Buyer/Parent and the Seller/Child certify, under the pains and penalties of perjury, that:

- the Buyer/Parent and Seller/Child understand and agree that any Buyer/Parent or Seller/Child officer or employee who knowingly violates, authorizes or directs another officer or employee to

violate any provision of state finance law relating to the incurring of liability or expenditure of public funds, including this ISA, may be considered to be in violation of M.G.L. c. 29, § 66, and therefore

- the Buyer/Parent and the Seller/Child agree to ensure that the ISA complies with, and that all staff or contractors involved with ISA performance are provided with sufficient training and oversight to ensure compliance with 815 CMR 6.00, CTR applicable policies and the ISA Terms and Conditions which are incorporated by reference into the ISA, in addition to the performance requirements identified in Attachment A of this ISA
- that all terms governing performance of this ISA are attached to this ISA or incorporated by reference herein, and
- the Buyer/Parent and Seller/Child agree to maintain the necessary level of communication (including immediate notification of any amendments to accounting information, program codes or performance needs), coordination, access to reports and other ISA information, and cooperation to ensure the timely execution and successful completion of the ISA, amendments, and state finance law compliance;
- the Buyer/Parent certifies that:
 - it is statutorily authorized or required to procure the type of performance required under this ISA,
 - it will ensure that sufficient funds are timely made available in the Seller/Child Seller/Child account(s), with the proper accounting codes, prior to the Seller/Child's need to begin initial or amended performance;
 - it will monitor and reconcile ISA performance in compliance with state appropriation language or federal grant requirements, communicate all fiscal information necessary for the set up of the Seller/Child account(s) including budget information, and if the ISA is funded with federal funds provide accurate accounting information in Attachment C, and immediately notify the Seller/Child of any changes in Attachment C (such as program codes) to ensure the ISA and Seller/Child account can be timely updated to avoid lapses in funding or the inability of the Seller/Child to make timely payroll and other expenditures from the Seller/Child account.
- Seller/Child certifies that:
 - it is statutorily authorized to provide the type of performance sought by the Buyer/Parent, and shall at all times remain qualified to perform the ISA, that performance shall be timely and meet or exceed ISA standards,
 - it will not allow initial or amended performance to begin, may not authorize personnel or contractors to work, nor incur any obligation to be funded under an ISA prior to the execution of an ISA AND the availability of ISA funding in the Seller/Child account to support encumbrances and payments for performance.
 - it will make encumbrances and payments (including payroll) only from the authorized ISA Seller/Child account(s) and shall not be entitled to transfer charges made from any other account not approved in writing in advance by CTR.
 - it will immediately notify CTR whenever a delay in funding is anticipated for which performance is expected.
 - it is authorized to use ISA funding only for the actual costs of ISA performance and may not use ISA funds to supplement non-ISA related personnel or expenditures.
 - it will not allow initial or amended performance to begin until the ISA is executed AND the ISA Seller/Child account is sufficiently funded to support encumbrances and payments for performance (including payroll),

- it will make encumbrances and payments (including payroll) only from the authorized ISA Seller/Child account(s) and shall not be entitled to transfer charges made from any other account not approved in writing in advance by CTR.

NOTE: Secretariat signoff is not required for CTR to process an ISA. However Seller and Buyer departments are required to follow any internal secretariat procedures when obtaining authorization for an ISA (or for certain ISA transactions such as an intersubsidiary transfer “TS”) prior to submission to CTR. All ISAs are periodically reviewed by CTR to verify that the signatories are authorized by their Department Head to execute contracts.

Department Head Signature Authorization and Electronic Signatures for MMARS transactions

Electronic signatures apply only to MMARS transactions. Electronic signatures ***may not*** be used for ISAs. Unless approved in advance by the Comptroller the use of electronic signatures is not authorized for use in the underlying supporting documentation for MMARS documents, such as contracts (including grants, Interdepartmental Service Agreements (ISAs), grants, leases, construction contracts) settlements and judgments and any other legal obligation or document currently requiring a wet or live signature. Electronic signatures for these types of documents will be authorized when Commonwealth policies have been developed to ensure that the identity and authority of signatories can be authenticated and these documents can be memorialized as permanent records capable of being preserved and accessed in accordance with the requirements of the Supervisor of Public Records, the Records Conservation Board and in addition for executive departments, the Information Technology Division in accordance with M.G.L. c. 110F.

Electronic Signature and Department Head Authorization of MMARS documents

With the implementation of the MMARS accounting system the Office of the Comptroller is aligning Electronic Security with Department Head Signature Authorization (DHSA) in fiscal year 2005 in order to take advantage of electronic signatures for MMARS processing. Every MMARS action must be confirmed/authorized by the Department Head or an authorized signatory. Department Head authorization can be accomplished in one of two ways:

- **Administrator Security with DHSA.** If the employee (Administrator - system processor) who submits a transaction to final status is a Department Head authorized signatory the data in the MMARS system will be sufficient documentation. What appears in MMARS will be the record copy of the transaction.
- **Recording Doc Id on all supporting documentation.** Since there is no paper copy required for the MMARS transaction the department will be required to include the MMARS Document Identification number (Doc ID) on all supporting documentation to “match” the supporting documentation with the electronic record of the MMARS transaction which will reside on MMARS. Recording the doc id on all supporting documentation can be accomplished by entry of the MMARS doc id on the first page of the supporting documentation or by entering the doc id on a MMARS **Document Authorization/Records Management Form** which will act as the cover sheet to the supporting documentation for records management purposes.
- **Administrator Security without DHSA.** If the employee (Administrator - system processor) who will be submitting a transaction to final status is not a Department Head authorized signatory, the Administrator must obtain a live (“wet”) signature from an authorized signatory approving the transaction ***PRIOR*** to submitting the transaction to final status in MMARS.

- **Review of transaction and supporting documentation.** Since a Department Head is required to authorize the official record of a MMARS transaction, which is what **actually appears in the MMARS system**, Departments must ensure that whoever authorizes the transaction has reviewed the transaction (or key data from the transaction) and related supporting documentation prior to authorization.
- **Evidence of DHSAs.** MMARS functionality is designed to support extensive use of electronic signatures for DHSAs purposes. Departments are encouraged to use this functionality to electronically document DHSAs by encouraging signatories to access and view transactions on-line and apply approvals. However, Department Head signoff can be made in a variety of ways and does not necessitate approval in MMARS or HR/CMS directly or screen prints of MMARS or HR/CMS screens. Departments can use the **MMARS Document Records Management/Signature Authorization Form** to approve one or multiple MMARS transactions. Emails from the Department Head (or authorized signatory) with the key data elements for approval; signature or initials on invoices, spreadsheets or memorandum, or other “evidence” of signoff is also sufficient. Departments may develop any internal process as part of the Department Internal Control Plan that efficiently “documents” Department Head signoff. Electronic evidence of approval such as emails must be printed and retained in order to document approval, since emails are not yet a sufficient electronic format to retain records. Once the evidence of DHSAs approval is obtained, electronic approval can be made in MMARS, and the approval evidence can be filed for Records Management, Quality Assurance and Audit purposes.
- **Filing of authorization with supporting documentation.** Authorization documentation must be kept on file at the Department along with the record copy of the contract or other supporting documentation related to the MMARS transaction. Emails must be printed since emails are not a satisfactory electronic storage mechanism for electronic records. Email header information and dates are not always retained upon archival and there is a greater risk that these emails will be inadvertently deleted during storage maintenance purges.

What does electronic signature of a MMARS transaction mean?

When a Department electronically submits a transaction to final status in MMARS the Department Head is certifying to the Comptroller that the individual, on behalf of the Department Head, understands that their UAID (universal access identification) is being recorded for any entries made in the MMARS system **and that** that individual certifies under the pains and penalties of perjury that:

- it is their intent to attach an electronic signature approval and date to the MMARS transaction, **and that**
- they are either an authorized signatory of the Department Head who is authorized to approve the MMARS transaction as part of the Department Internal Controls, **OR**
- that the transaction they are processing and any supporting documentation have been approved by an authorized signatory of the Department Head, secretariat and any other required prior approval (including secretariat signoff if required) and a copy of these approvals are available at the Department referencing the MMARS transaction number, **and that**
- any expenditure or other obligation is supported by sufficient available legislatively authorized funds and is in accordance with the Department’s enabling legislation and funding authority; **and that**

- the MMARS transaction and any underlying supporting documentation are accurate and complete and comply with all applicable general and special laws, regulations and policies including public record intention and disposal requirements.

ISAs must be executed by authorized signatories of the Department Head. CFOs, Security Officers and Internal Control Officers must ensure that the listing of Department Head authorized signatories is kept up to date as part of the department's internal control procedures and that MMARS security is authorized and maintained to support Department Head signature authorization and internal controls. Please see policy chapters on "**Department Head Signature Authorization**" and "**Electronic Signatures for MMARS documents**" for additional information.

Records Management of ISAs

Buyer and Seller departments entering into an ISA must execute the ISA Form prior to the start of performance, and file the ISA and required attachments as prescribed by the Office of the Comptroller. [M.G.L. c. 7A, § 5](#) requires that the original of all contracts be filed as directed by the Comptroller.

The Buyer department will retain the "record copy" or original of all ISAs, amendments and ISA transactions. The Buyer department will be responsible for maintaining and archiving the record copy of all ISAs in accordance with the records retention schedule issued by the Records Conservation Board of the Secretary of State. The archiving period for ISAs is the same as for any other contract (7 years). Copies of ISAs, amendments and ISA transactions should be submitted to CTR for review and processing. Any original documents will be returned to the Buyer department.

The Seller department is required to maintain copies (or duplicate original) of all ISAs, amendments and ISA transactions as part of its contract files for the duration of any ISA and for the same seven (7) year period in the event any auditing or litigation issues arise from the ISA or in accordance with schedules issued by the Records Conservation Board.

ISA Amendments

The ISA Form must be used to document all amendments to an ISA including renewals, extending the period of performance, changing the description of performance, changing costs etc. An ISA Form **MUST** be signed by authorized signatories of the Buyer department and the Seller department contemporaneously with the need for the amendment but not be later than the termination date listed in the ISA (or as amended). Buyer and Seller departments must attach all relevant documentation to support the amendment, including Attachments A and B for all amendments and Attachment C for federal grant funding if any information in Attachment C has changed.

Terminated ISAs cannot be amended or otherwise retroactively "revived". An ISA that is not amended prior to its termination date terminates by operation of law and cannot be amended. A Seller department is not authorized to continue performance after the termination date of an ISA even if the Buyer department has notified the Seller department that it desires to amend the ISA.

In the event an ISA needs to be continued the Buyer and Seller departments must complete a new ISA in accordance with these instructions. Performance may not begin prior to the effective date of the new ISA.

If a delay in execution or transfer of funding is anticipated which would cause an ISA to expire prior to the needs of the departments, the departments have a duty to immediately contact CTR for guidance and assistance. Failure to do so will reduce the level of CTR or other assistance available to rectify such an occurrence. Failure of the departments to agree on ISA terms or funding is an insufficient reason to justify lapse of an ISA that needs be renewed or amended.

In addition, Seller departments are required to provide whatever progress, programmatic or expenditure reports to the Buyer department as specified in the ISA. Even if reports are not specified the Seller department is required to provide a detailed accounting of all expenditures, encumbrances, planned encumbrances, any information in the state accounting or payroll system related to ISA expenditures, access to any ISA records, or on-site access to monitor ISA performance, upon request at any time during the period of the ISA. The Seller department shall cooperate with the Buyer department to provide whatever information, data, or access is necessary to verify ISA performance and expenditures. Buyer and Seller departments shall provide full access to all ISA records and data to the Office of the Comptroller, the State Auditor's Office and the House and Senate Committees on Ways and Means.

Buyer and Seller Department Processing of ISAs and Amendments

The following model identifies the processing responsibilities for the Buyer/Parent and the Seller/Child using an ISA with Federal Funds (which has the most extensive paperwork requirements and duties). Departments should adjust this process accordingly to meet the particular funding structure of the ISA.

Buyer/Parent Department ISA processing responsibilities:

- Prepare all ISA forms as defined in the CTR Policy on for Interdepartmental Service Agreements, and completed processing cycle to support its certification in the ISA that **it will ensure that sufficient funds are timely made available in the Seller/Child account(s), with the proper accounting codes, prior to the Seller/Child's need to begin initial or amended performance;** including:
 - the **ISA Form**
 - **Attachment A – Terms of Performance and Justifications**, which must identify all Seller/Child department requirements to comply with the terms of the ISA including terms of the federal grant;
 - **Attachment B – Budget** – which must contain all the detailed budget line-item information, by fiscal year, including for federal grants, uncommitted estimated receipts unspent in a prior fiscal year that are “Carried-in” to the current or a future fiscal year.
 - **Attachment C – Federal Grant Seller/Child Account** – identifying the key federal grant information and any amendments to this information needed for the initial set up and continued maintenance and uninterrupted funding of the ISA.
- Prepare the appropriate MMARS transaction (BGCN for federal accounts) to move Budgetary Estimated Receipts from the Parent budget line to the Child budget line.
- For Federal accounts, prepare the BGRG to establish the Child Grant Budget.
- Obtain all internal signoffs and have the ISA reviewed and executed by an authorized signatory of the Department Head who has the appropriate encumbrance MMARS Authorized Signatory MMARS Security Profile.
- Forward all paperwork to the Child department.
- Upon receipt of the ISA returned from the Child department (completed and executed), forward copies of all paperwork to the Office of the Comptroller (original records copies are retained by the Buyer/Parent).

- Reconcile budget activity regularly. For federal grants, reconcile entire grant, Parent and Child lines on a regular (weekly) basis.
- File all reports required by the funding authority (Legislature, federal grantor, etc.) on a timely basis or as specified in the funding award.
- For federal grant ISAs, immediately upon notification of a draw request failure, take the steps necessary to correct the reason for the failure.
- Immediately notify the Child department of any budget changes, especially for federal grants if it becomes necessary to modify the coding structure for the grant. Notification must be followed immediately by an ISA Amendment, and noted amendments to Attachment A, B and C.

Seller/Child ISA or ISA Amendment Processing Responsibilities

- Review ISA and all paperwork sent by the Parent department. Complete any required information or certifications required as part of the ISA Form or any attachments.
- Obtain all internal signoffs and have the ISA reviewed and executed by an authorized signatory of the Department Head who has the appropriate encumbrance MMARS Authorized Signatory MMARS Security Profile.
- Return all paperwork to the Buyer/Parent Department. Retain copies of paperwork and insure that appropriate coding information is communicated to the Budget, Accounts Payable and Payroll staff especially for federal grants since all activity related to a federal grant must be posted correctly to the grant budget line.
- Reconcile budget line items to ensure that obligations/spending remain consistent with the terms of the ISA and that coding of activity is accurate and that federal funds are being drawn consistent with expenditures posted to the grant budget line.
- Provide any reports required by the parent in a timely manner.

Internal Controls

See: [Quality Assurance – Internal Controls](#)

Information Sources

- Related Procedure – under construction
- Related Policies:
 - [Contracts - State Finance Law and General Contract Requirements](#)
 - [Key State Finance Law Compliance Roles and Responsibilities.](#)
 - [Department Head Signature Authorization and Electronic Signature for MMARS Documents](#)
 - [Contract – Delegation of MMARS Transaction Processing and Quality Assurance](#)
 - [Records Management](#)
 - [Contracts – Amendments, Suspensions and Terminations](#)
- Legal Authority:
 - [M.G.L. c. 7A](#) (Office of the Comptroller); [M.G.L. c. 29](#) (State Finance Law);
 - [Massachusetts Executive Orders](#) (Level III – Executive Only);
 - [Administrative Bulletins](#)(Level III – Executive Only);
 - [Comptroller regulations](#) (815 CMR 2.00 10.00);
 - [M.G.L. c. 29, § 66](#) (State Finance Law Violations)
 - [M.G.L. c. 7A](#) (Office of the Comptroller); [M.G.L. c. 29](#) (State Finance Law);

- [M.G.L. c. 110F](#) (Uniform Electronic Transactions Act); [M.G.L. c. 30, § 65](#) (Legal Services);
- [Administrative Bulletins](#)(Level III – Executive Only);
- [Comptroller regulations](#) (815 CMR 2.00 10.00);
- [M.G.L. c.29, § 66](#) (State Finance Law Violations)
- Attachments:
 - [Employment Status Form](#);
 - [Quick Reference – Goods and Services, Grants, Subsidies, ISAs and Chargebacks](#)
 - [Interdepartmental Service Agreement Form](#)
 - [MMARS Document Authorization/Records Management Form](#)
- Links:
 - [815 CMR 6.00](#) Interdepartmental Fiscal Business
 - [M.G.L. c.29, § 12](#) Appropriations for fiscal year
 - [M.G.L. c. 29, § 31](#) Salaries; advances; teachers; centralized payroll system; direct credit to bank accounts; wage garnishments
- Contacts - [CTR Solution Desk](#)

Historical Changes:

- **3/10/05**- ISA policy and procedure (previously issued by the Comptroller as “Draft”) issued as “Final” and posted to the Knowledge Center. **There is no change in the policy content.**
- **10/6/2005** – ISA policy and forms updated.
 - ISA Form and ISA Amendment Form merged into one document. Responsibilities and certifications for Buyer and Seller Department outlined in ISA policy incorporated into ISA Form. Terms and Conditions (similar to Commonwealth Terms and Conditions for other contracts) added to ISA Form with adjustments for ISA business. Attachment A – Terms of Performance and Justifications updated to require more detailed information and justifications. Attachment B – Budget Updated to reflect changes to MMARS and added Column H to identify Carry-in of uncommitted estimated receipts not used in prior fiscal year that are being reauthorized in current or subsequent fiscal year. Attachment C – Federal Grant Seller/Child Account added to identify key accounting information related to ISAs funded with Federal Funds.
 - ISA Policy. Policy updated to reflect changes in ISA Form. Deletion of “May” for fiscal year opening and replaced with reference date of opening as listed in the Annual CTR Open and Close Instructions. Updated CFO responsibilities section to identify added responsibilities related to management of ISAs funded with federal funds. Updated ISA Manager Section to clarify that ISA Managers listed in an ISA must be authorized Department Head signatories with the appropriate MMARS Authorized Signatory Security role. Updated Department Head certifications to match certification in ISA Form. Added section on “**Buyer and Seller Department Processing of ISAs and Amendments**”.
- **November 1, 2006** – Removed language referencing Knowledge Center and updated relevant links to Mass.gov/osc portal site.
- **April 30, 2007** – added options illustrating use of personnel under an ISA. Add language clarifying that shared processing does not mean shared Department Head Signature Authorization.