



CITY OF CHELSEA, MA

GRANT INTERNAL CONTROL POLICIES & PROCEDURES

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INTERNAL CONTROL POLICIES & PROCEDURES FOR GRANTS

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INTERNAL CONTROL POLICIES & PROCEDURES FOR GRANTS

I. BACKGROUND

Chelsea, Massachusetts is located directly across the Mystic River from Boston. Covering a land area of 1.8 square miles and bordered on three sides by water, it is the smallest city in Massachusetts by area. The area was part of Boston until 1739, when it was incorporated as a town and named after the Chelsea neighborhood in London. It was reincorporated as a city in 1857.

The United States Census Bureau estimated the population of Chelsea at 40,787 on April 1, 2020, representing an increase of nearly 16% in the previous ten years. According to the FY 2020 Comprehensive Annual Financial Report, the top three employers are the City of Chelsea, the Massachusetts Water Resources Authority, and the Massachusetts Information Technology Center, all governments or government agencies. Together, they make up about 17.5% of city employment. Its largest private employer is Market Basket, a supermarket chain. Another notable employer is the Federal Bureau of Investigation, which moved its Boston Division from Boston to Chelsea in 2016.

Notable people born in Chelsea include author Horatio Alger, researcher Vannevar Bush (a co-founder of Raytheon Company), Lewis H. Latimer, inventor, and jazz musician Chick Corea.

Chelsea has been a major destination for immigrants for much of its history.

II. INTRODUCTION

This document establishes the policies and practices that the staff and affiliated individuals of the City of Chelsea (the “City”) applies to develop, implement, and report on grants funded with governmental dollars. The City Auditor/Staff updates this document regularly to incorporate changes in both practice and compliance requirements. The oversight for this document is provided by the City Auditor/Staff. The City Auditor/Staff regularly reviews and obtains input on these policies and procedures from all City departments that receive grant funds, federal or otherwise.

This document is not intended to supersede any applicable federal policies or regulations. Such regulations may change over time and always supersede this document. Further, the City may implement additional practices during the year to improve grant compliance. These policies and procedures are organized in accordance with the Government Accountability Office (GAO) Greenbook. See Section: Helpful Resources for a link to the Greenbook.

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III. INTERNAL CONTROL FRAMEWORK

A. CONTROL ENVIRONMENT

The City is committed to integrity, competence, and ethical values. It requires accountability of all staff members, vendors, and volunteers.

1. Roles and Responsibilities

The City relies on numerous staff members to carry out special projects that are supported by external funding from federal and state agencies.

City staff working on each project is required to be a City employee. The staff oversees the day-to-day operations of grants, ensures compliance, and provides support to confirm grant goals are met in a timely manner and pursuant to budget constraints. The status of proposals and grants are collectively reported to the City Council, periodically, as part of the oversight process. Further, the City utilizes a support structure to include the City Treasurer, City Auditor/Staff, Procurement Staff, and City Grant Managers. The City Auditor/Staff upholds financial and regulatory compliance and administration for all grants.

Role	Responsibilities
City Council	• Reviews the status of grants periodically
City Manager	• Promotes a culture of compliance, ethics, and continuous monitoring of sponsored programs • Collaborates with other federal, state, and local governments to understand different avenues of growth, compliance, and best practices • Provides executive level leadership and oversight of all elements of the City and its component departments, units, and centers • Sets the mission and strategy for the organization and provides the staffing and budget required for successful grants programs
Deputy City Manager	• Oversees the administration of processes and procedures to ensure accurate and efficient collection and reporting of grants data • Establishes, maintains, and provides senior-level enforcement of the policies and procedures that govern operations of grants • Oversees overall fiscal management of the project • Collaborates with the City Manager and City Auditor/Staff to set and execute financial strategy and budget • Enforces state and federal regulations • Leads the pre, post, and during award processes • Ensures accuracy and completeness of the City's financial

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Role	Responsibilities
	statements and records at an executive level • Retains primary responsibility for accuracy and completeness of the grant policies and procedures • Reviews grant applications • Initiates budget reviews • Monitors deadlines throughout the project life cycle
City Auditor/Staff	• Initiates budget reviews • Monitors deadlines throughout the project life cycle • Acts as custodian of records • Maintains a complete administrative record of all grant activities • Retains primary responsibility for accuracy and completeness of the grant policies and procedures • Ensures accuracy and completeness of the City's financial statements and records at an executive level • Enforces state and federal regulations • Oversees overall fiscal management of the project • Maintains a complete administrative record of all grant activities • Enforces City policy and ensures compliance with Uniform Guidance (UG) and other grant requirements • Ensures completeness and accuracy of journals, budgets, and other financial reports • Coordinates all internal and external audit activities • Understands current contract obligations/legal agreements with funding agencies • Determines allowability, allocability, and reasonableness of expenditures, and ensures the consistent application of direct costing • Conducts training for City staff to ensure current knowledge of compliance requirements • Serves as the Authorized Organizational Representative in the various electronic systems including the Coronavirus State and Local Fiscal Recovery Fund (SLFRF) portal, a US Treasury reporting tool • Maintains a complete administrative record of all grants financial activities including timekeeping • Coordinates the day-to-day financial/business operations related to grants • Prepares reports and detailed balance sheets on grant/contract accounts and operating accounts
City Treasurer	• Establishes vendor banking information in the financial system • Submits draw down requests to the federal agency

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Role	Responsibilities
	• Prepares checks for disbursement
Chief Procurement Officer	• Protects fiscal resources of the City by ensuring that the process for procuring goods and services is conducted in a fair, competitive, and transparent manner, using objective standards for the selection of contractors and vendors, which allows for fair, impartial, and uniform bidding, contract development and awarding procedures • Approves all procurements
Procurement Staff	• Vendor Contract completion • Ensures contractor personnel possess qualifications necessary for compliance with contract requirement
City Grant Managers	• Reviews the terms and conditions and confirms that the award and budget are acceptable • Oversees the administration of processes and procedures to ensure accurate and efficient collection and reporting of grants data • Oversees grant purchasing to ensure compliance with the award • Oversees the day-to-day grants administration process • Maintains a complete administrative record of all grants financial activities including timekeeping • Coordinates the day-to-day financial/business operations related to grants • Coordinates communications with the vendor • Determines acceptability of reports and deliverables produced by the contractor • Approves or rejects contractor payment requests and • Ensures the contract amendments are in writing and approved by the City Auditor/Staff • Inventories materials purchased by grantee funds from the time of purchase through disposal
Director of Technology	• Maintains inventory of all hardware and software
City Clerk	• Acts as Custodian of Records
City Solicitor	• Acts as Public Records Officer

2. Conflict of Interest

Chapter 268B, of the Massachusetts General Law requires public officials, political candidates, and certain public employees to disclose their and their immediate family member's private business associations and other financial interests on their Statements of Financial Interests. The law covers all elected City officials and candidates for these positions as well as all City employees who are designated as holding major policymaking positions.

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The officers, employees, and agents of the City neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value. Massachusetts General Law, Chapter 268A, governs the state's conflict of interest law. There are three main provisions of the law:

- Public employees are prohibited from seeking or accepting anything of substantial value (>\$50) for or because of their official acts or any act within their official responsibilities.
- Public employees are prohibited from using or attempting to use their position to obtain for themselves or others unwarranted privileges of substantial value that are not properly available to similarly situated individuals.
- The conflict-of-interest law requires public employees to disclose to their appointing authority the gift and their relationship to the giver.

Every City employee (with few exceptions) completes the Massachusetts Ethics Commission's online training program once every two years. New employees complete the online training program within 30 days of becoming such an employee, and once every two years thereafter.

In accordance with 2 C.F.R. §200.18(c)(1), the following standards of conduct are upheld covering conflicts of interest and governing the actions of City employees engaged in the selection, award, and administration of contracts.

No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. Immediate family is defined as a spouse, parent, brother, sister, child or a spouse of your parent, brother, sister, or child.

3. Organizational Conflicts

The City is not operated for the benefit of an affiliated or unaffiliated organization or individual in his or her own private capacity or individuals related to any employee or members of its management unless the private benefit is considered merely incidental. The private benefit prohibition extends to the following:

- The sale, exchange or leasing of property between the entity and an affiliated or unaffiliated organization or a private or related individual.
- Lending money or other extension of credit between an agency and an affiliated or unaffiliated organization or a private or related individual.

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- Furnishing of goods, services, or facilities between the entity and an affiliated or unaffiliated organization or a private or related individual except for the rental of facilities as specified in our policy manual.
- Payment of compensation, unless authorized, by the entity to an affiliated or unaffiliated organization or a private or related individual.
- The transfer to, use by, or for the benefit of a private or related individual of the income of assets of the entity unless specifically voted by the entity.

The City is guided by the principle of arms-length standards with all affiliated or unaffiliated organizations or with a private or related individual(s). Related party transactions include transactions between an entity and members of the legislative body, administration, employees, related individuals, and affiliated companies. Related individuals within the scope of this definition include spouses, parents, children, spouses of children, grandchildren, siblings, fathers-in-law, mothers-in-law, sisters-in-law, and brothers-in-law of an employee.

4. Mandatory Disclosure

Upon discovery of any potential conflict, the City discloses in writing the potential conflict to the federal awarding agency in accordance with applicable federal awarding agency policy.

B. RISK ASSESSMENT

To assess risk, the City first considers understanding motivations and rationalization of people concerned with the grant process.

- Incentive/pressure - Management or other personnel have an incentive or are under pressure to meet deadline or performance target.
- Opportunity - Circumstances exist, such as the absence of controls, ineffective controls, or the ability of management to override controls.
- Attitude/rationalization - Individuals involved can rationalize committing fraud. Some individuals possess the attitude, character, or ethical values that allow them to commit a dishonest act knowingly and intentionally.

Risk assessment is all about measuring and prioritizing risks so that risk levels are managed within defined tolerance thresholds without imposing excessive control or forgoing desirable opportunities. Ongoing examination is accomplished by all City staff to assess both positive and negative impacts of potential events, individually or by category, across the entity. Once risks are identified, the assessment regarding the probability and significance of each risk is critical to overall risk assessment.

1. Subrecipient Risk Assessment

Generally, this is performed by the City Grant Managers and/or the Procurement Staff during the proposal phase. However, in some cases, it is necessary to finalize the risk

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assessment following proposal submission. The City assesses risk of award recipients and subrecipients based on the following criteria:

- Financial
- Operational
- Strategic
- Compliance
- Market
- Credit Liquidity

The City uses the following Risk Impact Scale:

Rating	Descriptor	Definition
5	Extreme	▪ Business is less than 1 year old ▪ No written internal control policies and procedures ▪ Not financially stable ▪ Poor credit ▪ Significant fines and litigation ▪ Significant injuries or fatalities ▪ Negative long-term media coverage ▪ High turnover of senior leaders ▪ Poor data management ▪ Inadequate staffing ▪ Inadequate financial systems ▪ Requires close monitoring
4	Major	▪ Business is less than 3 years old ▪ Recently filed for bankruptcy under Chapter 8 ▪ Negative long-term media coverage ▪ Breach of regulations with no written corrective plan ▪ High turnover of experienced staff ▪ High number of injuries when compared to similar companies ▪ Staff poorly trained ▪ Financial systems are not maintained in a timely fashion ▪ Requires more monitoring than usual
3	Moderate	▪ Business is less than 5 years old ▪ Negative short-term media coverage ▪ Breach of regulations with written corrective plan ▪ Staff morale problems ▪ Manual financial systems
2	Minor	▪ Reported an incident to regulator with no follow up needed ▪ Increase in turnover in last year
1	Incidental	▪ Local media attention quickly remedied ▪ No reports to a regulator

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Rating	Descriptor	Definition
		▪ No injuries to employees or third parties ▪ Isolated staff dissatisfaction

The City Grant Managers determine the appropriate level of oversight for a high risk subrecipient on a case-by-case basis. The City Grant Managers and the Procurement Staff maintain all risk evaluation documentation and criteria in the subrecipient's respective file. Refer to Uniform Guidance 2 CFR 200.331 for pass-through entities for further information.

2. Responding to Risks

Risk response falls into four basic categories:

- Accept
- Avoid
- Reduce
- Share

Since the City is in the business of providing critical services, it is not usually able to eliminate risk, but instead must accept risk and do its best to mitigate it. There are alternatives to accepting risks:

- Accept the risk and monitor it: no action is taken based on the insignificance of the risk. For example, one accepts that the weather cannot be controlled, but is prepared to respond to some of its effects (power outages, floods, etc.).
- Avoid the risk by eliminating it: for example, a budgetary reduction could mean deciding to close a program, eliminating the risks of operating that program. Yet, one must consider that ending a program could lead to another set of risks.
- Reduce the risk by instituting controls: this is the category where most risk falls, where the response depends on the severity of the risk—high, medium, low etc.
- Share the risk by partnering with another entity: for example, entering into an agreement with another agency to utilize its resources in an area outside of the host agency's expertise. For instance, an agency must produce coastal zone flood maps and engages the expertise of Information Technology's geographic information services.

C. CONTROL ACTIVITIES

1. Financial Management System

A proper financial management system is maintained by the City to receive both federal and state administered grants and to expend funds associated with a grant award. The City maintains appropriate fiscal controls and procedures to ensure all financial management systems required by the grantor are met. Failure to meet a requirement may result in return of funds or termination of the award.

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The City uses Tyler Technologies Munis Financial system for financial reporting. Munis is the primary system for purchasing, human resources, payroll, accounts payable, accounts receivable, budget, and accounting. Separate inventory systems exist for information technology, instructional materials, and fixed assets. The City Auditor/Staff manages fixed assets. The Director of Technology is responsible for the inventory of all hardware and software. The City Grant Management is responsible for inventory for materials. The City Grant Manager is also responsible for the inventory of items purchased with grant funds from the time of purchase through their disposal. All inventories are reviewed on an annual basis by the City Auditor/Staff.

2. Financial Management Standards

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

Identification

The City identifies, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification includes, as applicable:

- The CFDA title and number
- Federal award identification number and year
- Name of the federal agency, and, if applicable
- Name of the pass-through entity.

Financial Reporting

The financial management system provides accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the financial reporting requirements.

Accounting Records

The City maintains records which adequately identify the source and application of funds provided for federally assisted activities. These records contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation.

Internal Controls

Internal Controls are tools that help program and financial managers achieve results and safeguard the integrity of programs. They are designed to provide reasonable assurance that the following objectives are achieved:

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- Effectiveness and efficiency of operations
- Adequate safeguarding of property
- Assurance that property and money is spent in accordance with grant program and to further the selected objectives and
- Compliance with applicable laws and regulations.

The City maintains effective control and accountability for all funds, real and personal property, and other assets during day-to-day business. The City also undergoes an annual audit by an independent auditor which further decreases opportunity for misuse of public funds. If the City spends more than \$750,000 in federal awards in a year, the audit is also subject to the GAO Yellow Book, which requires not only a financial statement audit but a compliance audit.

Budget Control

The City Grant Manager and the City Auditor/Staff compare actual expenditures or outlays with budgeted amounts for each federal award.

Cash Management

The City maintains written procedures to implement the cash management requirements found in 2 C.F.R. § 200.305.

3. Procurement – Pre-Award

The City conducts all procurement transactions for property or services using full and open competition unless the non-competitive threshold is met as outlined in CFR 200.320. The City documents procurement procedures and has an infrastructure for competitive bidding and contractor oversight. See Appendices A, B, & C for the procurement overview, guidelines, and matrix.

Contractors Who Participate in Writing City Solicitations

To ensure objective contractor performance and eliminate unfair competitive advantage, contractors who develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals are excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

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

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- Any arbitrary action in the procurement process.

Geographical Preferences Prohibited

Procurement activities are conducted in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

Prequalified Lists

The City ensures all prequalified lists of persons, firms, or products that are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition.

Solicitation Language

The City ensures all solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description does not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product, or service to be procured and, when necessary, sets forth those minimum essential characteristics and standards to which it conforms if it is to satisfy its intended use. Detailed product specifications are avoided if possible.

When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equivalent” description may be used to define the performance or other salient requirements of procurement. The specific features of the named brand which are met by offers are clearly stated. All requirement which the offerors fulfill and all other factors to be used in evaluating bids or proposals are identified. 2 C.F.R § 200.319(c).

Avoiding Acquisition of Unnecessary or Duplicative Items

The City avoids the acquisition of unnecessary or duplicative items. Consideration is given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis is made of leases versus purchase alternatives, and other appropriate analysis to determine the most economical approach.

Use of Intergovernmental Agreements

To foster greater economy and efficiency, the City may enter into state and local

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intergovernmental agreements for procurement or use of common or shared goods and services.

Use of Federal Excess and Surplus Property

The City considers the use of federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

Debarment and Suspension

The City awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration is given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

The City does not subcontract with or award subgrants to any person or company who is debarred or suspended. For all contracts over \$25,000, the City verifies the vendor with whom it intends to do business is not excluded or disqualified. 2 C.F.R. Part 200, Appendix II (1) and 2 C.F.R. §§ 180.220 and 180.300.

Two methods are utilized to determine if a potential vendor has been suspended or disbarred. Prior to approving a requisition for contracted services more than \$25,000 funded by a federal grant, the Procurement Staff checks Sam.gov and requires the vendor to sign an affidavit.

Time and Materials Contracts

The City generally uses firm fixed price contracts with its vendors. The City may use a time and materials type contract only:

- After a determination that no other contract is suitable
- If the contract includes a ceiling price that the contractor exceeds at its own risk.

Time and materials type contracts is one in which cost is the sum of the actual costs of materials and labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit. Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. If a time and materials contract is used, the City asserts a high degree of oversight to gain reasonable assurance the contractor is using efficient methods and effective cost controls.

Draft Proposals

Per Uniform Guidance, a procurement relationship between the City and a contractor are when the contractor:

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- Provides the goods and services within normal business operations
- Provides similar goods or services to many different purchasers
- Normally operates in a competitive environment
- Provides goods or services that are ancillary to the operation of the Federal program and

The Chief Procurement Officer reviews draft proposals. Items required in the proposal package include:

- Cover letter
- Narrative
- Budget and budget justification
- Evaluation and outcome measures
- Sub-awardee budget, timeline, scope of work, and project justification
- Letters of support and/or acceptance from:
 - Sub-awardees
 - Individuals
 - Other organizations

If a proposal includes sub-awards, a letter of agreement from the sub-awardee or a full sub-award proposal should be submitted with the proposal. The sub-award budget should also be a part of the full budget for City Manager approval.

Potential awards by the Chief Procurement Officer comply with the terms and conditions acceptable to the City. If a proposal requires modification resulting in changes to the project activities and/or budget, the City Grants Manager, Procurement Staff, and the Deputy City Manager works with the contractor or staff to expedite approvals as needed. An updated copy of any proposal modifications is be maintained by the Procurement Staff and City Auditor/Staff as a distinct version, including budgetary changes.

Protest Procedures to Resolve Dispute

The City maintains protest procedures to handle and resolve disputes relating to procurements; and, in all instances, discloses information regarding the protest to the awarding agency. If a vendor contacts the City with a complaint regarding the procurement or award of contract, the complaint is forwarded to the City Grant Manager, the Deputy City Manager, and the Procurement Staff. The City Grant Manager offers to meet with the vendor. The meeting goal is to get all information concerning the vendor's complaint. Once the vendor's concerns are reviewed, the Procurement Staff issues a written report to the complainant with a determination.

If there is a potential error in the way the procurement was conducted, or advice is sought on correcting the error, the Procurement Staff seeks advice of legal counsel.

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4. Procurement – Award

Once funded, the project is managed using the following procedures:

- The Chief Procurement Officer sends a copy of the award letter to the Deputy City Manager and the City Auditor/Staff
- The project is assigned a cost center identifier by the City Auditor/Staff and account numbers are set up per budget. An annual and a lifetime budget are maintained by City Auditor/Staff for each grant and sub-award. The City Grants Manager begins implementation of the project and, in a timely fashion, submits all reports as required by the grantor. (See Appendix F, Grant Setup Form)
- The City Auditor/Staff reports to the federal funder are submitted via the appropriate grant management portal
- The City employee with day-to-day oversight is responsible for and manages all staffing and other related expenditures on the project
- City Grant Managers are responsible for ensuring sub-awardees and contractors performing under the grant submit timely and accurate invoices with substantiation for reimbursement by the City Auditor/Staff
- Submitted requests for expenditure reimbursement are reviewed by the City Auditor/Staff for backup and accuracy prior to entry into the general ledger (GL)
- Monthly financial reports on expenditures are prepared by the City Auditor/Staff for the Deputy City Manager and the City Grants Manager after close of the general ledger for that month
- The City Auditor/Staff conducts a detailed review by of year-to-date and life-to-date expenditures with City Grant Managers on a quarterly basis
- The City Auditor/Staff prepares a monthly Schedule of Financial Activity (SEFA) for all Federal Grants
- The City Auditor/Staff prepares a quarterly report for review by the City Manager.

Modification

The City Grants Manager approves any major changes in activities or scope proposed during the implementation stage. Contractors and sub-awardees submit a written request to change any term of a contract or sub-award agreement, including changes to scopes of work or the project budget, to the City Grant Manager. If a contract modification is required, the City Grant Manager forwards all written requests to the Procurement Staff so they may prepare all relevant amendment documents. Any modification involving changes to an agreement with a sub-awardee or a contracted vendor is signed by both the City and the vendor. The amendment includes information about programmatic changes, changes in timelines, changes in deliverables, etc.

In all cases, the City Grant Manager and Procurement Staff informs the Deputy City Manager and the City Auditor/Staff of all significant changes that impacts the grant budget. (See Appendix G, Grant Amendment Form)

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Equipment

The Federal definition of equipment includes tangible personal property. Tangible property means it has a physical presence, such as a jackhammer. Intangible property, such as a copyright, does not. Referring to something as personal property does not mean it is intended for personal use. It indicates that it is equipment and is not real property, like a building and land. To meet the definition of equipment, the property has a useful life of more than a year and an acquisition cost of more than \$5,000 per unit. If the property has a value of more than \$5,000 but doesn't have a useful life of at least a year, it would not be classified as equipment.

Equipment purchased by Federal Awards is typically divided into two categories:

- Special Purpose Equipment - includes equipment which is used for research, medical, scientific, and other similar technical activities. Special Purpose equipment is generally allowable as a direct cost to the Federal award.
- General Purpose Equipment – includes equipment whose use is not limited to special purposes and includes items like copiers and vehicles.

The City obtains prior approval of the Awarding Agency to purchase equipment costing over \$5,000. Title to the equipment may vest with the Federal Government or the City. The City follows the terms and conditions spelled out by the granting agency.

Even if the federal government holds title to the equipment, the City still has the responsibility to manage and care for it. Equipment purchased with federal funds, but owned by the City, is only used by the program or project for which it was acquired. The federal agency retains the right to instruct the City to move equipment to a different project if the move won't interfere with the original project objectives. The City does not provide services to non-federal organizations using the equipment at a cost lower than a private company would offer similar services unless the activity is specifically authorized by Federal statute.

Allowable, Reasonable, Allocable Costs

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

To meet the definition of "allowable," a cost is:

- Necessary and reasonable to carry out the grant
- Consistent with the policies and procedures that apply uniformly to federal and non-federally financed expenses

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- Excluded as part of a match of federal funds
- Adequately documented

To meet the definition of “reasonable,” the cost of the good or service does not exceed the amount a prudent person would spend on an item. Reasonable is further defined as:

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

To meet the definition of “allocable,” the cost of the goods or services is chargeable or assignable to a particular federal award or cost in accordance with comparative benefits received. Allocable is further defined as:

- Costs are incurred specifically for the Federal award.
- Costs can be distributed in proportions that may be approximated using reasonable methods.
- Costs necessary to the overall operation of the non-Federal entity.

Part 200 gives examples of the allowability of 55 specific cost items at 2 C.F.R. §§ 200.420-200.475. The City uses this policy to determine cost allowability and does not assume that an item is allowable because it is specifically listed in the regulation. The cost may be unallowable despite its inclusion in the selected items of cost section. The expenditure may be unallowable for several reasons, including:

- Express language of the regulation states the item is unallowable
- Terms and conditions of the grant deem the item unallowable
- State/local restrictions dictate that the item is unallowable.

The item may also be unallowable because it does not meet one of the cost principles, such as being reasonable, because it is considered too expensive. If an item is unallowable for any of these reasons, federal funds cannot be used to purchase it.

It is possible for the Commonwealth of MA to put additional requirements on a specific item of cost. Under such circumstances, the stricter requirements are met for a cost to be allowable. City employees consult both federal and State requirements when spending federal funds.

The Procurement Staff ensures contract and sub-award agreement documents are complete and signed by the contractor or sub-awardee. The Procurement Staff and the City Auditor/Staff create and maintain a master file of grant documents. Documents in this file include the synopsis, original full proposal, award letters, budgets, reports, requests for extensions and correspondence. The appropriate City department maintains other supporting programmatic documentation.

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The City Manager grants approval after reviewing the project's fit with the mission, scope, budget, and strategic priorities of the City. All approvals will be in writing and contain date, title, and signatures of all parties.

Settlements of Issues Arising Out of Procurements

The City alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to:

- Source evaluation
- Protests
- Disputes
- Claims

These standards do not relieve the City of any contractual responsibilities under its contracts. Violations of law are referred to the local, state, or federal authority having proper jurisdiction.

D. COMMUNICATION

Communication throughout the City is multi-dimensional – from the top down, bottom up and across the organization. The City uses the following methods of communication:

- Verbal -- Verbal communication supports, but does not replace, written documentation of policies and procedures. Verbal communication is two way. The City management welcomes and listen to suggestions and feedback in a variety of venues, including:
 - Staff meetings
 - Feedback from employees, contractors, vendors, and regulators. City managers welcome and listen to suggestions and feedback.
- Non-Verbal -- All written documentation, whether it is official policy/procedure, memos, or e-mail, is distributed to anyone who requires the information to perform official responsibilities.
 - Automated reports
 - Whistle-blower program and ethics hotlines
- External – This includes statutorily mandated annual reports and financial reports, web sites, press releases, newsletters, and informational brochures.
- Other methods of communication -- Focus groups, presentations at conferences, budget hearings and oral updates.

Regardless of the methods used, maintaining open lines of communication with outside parties enhances the City's internal control. For example:

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- Vendors, service providers, and consultants provide significant input on the quality and design of the City's products and services.
- Auditors, advocacy groups, and other outside reviewers alert City management to minor problems before they become major difficulties.
- Suppliers and contractors who are made aware of the City's ethical standards help deter or detect inappropriate purchasing or bidding practices.
- Complaints or inquiries point out control problems or the City's department's ability to supply accurate information to the media or concerned citizens.

E. MONITORING ACTIVITIES

1. Grant and Budget Oversight

As soon the City Auditor/Staff receives notification from the funding agency that the grant has been awarded and the final budget approved, the City Auditor/Staff creates a grant budget within the financial accounting system and tracks actual grant expenditures.

Per Uniform Guidance, 2 CFR 200.308, the City requests prior approval from Federal awarding agencies for one or more of the following program or budget-related reasons:

- Change in the scope or the object of the project or program
- Change in a key person specified in the application
- Disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project
- Inclusion of costs that require prior approval unless waived by the Federal awarding agency
- Transfer of funds budgeted for participant support costs to other non-participant support categories of expense

City Auditor/Staff approval is required for changes and/or budget category allocations greater than 5 percent. Budget modifications are discussed and documented as part of the formal budget review.

The City Auditor/Staff is responsible for coding each expense and ensuring that:

- The expense is allowable
- The expense has been coded to the appropriate budget line item per the approved budget, and
- The budget line item has sufficient balance to cover the expense
- The expenses are appropriate and within the scope of the project

Maintenance of Procurement Records

The City maintains records sufficient to detail the history of all procurements. These records include, but are not necessarily limited to the following:

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- Rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis)
- Verification that the contractor is not suspended or debarred
- Protests
- Amendments
- Payments
- Project Reports

2. Obligations

The City Auditor/Staff records obligations in the financial records promptly when the City makes a binding written commitment to obtain property or services. 34 C.F.R. § 75.707, 34 C.F.R. § 76.707.

Period of Performance of Federal Funds

The City Auditor/Staff records all obligations on or between the beginning and ending dates of the grant project. 2 C.F.R. § 200.309. This is the period of performance. 2 C.F.R. § 200.77. The period of performance is dictated by statute and is be indicated in the grant award. Grants may also have specific requirements for carryover funds that are adhered to.

For both state-administered and direct grants, regardless of the period of availability, the City liquidates all obligations incurred under the award not later than 90 days after the end of the funding period unless an extension is authorized. 2 C.F.R. § 200.343(b). Any funds not obligated within the period of availability or liquidated within the appropriate timeframe are said to lapse and are returned to the awarding agency. 2 C.F.R. § 200.343(d). Consequently, the City closely monitors grant spending throughout the grant cycle.

Under 2 C.F.R. § 200.308, the City is authorized to extend a direct grant automatically for one 12-month period. Prior approval is not required in these circumstances. To obtain this extension, the City provides written notice to the federal awarding agency at least 10 calendar days before the end of the period of performance specified in the award. This one-time extension may not be exercised merely for the purpose of using unobligated balances.

Six months before the grant is set to expire, the City Auditor/Staff and the City Grant Manager meets to review closing out the grant. If a surplus is anticipated due to unmet program objectives, the City Grant Manager notifies the Deputy City Manager and the City Auditor/Staff of the following:

- The grant objectives that were not met and the financial implications
- Explanation of why the objectives were not met

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- Financial and or personnel impacts if an extension is grantee
- Revised period of performance
- Steps, justification, and timeline needed to complete the extension request

If approved by the Deputy City Manager, the City Grant Manager completes the steps necessary to seek an extension. If not contrary to the federal statute, regulation, or grant conditions, the City Manager seeks prior approval from the federal agency to extend.

3. Inventory of Capital Assets, Equipment, and Supplies

Capital assets

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

- Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases and
- Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance). 2 C.F.R. §200.12.

Equipment

Tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by us for financial statement purposes, or \$5,000. 2 C.F.R. §200.33.

Supplies

Supplies are all tangible personal property, other than those described in §200.33 "Equipment". A computing device is a supply, if the acquisition cost is less than the lesser of the capitalization level established by us for financial statement purposes or \$5,000, regardless of the length of its useful life. 2 C.F.R. §200.94. Computing devices are machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting, and receiving, or storing electronic information. 2 C.F.R. §200.20.

Inventory is be maintained on all information technology hardware and software and fixed assets. Items are inventoried at the time they are unpacked. Inventory records are maintained in the asset management system by the City Auditor/Staff. All technology hardware is tagged. For each equipment and computing device purchased with federal funds, the following information is maintained in the asset management

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system:

- Date of purchase
- Purchase order number
- Serial number or other identification number
- Source of funding for the property
- Who holds title?
- Acquisition date and cost of the property
- Percentage of federal participation in the project costs for the federal award under which the property was acquired
- Location, use and condition of the property and
- Any ultimate disposition data including the date of disposal and sale price of the property.

Physical Inventory

The City Auditor/Staff takes a physical inventory of the property, and the results reconciled with the property records at least once every two years. Prior to the start of the year in odd numbered years, a physical inventory is conducted. If there is a discrepancy between the previous physical inventory and the current inventory, a report detailing the discrepancies is be provided to the City Auditor/Staff

Additional Inventory Considerations

In accordance with 2 C.F.R.313 (d) (4), the City maintains adequate maintenance procedures to ensure that property is kept in good condition.

The City maintains a control system that ensures adequate safeguards are in place to prevent loss, damage, or theft of the property.

Equipment is used in the program or project for which it was acquired, whether or not the project or program continues to be supported by the federal award. The City does not encumber the property without prior approval of the federal awarding agency and the pass-through entity.

Disposal of Equipment

When the City Grant Manager determines that original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the Chief Procurement Officer contacts the awarding agency (or pass-through for a state-administered grant) for disposition instructions. Generally, disposition of equipment is dependent on its fair market value (FMV) at the time of disposition. If the item has a current FMV of \$5,000 or less, it may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency. If the item has a current FMV of more than \$5,000, the federal awarding agency is entitled to the federal

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share of the current market value or sales proceeds.

If acquiring replacement equipment, the equipment may be used as a trade-in or may be sold, and the proceeds used to offset the cost of the replacement property. Surplus property is offered to other departments. Items that remain, and have a potential value, are auctioned through an online auction site.

4. Federal Cash Management Policy/Procedures

Advance Payments Received

The City maintains written procedures to implement the cash management requirements found in 2 C.F.R. § 200.305. The procedures are described in the next section.

Federal advance payments are held in interest-bearing accounts unless an allowable exception applies. The City begins to calculate interest earned on cash balances once funds are deposited into its bank account. The City complies with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the grant recipient, in accordance with the Cash Management Improvement Act at 31 CFR Part 205. If a cash advance in federal grant funds is received, interest earned on the advanced payment is remitted quarterly to the federal agency. The grant recipient may retain interest amounts up to \$500 per year for administrative expenses. 2 CFR § 200.305(b) (9).

The City calculates interest quarterly, based on the sample calculation methodology listed below. Total federal grant cash balances are calculated on cash balances per grant and applying the actual interest rate. The City remits interest earned (annually) to the appropriate entity. A grant recipient may retain up to \$500 of interest earned per year.

Sample Calculation Methodology – Federal Interest

Total of all federal daily balances in reporting period (e.g., January 1 – January 31) = \$50,000

Step 1: Calculate the Average Daily Balance

Divide the total of advances (all federal funds) in reporting period by the number of days in reporting period.

Total of all daily balances in the reporting Period = \$50,000.

Actual number of days in the reporting period (month) = 31

Average daily balance = \$1,612.90

Step 2: Calculate the Annual Interest Amount

Multiply the average daily balance by the actual interest rate

Average daily balance = \$1,621.90

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Actual interest rate = 1.045%

Annual interest amount = \$16.95

Step 3: Calculate the Daily Interest Amount

Divide interest amount by number of days in year.

Annual interest amount = \$16.95

Number of days in year = 365

Daily interest amount = \$0.0464

Step 4: Calculate the Total Federal Interest Due

Multiply the daily interest amount by number of days in reporting period

Daily interest amount = \$0.0464

Number of days in reporting period = 92

Total federal interest due = \$1.18

Cash Disbursements

The Treasurer, Deputy City Manager, Procurement Staff, and City Auditor/Staff are responsible for internal controls over cash disbursements by ensuring segregation of duties. Segregation of duties means various steps in a process are assigned to different people. The intent is to eliminate situations where someone could engage in theft or other fraudulent activities by having an excessive amount of control over a process. In essence, the physical custody of an asset, the record keeping for it, and the authorization to acquire or dispose of the asset should be split among different people. See Appendix D, Accounts Payable Tips. At a minimum, the City executes the following internal controls:

- The City Treasurer establishes all electronic banking information in the financial system.
- Authority to request vendor payments is granted in writing by the City Treasurer, and all authorization documents are maintained by the City Auditor/Staff.
- The City Grant Manager verifies goods and services have been received and sends a written and signed request for vendor payment to the City Auditor/Staff. See Appendix E, AP Voucher Form
- The City Auditor/Staff verifies the City Grant Manager is an authorized signer and that all back up documentation is received and maintained.
- The City Auditor/Staff enters payment information into the financial system.
- The City Manager/Deputy City Manager certifies vendor payments before they are disbursed.
- Checks or electronic payments are finalized and sent to each vendor at which time, the financial system records the appropriate general ledger entries.
- The Treasurer performs timely bank reconciliation.
- Unused check stock is kept in a locked safe.
- The City Auditor/Staff also maintains segregation of duties by using the financial system approval processes.

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Program Income

Program income is gross income earned by the City under a federal grant that was directly generated by the grant-supported activity or earned because of the award. Income includes, but is not limited to:

- Income from fees for services performed
- Charges for the use or rental of real property, equipment or supplies acquired under the grant
- Sale of commodities or items fabricated under an award
- Registration fees for grant-supported conferences, and
- License fees and royalties on patents and copyrights.

The City reports the amount of program income earned and expended on the appropriate annual financial report net of any costs associated with the generation of the gross amount of program income that are not charged to the grant. The City reports income earned from the sale of equipment for the period in which the proceeds are received.

Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. 2 C.F.R. § 200.80. Additionally, taxes, special assessments, levies, fines, and other such revenues raised by a recipient are not program income unless the revenues are specifically identified in the federal award or federal awarding agency regulations as program income. Finally, proceeds from the sale of real property, equipment, or supplies are not program income. 2 C.F.R. § 200.307.

Use of Program Income

The default method for using program income is the deduction method: 2 C.F.R. § 200.307(e). Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. The City only uses program income for current costs, unless otherwise directed by the federal awarding agency or pass-through entity. 2 C.F.R. § 200.307(e) The City may also request prior approval from the federal awarding agency to use the addition method. Under the addition method, program income may be added to the federal award by the federal agency and the non-federal entity. The program income is then be used for the purposes and under the conditions of the Federal award. 2 C.F.R. § 200.307(e) (2).

While the deduction method is the default method, the City should always refer to the grant award prior to determining the appropriate use of program income.

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5. Records Retention

The City maintains records that show:

- The amount of funds under the grant or subgrant
- How the subgrantee uses those funds
- The total cost of each project
- The share of the total cost of each project provided from other sources
- Other records to facilitate an effective audit; and (6) other records to show compliance with federal program requirements. 34 C.F.R. §§ 76.730-.731 and §§ 75.730-.731.

The City also maintains records of significant project experiences and results. 34 C.F.R. § 75.732. The City retains these records and accounts and makes them available for programmatic or financial audit.

The City retains records for a minimum of five (5) years from the date on which the final Financial Status Report is submitted. This can be extended if a requested in writing is made to the awarding agency. If any litigation, claim, or audit is started before the expiration of the record retention period, the City maintains the records until all litigation, claims, or audit findings involving the records have been resolved and final action taken. 2 C.F.R. § 200.333.

The City Clerk is the custodian of records and is so designated in writing. The Public Records Officer is the City Solicitor. The custodian of records is the point of contact for all public records requests, ensures record security and through the public records officer, follows proper destruction of records protocol.

Destruction of Records

Prior to destruction of records, a written request must be made to the public records officer. Once the written request is approved, an appropriate method is used for destruction or recycling. The City pays careful attention to the destruction of employee records. The municipal records retention schedule is available on the website at: http://www.sec.state.ma.us/arc/arcpdf/MA_Municipal_Records_Retention_Manual.pdf.

Collection and Transmission of Records

Most records are maintained in paper or electronic form. In either case, care is taken to ensure record materials last through the records retention period.

Access to Records

The City provides the awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives the right of access to any documents, papers, or other records which

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are pertinent to the Federal award, to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to personnel for the purpose of interview and discussion related to such documents.

Privacy

The City protects personal information of employees through regular training and updated policies and procedures.

IV. Helpful Resources

The following documents contain relevant grants management requirements. Staff should be familiar with these materials and consult them when making decisions related to the federal grant.

Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 200) -- <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>

Committee of Sponsoring Organizations of the Treadway Commission (COSO) Guidance on Internal Control - <https://www.coso.org/Pages/ic.aspx>

Federal Audit Clearinghouse, Single Audit Checklist, Instructions, and Form, March 2019 - <https://facides.census.gov/Files/2019-2021%20Checklist%20Instructions%20and%20Form.pdf>

US Government Accountability Office Yellow Book - <https://www.gao.gov/yellowbook>

US Government Accountability Office Green Book - <https://www.gao.gov/greenbook>

Corona Virus State and Local Fiscal Recovery Fund (SLFRF) Compliance and Reporting Guidance Interim Final Rule -- <https://www.govinfo.gov/content/pkg/FR-2021-05-17/pdf/2021-10283.pdf>

State regulations, rules, and policies

- Massachusetts Municipal Records Retention Schedule -- <https://archives.lib.state.ma.us/bitstream/handle/2452/421917/ocn953801911.pdf?sequence=1&isAllowed=y>
- Massachusetts General Law, Chapter 30B -- <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIII/Chapter30B>
- Massachusetts General Law, Chapter 268A -- <https://malegislature.gov/Laws/GeneralLaws/PartIV/TitleI/Chapter268A>

APPENDICES

Appendix A: City of Chelsea Procurement Overview

Purchases generally fall into one of three categories:

1. Procurement of Supplies and Services: M.G.L. Chapter 30B
 - a. Includes any supply or service, unless expressly exempt from the requirements of M.G.L. Ch. 30B (33 listed exemptions including Labor Relations, Doctor/Dentist, CPA, Lawyer, and Engineer services)
 - b. Procurement Thresholds:
 - i. Less than \$10,000: "Sound Business Practices"
 - ii. Between \$10,000 - \$50,000: "Solicit Three Written Quotes" -Using Standard City Request for Quotes Form.
 - iii. Greater than \$50,000: "Formal Bid Process" - Invitation for Bids or Request for Proposals (RFP).
 1. Requires advertisement in Chelsea Record and Goods and Services at least two weeks before bid opening
 2. Only Chief Procurement Officer can authorize the use of an RFP.
2. Public Works Construction: M.G.L. Chapter 30; 39M
 - a. Construction, reconstruction, installation, alteration, demolition, maintenance, or repair of any public work (horizontal construction)
 - b. Procurement Thresholds:
 - i. Less than \$10,000: "Sound Business Practice"
 - ii. Between \$10,000 - \$50,000: "Solicit Three Written Quotes" -Using Standard City Request for Quotes Form.
 1. Must be advertised at least two weeks before due in Central Register & CommBuys.
 2. If over \$25,000, requires 50% Payment Bond.
 - iii. Greater than \$50,000: "Formal Bid Process"
 1. Requires advertisement in Chelsea Record and Central Register at least two weeks before bid opening and CommBuys Posting.
 2. 50% Payment Bond.
3. Public Building Construction: M.G.L. Chapter 149
 - a. Construction, reconstruction, installation, alteration, demolition, maintenance, or repair of any public building (vertical construction)
 - b. Procurement Thresholds:
 - i. Less than \$10,000: "Sound Business Practices"
 - ii. Between \$10,000 - \$50,000: "Solicit Three Written Quotes"
 1. Requires advertisement in Chelsea Record and Central Register at least two weeks before bid

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- opening and CommBuys Posting.
- 2. If over \$25,000, requires 50% Payment Bond.
- iii. Between \$50,000 - \$150,000: "Sealed Bids"
 - 1. Use the procedures for Public Works Construction.
- iv. Greater than \$150,000: All requirements as under \$150,000, plus:
 - 1. Division of Capital Asset Maintenance & Management(DCAMM) Certification
 - 2. Filed Sub-Bids for certain trades if over \$25,000 per trade
 - 3. 100% Payment & Performance Bonds

Emergency Procurement Procedures:

Supply and Services (Chapter 30B) – When complying with normal bidding requirements would endanger the health or safety of people or property, due to an unforeseen emergency, you may procure the supplies and services necessary. Even in emergency situations, you must still fully comply of the law with the requirements. For example, you can solicit three quotes instead of doing sealed bids. It is important to remember to only procure the supplies and services needed to meet the emergency.

Public Works Construction (Chapter 30, 39M) – When there is an “extreme emergency caused by enemy attack, sabotage, other such hostile actions or resulting from an imminent security threat, explosion, fire, flood, earthquake, hurricane, tornado or other such catastrophe” normal bidding requirement may be set aside. Only work necessary for “temporary repair and restoration to service of any and all public work in order to preserve health and safety of persons and property” may be done and only after the City has received a waiver of bidding requirement from DCAMM.

Public Building Construction (Chapter 149) – When complying with normal bidding requirements would impact the health or safety of people or property, or to alleviate an imminent security threat, you may procure services after the City has received a waiver of bidding requirement from DCAMM.

Appendix B: Procurement Guidelines

Most City purchases are for general goods & services. The following is a breakdown of **M.G.L. Chapter 30B regarding goods and services purchasing:**

- Procurement of Supplies & Services: Chapter 30B
 - Any supply or service, unless expressly exempt from the requirements of Ch. 30B (33 listed exemptions like Labor Relations, Doctor/Dentist, CPA, Lawyer, Engineer)
 - Procurement Thresholds:
 - Less than \$10,000: “Sound Business Practices”
 - Sound Business Practices should include at least periodically checking prices and generally, seeking three quotes is the best practice for ensuring best price.
 - Between \$10,000 - \$50,000: “Solicit Three Written Quotes” the law requires that you solicit, not receive three quotes.
 - The Procurement Office works with Department to put together request, using Standard City Request for Quotes Form (attached).
 - This is designed for more complex quotes processes (not a simple request for pricing on a defined good/service) and/or when posting of quotes is required.
 - Greater than \$50,000: “Formal Bid Process” - Invitation for Bids (IFB) or Request for Proposals (RFP).
 - Requires advertisement in Chelsea Record and Goods and Services at least two weeks before bid opening.
 - Only the Chief Procurement Officer can authorize the use of an RFP.
 - Note: The practice of intentionally subdividing purchases to avoid bidding laws, known as Bid Splitting, is illegal.

Please note there are several other major procurement laws (Chapter 30, 39M – Public Works Construction and Chapter 149 – Public Building Construction). For both, the applicable standard of use is “Construction, reconstruction, installation, alteration, demolition, maintenance or repair of any public work/building”. Some examples of when these might become the applicable procurement law:

- ☐ Installing, Repairing or Maintaining a new alarm/security system, camera or light fixture, electrical outlet/equipment where you break the surface of an existing wall
- ☐ Anything involving an Electrician, Plumber, Carpenter, or Painter
- ☐ Moving services & Office furniture installation
- ☐ Delivery of a good for use on a construction site, (for example jersey barriers, fill material, etc.)
- ☐ If you are unsure, ask the Procurement Officer, prior to work commencing.

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Public Works and Public Building Construction Projects require several additional steps. Projects estimated to cost between \$10,000 and \$50,000 require that you seek three written quotes from contractors after the solicitation has been advertised for at least two weeks. The solicitation should include a minimum scope of work and provide all relevant information needed for a contractor to submit a quote, including all the necessary contract forms (OSHA Certification) and prevailing wage rates.

State Contracts:

CommBuys: All current State contracts can be found at www.commbuys.com. State contracts can be used in any amount (as allowable by each individual contract). The Tradespersons (TRD) Contracts cap construction services (labor only) at \$50,000 and have multiple requirements for contract compliance including obtaining quotes and bonds.

Each State Contract has different usage rules associated with them, for example some State Contracts require you to solicit three quotes, while others do not. Each State Contract has a contract user guide that explains the requirements of the contract. Because something is on State Contract, it does not override other procurement requirements, for example, the use of Prevailing Wages. Each department should become familiar with the contract they use to better facilitate the procurement process.

Other Authorized Co-Operative Purchasing Agreements: Additionally, the City can use co-operative purchasing agreements, for supplies only; **not services**, as part of: MHEC (Mass Higher Education Consortium), MAPC (Metropolitan Area Planning Council) which has contracts for; Greater Boston Police Council, Public Works Consortium and Fire Chiefs Association, Plymouth County Commissioners (Vehicles Contract), GSA (General Services Administration) – Schedule 70 (IT) & 84 (Security and Law Enforcement) & NJPA (National Joint Powers Alliance).

Sole Source: “Sole Source” procurement is a purchase of supplies or services without advertising or competition. Only the Chief Procurement Officer can determine, in writing, Sole Source procurements. Departments should fill out the “Determination of Vendor as a Sole Source” and submit for approval by the Procurement Department.

- Sole Source – Under \$50,000
 - Sole source procurements may be made when a reasonable investigation shows there is only one practical source for the required supply or service.
- Sole Source – Over \$50,000
 - ONLY procurements for software maintenance, library books, educational materials and utilities can be done using sole source procurement over \$50,000.
 - Even if you determine ONLY ONE VENDOR exists, if the procurement amount exceeds \$50,000 (and is not exempted), it must go through a “Formal Bid Process”
- Examples of things that are not Sole Source:

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- The last Vendor has quality issues, therefore we must only use vendor X.
- We would prefer to use this vendor; can we just call them a sole source.

Prevailing Wages (minimum hourly rates for construction services): Required for all public works and public building projects REGARDLESS of the cost of the contract. If prevailing wages are required, the Department will request them from the State.

If Prevailing Wages are required for a project, it is the responsibility of the DEPARTMENT to ensure receipt of the certified weekly payroll reports and to verify all the information is correct before processing payments.

Purchasing Instructions

PO Requisition Process: All PO Requisitions are to be placed in the designated bins located next to the photocopier in Room 204. Please note, do not put requisitions on either of the desks in the Procurement Office. All requisitions must have adequate back-up (quotes, state contract information, etc.).

Steps:

1. Encumber funds from the appropriate line.
 - a. If you are using multiple funding sources/account numbers, use one line for each funding source/account number (do not sequence them together, because if changes are ever needed Purchasing cannot adjust the purchase order).
2. Choose the correct vendor.
 - a. When selecting a vendor, please verify the amount spent for the current Fiscal Year.
 - i. If the collective sum is over \$10,000, provide 3 written quotes, this will have to become a written contract.
 1. Quotes should be solicited even when not required for most purchases to ensure the best value.
 - ii. If the collective sum greater than \$50,000, we may need to go out to bid.
 - iii. All cooperative purchases and State Contracts will not count in the collective sum (as those purchases have already been through a competitively bid process).
3. Detailed description of what you are purchasing.
4. Attach back-up info
5. Make sure requisition is signed and dated by the Department Head.
6. If requisitions are missing important information, signatures, quotes and or contract info, they will be rejected and returned to the appropriate department.

Also note if purchasing off a State Contract please additionally follow these steps:

- List the State Contract/Coop Purchasing Number on all requisitions.
- Have the Vendor reference the State Contract number on all associated invoices/quotes.

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- All departments should familiarize themselves with the State Contracts they use to ensure compliance.

Contracts: All individual procurements over \$10,000 require a written contract, for all smaller procurements the Purchase Order constitutes the contract (for goods only).

- All Departments (GOODS ONLY):
 - PO \$0-\$9,999 (Purchase Order must be given to Vendor as it becomes the contract)
 - PO Contract \$10,000-\$49,999 (Mass Tax Compliance, Non-Collusion, Corporate Authority, Wage Theft Certification, Living Wage Certification, State Ethics Compliance, Requisitions and Purchase Orders - Terms & Conditions & Certificate of Insurance)
 - Each time a PO Contract is done please get a new set of PO Contract documents – Originally signed desirable.
 - Standard City Contract over \$50,000
 - Contract will be produced by the Procurement Office.
- All Departments (SERVICES – NOT CONSTRUCTION RELATED):
 - PO Contract \$10,000-\$24,999 (Mass Tax Compliance, Non-Collusion, Corporate Authority, Wage Theft Certification, Living Wage Certification, State Ethics Compliance, Requisitions and Purchase Orders - Terms & Conditions & Certificate of Insurance)
 - Each time a PO Contract is done please get a new set of PO Contract documents – Originally signed desirable.
 - Standard City Contract \$25,000 and over
 - Contract will be produced by the Procurement Office.
 - Department will submit quote and/or scope of services to be provided, and if applicable any supplemental vendor terms to the Procurement Office.
- All Departments (SERVICES – CONSTRUCTION RELATED):
 - PO Contract \$0-\$9,999 (Mass Tax Compliance, Non-Collusion, Corporate Authority, Wage Theft Certification, Living Wage Certification, State Ethics Compliance, Requisitions and Purchase Orders - Terms & Conditions & Certificate of Insurance)
 - Each time a PO Contract is done please get a new set of PO Contract documents – Originally signed desirable.
 - Standard City Contract \$10,000 and over
 - Contract will be produced by the Procurement Office.
 - Department will submit quote and/or scope of services to be provided, and if applicable any supplemental vendor terms to the Procurement Office.

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The limits on procurement are all cumulative, meaning all purchases for each vendor/supply/service are combined (City and Schools) for each Fiscal Year.

- Under \$10,000 – Sound Business Practices
- From \$10,000 - \$50,000 – Solicit Three Written Quotes
- Over \$50,000 – Sealed Bid

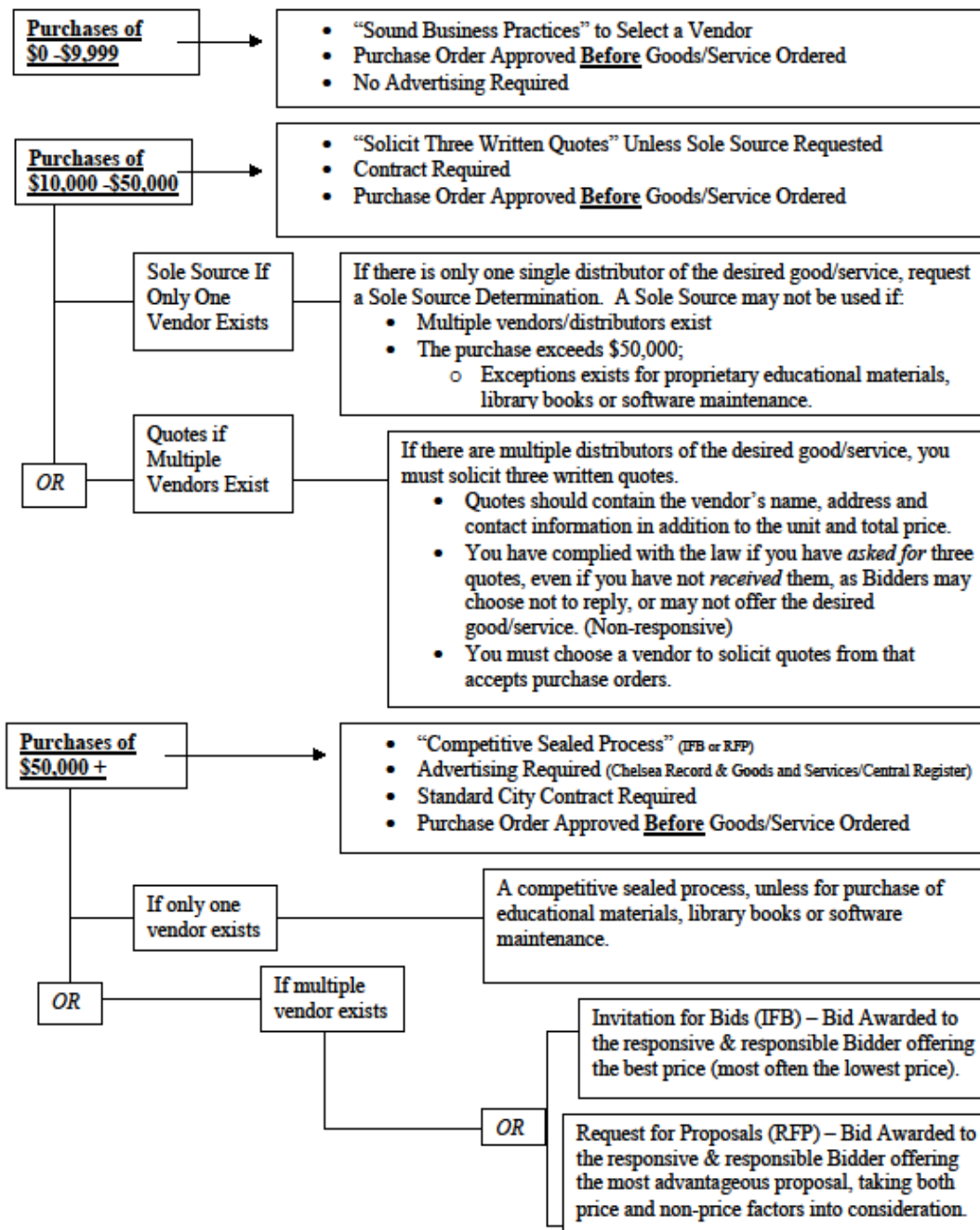
Contract requirements (Both Purchase Order Contracts & the standard City Contract over \$10,000):

- Standard City Contracts & Terms and Conditions Contracts require (3) three copies.
- Purchase Order Contracts require (1) one copy.
- All Contracts must be **original** signed (copies are only acceptable in a limited number of cases)
- In cases under \$10,000 the Purchase Order becomes the Contract. Each Purchase Order has terms and conditions on the back that constitute the Contract.
 - Purchase Orders should be mailed out to each Vendor to ensure there is an agreement in place for each purchase.
 - NO work should be done (goods ordered/received) until a Purchase Order is in place.
- When City's Standard Contract is used, after execution; one copy will be kept by Purchasing, one by the department and one goes to the vendor (it is the Departments responsibility to mail out the Vendors copy).
- All contracts are to come from the Procurement Office. Departments shall not do their own contracts.
- All questions regarding changes/additions/waivers of contract language and/or requirements must come through the Procurement Office. They will be passed on to Law as needed.
 - Do not allow the Vendor to mark-up and change the contract themselves.

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Appendix C: Procurement Matrix

Chapter 30B (Goods and General Services) Purchasing Matrix



APPENDICES

Appendix D: Accounts Payable Quick Tips

Accounts Payable – Tips for Quick Processing

The Auditing Department has prepared the following payment guidelines for your use. Adherence to guidelines will help to ensure that payments are processed quickly and efficiently.

****Items held for correction or review will not follow the regular timeline and will be processed in the next available warrant following resolution of outstanding issues. ****

For all new Vendors, please complete the following forms prior to submitting the invoice to AP for processing:

1. Form W-9
2. Vendor Number Request
3. These forms are available in the Procurement Shared folder and must be submitted to the Procurement Department for processing
4. Any questions regarding vendor setup and purchase orders must go through Procurement

AP Voucher for Payment Forms

5. Use the “AP Voucher Form” available in the Auditing Shared folder;
 - a. To ensure legibility, **type** in the required information
 - b. All fields noted as such are required to be filled out
 - c. “Final” and “Hold” selections are optional
 - d. All submissions are assumed to be check payments. Items may only be classified as wires/prepays and manuals with prior approval from Treasury and Auditing
 - e. Submissions with missing or incorrect information will be held for correction
 - f. E-mails will be sent to department heads and AP staff to notify depts. of issues
6. Be sure to provide the correct Remit Number and Address. This will ensure that payments are issued to the correct business name and address
7. In description box, clearly & briefly state the purpose of payment (30-character max)
8. GL Allocation Section: Identify GL account numbers and amounts to be charged to each line
 - a. If more than four (4) lines are needed, please use the “GL Allocation Addendum” form available in the Auditing Shared folder to list additional line items
9. Provide all **required** documentation (**Purchase Orders and**

APPENDICES

original invoices) and any supporting documentation (emails, travel forms, receipts, etc.)

Employee Reimbursements

10. Expense Reimbursements
 - a. Original receipts showing detailed expenditures
11. Travel Reimbursements
 - a. Signed “Request for Travel Form”, date(s) of travel, business purpose of travel, confirmation of travel (i.e., registration, event rsvp), receipt(s) showing expenditures, map(s) showing mileage

Budget and PO Balances

12. Review account balances to ensure there is enough funding in the line
 - a. MUNIS ☐ Financials ☐ Account Inquiry
13. Review Purchase Order balances to ensure there is enough funding in the PO
 - a. MUNIS ☐ Financials ☐ Purchasing ☐ Purchase Order Inquiry and Reports
☐ Purchase Order Inquiry

Processing Timelines

14. Voucher Submissions due by 12:00pm on Tuesday (please make every effort to submit in advance of deadline)
15. Warrant Run Date: Thursday
16. Check Release Date: Wednesday of the following week

If you need assistance, please do not hesitate to contact the Auditing Department

issued 9/3/2019

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Appendix E: Accounts Payable Voucher Form

APPENDIX E



Voucher #: _____

Warrant #: _____

Voucher for Payment

☐ WIRE/PREPAID **
☐ MANUAL **

☐ FINAL
☐ HOLD

The submittal deadline for each weekly cycle is Tuesday at 12pm.

Vouchers are processed on Thursday and checks are disbursed the following Wednesday.

Please staple the original invoice and a copy of the Purchase Order to this voucher. If the Purchase Order has more than one budget line please specify the amount to charge each line.

ALL INFORMATION BELOW IS REQUIRED TO BE FILLED OUT

PO Year: _____ PO Number: _____

Vendor Number: _____ Remit Number: _____

Vendor Name: _____

Remit Address: _____

Invoice Number: _____ Invoice Date: _____

Payment Amount: _____

Description: _____
(max 30 characters)

GL Allocation (Appropriation):

Org	Object	Amount	Additional Description (if needed)
-----	--------	--------	------------------------------------

This voucher and attached invoices are correct and are hereby approved for payment.

(authorized signature)

(date)

of _____ Department

Stamp Below Line

issued 9/3/2009

**prior authorization needed

APPENDICES

Appendix F: Grant Set Up Form

City of Chelsea Auditing Department Grant Setup / Drawdown Form

(A) Date: _____ (B) Department: _____
(C) Funding Authority (Agency): _____
(D) Total Grant Amount: _____
(E) Grant Title: _____
(F) Grant Type: _____ Reimbursable After Expended
(specify) Monies Received Up Front
(G) Revenue / Expense Organization Code: _____
(H) Revenue Line Object Code: _____
(specify) State Grant 461500
Federal Passed Through State 451000 or 458000
Federal Direct Grant 454000
Federal Through Other City 458500
Other (Donations 483000; etc.)

(I) Expenditure Lines:

Amount: _____	Object Code: _____	Description: _____
Amount: _____	Object Code: _____	Description: _____
Amount: _____	Object Code: _____	Description: _____
Amount: _____	Object Code: _____	Description: _____
Amount: _____	Object Code: _____	Description: _____
Amount: _____	Object Code: _____	Description: _____
Amount: _____	Object Code: _____	Description: _____
Amount: _____	Object Code: _____	Description: _____

☐ Copy Of Grant Award Letter

☐ Copy of Grant Contract

Department Signature: _____

Drawdown Notification / Request for Funds (Complete A through C above)

Date of Drawdown / Claim for reimbursement: _____
Drawdown Amount: _____
Revenue Line to Credit: _____
(ORG) (OBJECT) - Must begin with #4

Grant Title: _____ Agency: _____
Method of Reimbursement: Funds To Be Wired In Check To Be Mailed In
Department Signature: _____

Note: Send Grant Setup Form To Auditing / Send Grant Drawdown Form To Treasurers.

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Appendix G: Grant Amendment Form

APPENDIX G

City of Chelsea Grant Amendment Form

Date: _____ Department: _____ Grant Org # _____
Eff. Date _____

Total Grant Amount: _____ Grant Title: _____

Reason for Change: _____

Account Number/s:			Original		
			Budget Amt	Amendment	Final Budget
<u>Org</u>	<u>Object</u>	<u>Name</u>			
_____	_____	_____	_____	_____	-
_____	_____	_____	_____	_____	-
_____	_____	_____	_____	_____	-
_____	_____	_____	_____	_____	-
_____	_____	_____	_____	_____	-
_____	-	_____	_____	_____	-
_____	-	_____	_____	_____	-
_____	-	_____	_____	_____	-
_____	-	_____	_____	_____	-
_____	-	_____	_____	_____	-
_____	-	_____	_____	_____	-
_____	-	_____	_____	_____	-
_____	-	_____	_____	_____	-
_____	-	_____	_____	_____	-
_____	-	_____	_____	_____	-
_____	-	_____	_____	_____	-
TOTALS	-	_____	-	-	-

Department Authorization: _____ DATE: _____

Auditing Authorization: _____ DATE: _____