



CAMBRIDGE PUBLIC SCHOOLS

Internal Control Manual for Federal Grants

Internal control document to ensure compliance with the
Education Department General Administrative Regulations (EDGAR)

July 1, 2016

Rev. 2/10/17

Table of Contents

I. Introduction.....	4
II. Pre-award Program Design.....	4
III. Financial Management System.....	5
A. Financial Management Standards.....	5
Identification.....	5
Financial Reporting.....	5
Accounting Records.....	5
Internal Controls.....	5
Budget Control.....	6
Cash Management.....	6
Allowable Costs.....	6
B. Overview of the Financial Management/Accounting System.....	6
C. Budgeting.....	6
Amending the Budget.....	7
Budget Control.....	7
D. Accounting Records.....	8
E. Spending Grant Funds.....	9
Direct and Indirect Costs.....	10
Determining Allowability of Costs.....	11
Selected Items of Cost.....	13
Frequent Types of Costs.....	16
Helpful Questions for Determining Whether a Cost is Allowable.....	17
F. Federal Cash Management Policy / Procedures.....	17
Payment Methods.....	18
G. Timely Obligation of Funds.....	19
When Obligations are Made.....	19
Period of Performance of Federal Funds.....	20
Carryover.....	21
H. Program Income.....	22
Definition.....	22
Use of Program Income.....	22
IV. Procurement System.....	23
A. Responsibility for Purchasing.....	23
B. Purchase Methods.....	23
Purchases up to \$3,000 (Micro-Purchases).....	23
Purchases between \$3,000 and \$9,999 (Sound Business Practices).....	24
Purchases between \$10,000 and \$49,999 (Solicit Quotes).....	24
Purchases over \$50,000 (Sealed Bids or Proposals).....	24
Procurement with State and National Contracts.....	24
Noncompetitive Proposals (Sole Sourcing).....	24
C. Purchase Cards.....	25
D. Full and Open Competition.....	25
Geographical Preferences Prohibited.....	26

Prequalified Lists	26
Solicitation Language	26
E. Federal Procurement System Standards.....	26
Avoiding Acquisition of Unnecessary or Duplicative Items	26
Use of Intergovernmental Agreements	26
Use of Federal Excess and Surplus Property	27
Suspension and Debarment.....	27
Maintenance of Procurement Records	27
Time and Materials Contracts	27
Settlements of Issue Arising Out of Procurements	27
Protest Procedures to Resolve Dispute	27
F. Conflict of Interest Requirements	28
Standards of Conduct	28
Organizational Conflicts	29
Disciplinary Actions	29
Mandatory Disclosure	29
G. Contract Administration.....	29
V. Property Management Systems.....	30
A. Property Classifications	30
B. Inventory Procedure.....	30
C. Inventory Records	30
D. Physical Inventory	31
E. Maintenance	31
F. Lost or Stolen Items	31
G. Use of Equipment	31
H. Disposal of Equipment.....	32
VI. Written Compensation Policies.....	32
A. Time and Effort.....	32
Time and Effort Standards	32
Time and Effort Procedures	33
Reconciliation and Closeout Procedures	33
Employee Exits	33
B. Human Resource Policies	34
VII. Record Keeping.....	34
A. Records Retention.....	34
B. Collection and Transmission of Records	35
C. Access to Records.....	35
D. Privacy	35
VIII. Subrecipient Monitoring	35
IX. Legal Authorities and Helpful Resources.....	36
Appendix A: Grant Budget Structure Template	37
Appendix B: Disbarment/Suspension Affidavit	38

I: Introduction

This manual sets forth the policies and procedures used by the Cambridge Public Schools (CPS) to administer federal funds. The manual contains the internal controls and grant management standards used by the district to ensure that all federal funds are lawfully expended. It describes in detail the district's financial management system, as well as cash management procedures, procurement policies, inventory management protocols, procedures for determining the allowability of expenditures, time and effort reporting, record retention, and sub-recipient monitoring responsibilities. New employees of the district, as well as incumbent employees, are expected to review this manual to gain familiarity and understanding of the district's rules and practices.

II: Pre-award Program Design

Federal grant opportunities are offered either directly from an agency of the federal government or as a pass through grant, in which federal funding is managed by the Commonwealth of MA, usually through the MA Department of Elementary and Secondary Education (MA DESE). In either case, the CPS Grants Coordinator monitors government publications for possible matches to the current needs of the district. As prospects are identified, the Grants Coordinator works with CPS district Administrators to determine if the opportunity is a good match for the district in both content and timing. If the decision is made to submit an application, the Coordinator works with targeted Departments and, often, community partners to develop project goals and outcomes according to the grant requirements and a budget which will support their attainment.

Once a grant opportunity has been identified, the Grants Coordinator will provide the Administrative team a summary of the opportunity, including the following:

1. Source of funds and purpose of the grant;
2. Potential issues to consider;
3. Timeline for application and approval;
4. Match requirements, if applicable; and
5. Potential amount and length of funds.

If it is decided that the district will submit an application, an appropriate project development team will be formed and as the design process proceeds, the components will be sent in a timely manner to the Administrative team for budgetary and programmatic review and approval. As most education grants involve professional development, grants management broadly at the district level falls under the responsibilities of the Assistant Superintendent of Curriculum and Instruction.

Pension costs and reporting requirements will be considered when preparing the application. Federally-funded grants are required to set aside an additional 9% of the total salary for Massachusetts Teachers' Retirement System (MTRS) eligible employees. Massachusetts General Laws Chapter 35, Section 32A and Chapter 40, Section 5D require that all federal grants received by local governments be charged for pension costs incurred because of the grant.

Approximately 10 days prior to the grant submission deadline, the district’s Chief Financial Officer reviews the grant budget to ensure costs are accurate and allowable. Once the budget has been approved, the grant application is forwarded to the Assistant Superintendent of Curriculum and Instruction and the Superintendent for final approval. If the grant is awarded, a copy of the full grant application including the approved sponsor budget is submitted to the Budget/Financial Operations office.

III. Financial Management System

The district maintains a proper financial management system in order to receive both direct and state-administered grants and to expend funds associated with a grant award. Certain fiscal controls and procedures must be in place to ensure that all financial management system requirements are met. Failure to meet a requirement may result in return of funds or termination of an award.

A. Financial Management Standards

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

Identification

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

Financial Reporting

Accurate, current, and complete disclosure of the financial results of each federal award or programs must be made in accordance with the financial reporting requirements set forth in the Education Department General Administrative Regulations (EDGAR).

Accounting Records

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

Internal Controls

Effective control and accountability must be maintained for all funds, real and personal property, and other assets. The district must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

“Internal controls” are tools to help program and financial managers achieve results and safeguard the integrity of their program. Internal controls should be designed to provide reasonable assurance that the following objectives are achieved:

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

Budget Control

Actual expenditures or outlays must be compared with budgeted amounts for each federal award.

Cash Management

The district must maintain written procedures to implement the cash management requirements found in EDGAR.

Allowable Costs

The district must maintain written procedures for determining allowability of costs in accordance with EDGAR.

B. Overview of the Financial Management/Accounting System

The Cambridge Public School district functions as a department of the City of Cambridge, Massachusetts and falls under the city’s financial management umbrella. As part of the city’s broader financial system, CPS utilizes Peoplesoft Human Capital Management, Peoplesoft Financial Management, and Munis. Peoplesoft HCM is used for human resources and payroll. Peoplesoft FMS is the primary system for purchasing, accounts payable, budgeting, and accounting. Munis is used solely for revenue tracking.

In general, there are three CPS individuals/offices involved in ongoing grants management: The district’s Grants Coordinator, who falls under the Assistant Superintendent for Curriculum and Instruction; the Budget/Financial Operations office, and the Administrator for each particular grant award. The Grants Coordinator leads the pre-award grant application process in coordination with the Administrator(s) of the relevant departments. If an application is successful and a grant is awarded, the Grant Administrator named in the application assumes responsibility for carrying out the activities and producing the deliverables on schedule. The Budget/Financial Operations office performs post-award financial transactions and reporting. As the program is implemented, the Grant Administrator receives ongoing oversight and guidance from both the Grants Coordinator and Budget/Financial Operations staff.

C. Budgeting

When a grant award notice is received by the district, the Budget/Financial Operations office assigns the grant a project number and, in conjunction with the district’s Grants Coordinator, prepares a recommendation to the School Committee to formally accept the grant award.

Once the School Committee accepts the award, Budget/Financial Operations works with the Grants Coordinator and the particular grant’s Administrator to prepare a Budget Structure. The

Structure is an excel-based grant tracking sheet that serves as a “crosswalk” between sponsor-based approved budget line items and their corresponding internal budget codes in Peoplesoft. It is also used to document all required identifying information for the grant. The Budget Structure template can be found in Appendix A.

Once the Structure is finalized and the grant period is underway, Budget/Financial Operations enters a budget appropriation journal directly into Peoplesoft following the budget line item allocations in the Structure and attaches to the journal the School Committee order and grant award notice. The city’s Budget office must approve the appropriation, after which CPS Budget/Financial Operations posts the journal and the grant appropriation becomes available for expenditure. Budgeted amounts in Peoplesoft must match the latest grant award notice, which also matches the Budget Structure.

Grant award notices, School Committee orders, Budget Structures, copies of journal transactions, and all other grant documentation for every grant in the district is filed electronically in a drive shared between the Grants Coordinator and the Budget/Financial Operations office.

Amending the Budget

Grant amendments may be required if changes to the original budget become necessary to meet the project objectives. In general, a change of 10% or more to a budget line requires a formal amendment to the sponsor, but the thresholds can vary with each grant. Amendments are generally processed by the district Grants Coordinator in consultation with the grant’s Administrator. Once an amendment is approved by the sponsor, the Grants Coordinator notifies the Budget/Financial Operations staff, who update the Budget Structure accordingly and process corresponding budget transfers in Peoplesoft. If an amendment includes any additional grant funding in excess of the original award amount, the increase must be accepted by the School Committee before the grant appropriation may be increased. Funding increases must also be approved by the city’s Budget office (transfers of funds already appropriated do not require additional city approval).

Grant amendments must be submitted in advance of need. Implementation of the amendment (either financial or programmatic) is reliant on the amendment approval date.

Budget Control

The district controls grant expenditures at the line item level. As part of the creation of the Budget Structure, internal line item budget codes are assigned to all expenses in the approved grant sponsor budget. In assigning these codes, Budget/Financial Operations ensures that the internal codes assigned are unique amongst sponsor budget categories. If additional specificity is needed within sponsor budget categories, either for accounting purposes or for grants management purposes, several internal budget codes may be assigned within one sponsor budget category. Administrators are responsible for appropriately coding requisitions, personnel forms, and service contract agreements according to the codes provided in the Budget Structure.

In Peoplesoft, exceeding any grant budget line item amount in either salary or non-salary expenses/encumbrances causes an error, prompting an action by Budget/Financial Operations. Working with the grant’s Administrator, Budget/Financial Operations may transfer funds within sponsor budget categories or amongst categories up to each grant’s sponsor-specified limits

(generally 10%); otherwise, the expense must be cancelled or allocated to a different fund until/unless an Amendment is processed or approved. Only expenses for goods/services rendered after the amendment date of approval may be allocated to the grant.

D. Accounting Records

Accounting records are kept electronically and/or in hard copy. The Budget/Financial Operations Office is responsible for maintaining general accounting records and the Purchasing Office is responsible for maintaining all purchase orders in conformance with the Municipal Records Retention Schedule. The web address for the retention schedule is:

http://www.sec.state.ma.us/arc/arcpdf/MA_Municipal_Records_Retention_Manual.pdf.

Relevant definitions in this section include the following:

- An asset is: anything owned by an individual or a business, which has commercial or exchange value. Assets may consist of specific property or claims against others, in contrast to obligations due others.
- A liability is: a loan, expense, or any other form of claim on the assets of an entity that must be paid or otherwise honored by that entity.
- Revenue is: the inflows of assets from selling goods and providing services to customers; including the reduction of liabilities from selling goods and providing services to customers.
- An expense is: the amount of assets or services used during a period.

If an error is found while reviewing any grant accounting records, the individual will notify the Budget/Financial Operations analyst responsible for the grant in question. The analyst will research the potential error, and if necessary, generate a journal entry (submitted via Peoplesoft for approval of the city’s Auditing department) with supporting documentation. Upon approval, the journal entry is finalized in Peoplesoft and a notification is sent to the analyst.

Budget account strings are set up so that individual grant budgets and related expenditures may be tracked by fund, fiscal year of award, source of funds, department to which the grant was awarded, programmatic use, and type of expenditure. Below is an outline detailing the structure of the budget codes for grant funds:

Fund Code 5 Digits 25000	Project Code SC plus 5 Digits SCFY_ _ _ _	Dept/Prgm 8 plus 5 Digits 8_ _ _ _ _	Account 5 plus 4 Digits 5 _ _ _ _
--------------------------------	---	--	---

School Grant Fund:

Fund 25000 designates the funding as a school grant. All school grant budgets are set up in Fund 25000.

Project Code:

An “SC” designates the project number as a School Code. The next two digits designate the fiscal year in which the grant was awarded. All grants awarded in FY16 would begin with SC16.

The last three digits designate the specific grantor/award. For example, all Title I Entitlement awards use the code 604. FY16 Title I Entitlement would have a Project number of SC16604; FY17 would have SC17604. These codes do not necessarily correspond to the fund code used by the grantor. However, that information, along with the source of funds (Federal, State, etc.) is all maintained in the grant budget structure, which can be found in the grant budget files organized by SC Project code.

Department/Program Code:

The department/program codes are the same used for general fund accounting and designate the department to which the funds belong and the programmatic usage of the funds. An “8” designates a school department. The next two digits designate the specific school or department accountable unit (e.g. the Baldwin School is designated as AU10). The remaining 3 digits designate the programmatic use of the funds (e.g. the program code for Intervention is 111). Likewise, the department/program code for an interventionist at the Baldwin School would be 810111.

Account Codes:

The account codes are also the same used for general fund accounting and designate the type of expenditure. The codes are selected as relevant from a city-wide chart of accounts maintained by the City Auditor.

E. Spending Grant Funds

As the recipient of federal funds, the Cambridge Public Schools is responsible for administering grants in a manner consistent with grantor terms and conditions. Federal funds must be administered in accordance with the cost principles contained in EDGAR and 2 CFR Part 200 the Uniform Administrative Requirements, Cost Principles and Audit Requirements for federal awards. The Chief Financial Officer is ultimately responsible for ensuring compliance with EDGAR and 2 CFR Part 200.

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

To meet the definition of “allowable,” a cost must:

1. Be necessary and reasonable to carry out the grant;
2. Be consistent with the policies and procedures that apply uniformly to federal and non-federally financed expenses;
3. Not be included as part of a match of federal funds; and
4. Be adequately documented.

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

1. Use of sound business practices, adherence to federal, state and local laws and regulations; and the terms and conditions of the Federal award.

2. Use of market prices in the metro west Boston area for comparing the costs of goods and services.

To meet the definition of “allocable,” the cost of the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

Allocable is further defined as:

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

These definitions are copied from the Code of Federal Regulations (CFR).

While developing and reviewing the grant budget, staff should keep in mind the difference between direct costs and indirect costs.

Direct and Indirect Costs

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. 2 C.F.R. § 200.413(a). Indirect costs are those that have been incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. 2 C.F.R. § 200.56. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. 2 C.F.R. § 200.413(a).

Identification with the federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect costs of Federal awards. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award. 2 C.F.R. § 200.413(b). The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
- The costs are not also recovered as indirect costs. 2 C.F.R. § 200.413(c).

The Massachusetts Department of Elementary and Secondary Education (MA DESE) determines an unrestricted and restricted indirect cost rate for every district in the Commonwealth. The rates are determined annually based on information submitted in the End of Year report and are the maximum allowable rate for any fiscal year. Under 34 C.F.R. § 75.561 and 34 C.F.R. § 76.561, a state educational agency may approve an indirect cost rate for longer than one year. According to MA DESE, if a district utilizes an indirect cost figure, it must be equal to or less than the currently approved restricted rate. The decision to recover indirect costs using these established

rated is a local option. The Cambridge Public Schools applies an indirect cost rate to federal grants on a case by case basis.

The MA DESE Grants Procedure Manual provides the following information on calculating the indirect cost allowable for a particular grant. The grant manual, and other important information, can be found at <http://www.doe.mass.edu/grants/procedure/manual.html>. Indirect rates cannot be applied to capital expenditures or to the indirect cost themselves. The following formula is recommended:

1. Total entitlement;
2. Minus capital expenditures (Line 10); and
3. Divided by one plus the restricted rate.

The resulting amount is the amount that can be used for grant activities. When this amount is subtracted from the total entitlement, the result equals the amount allowed for indirect cost.

If indirect costs are recovered, they shall be returned to the general fund of the city or town in accordance with Massachusetts General Laws, Chapter 44, Section 53.

Once the district has an approved indirect cost rate, the percentage is multiplied against the actual direct costs (excluding distorting items such as equipment, contracts in excess of \$25,000, pass-through funds, etc.) incurred under a particular grant to produce the dollar amount of indirect costs allowable to that award. 34 C.F.R. § 75.564; 34 C.F.R. § 76.569. Once the district applies the approved rate, the funds that may be claimed for indirect costs have no federal accountability and may be used as if they were non-federal funds. For Direct Grants, reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions. 34 C.F.R. § 75.564.

Where a federal program has a specific cap on the percentage of administrative costs that may be charged to a grant, that cap must include all direct administrative charges as well as any recovered indirect charges.

Determining Allowability of Costs

Expenditures must be aligned with approved budgeted items. Any changes or variations from the state-approved budget and grant application need prior approval from the state.

When determining how the district will spend its grant funds, the grant Administrator will review the proposed cost to determine whether it is an allowable use of federal grant funds *before* obligating and spending those funds on the proposed good or service. All costs supported by federal education funds must meet the standards outlined in EDGAR, 2 CFR Part 3474 and 2 CFR Part 200, which are provided in the bulleted list below. The Administrator must consider these factors when making an allowability determination.

Be Necessary and Reasonable for the performance of the federal award. District staff must consider these elements when determining the reasonableness of a cost. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For

example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.

When determining reasonableness of a cost, consideration must be given to:

- ❖ Whether the cost is a type generally recognized as ordinary and necessary for the operation of the district or the proper and efficient performance of the federal award.
- ❖ The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
- ❖ Market prices for comparable goods or services for the geographic area.
- ❖ Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the district, its employees, its students, the public at large, and the federal government.
- ❖ Whether the district significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost. 2 C.F.R. §200.404

While 2 C.F.R. §200.404 does not provide specific descriptions of what satisfies the “necessary” element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether the district can demonstrate that the cost addresses an existing need, and can prove it. For example, the district may deem a language skills software program necessary for a limited English proficiency program.

When determining whether a cost is necessary, consideration may be given to:

- ❖ Whether the cost is needed for the proper and efficient performance of the grant program.
- ❖ Whether the cost is identified in the approved budget or application.
- ❖ Whether there is an educational benefit associated with the cost.
- ❖ Whether the cost aligns with identified needs based on results and findings from a needs assessment.
- ❖ Whether the cost addresses program goals and objectives and is based on program data.

Allocable to the federal award. A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 C.F.R. §200.405. For example, if 50% of a teacher's salary is paid with grant funds, then that teacher must spend at least 50% of his or her time on the grant program.

Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the district.

Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.

Consistent treatment. A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.

Adequately documented. All expenditures must be properly documented.

Be determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200.

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

Be the net of all applicable credits. The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. 2 C.F.R. §200.406.

Purchases for goods and services paid for with grant funds shall be net of all applicable credits. To avoid the earning of “credits” where the benefits are not reimbursable or credited to the federal grant, personal reimbursements are discouraged for purchases made with federal grant funds. The district will take advantage of all prompt pay discounts. All payments from federal grants shall be processed through the city’s accounting system through the invoice payment process.

Part 200’s cost guidelines must be considered when federal grant funds are expended. As provided above, federal rules require state- and district-level requirements and policies regarding expenditures to be followed as well. For example, state and/or district policies relating to travel or equipment may be narrower than the federal rules, and the stricter State and/or district policies must be followed. Further, certain types of incentives are allowable under federal law, but are not allowable under State law.

Selected Items of Cost

Part 200 examines the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost) at 2 C.F.R. §§ 200.420-200.475. These cost items are listed in the chart below along with the citation where it is discussed whether the item is allowable. It should not be assumed that an item is allowable because it is specifically listed in the regulation as it may be unallowable despite its inclusion in the selected items of cost section. The expenditure may be unallowable for a number of reasons, including: the express language of the regulation states the item is unallowable; the terms and conditions of the grant deem the item unallowable; or 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.

District personnel responsible for spending federal grant funds and for determining allowability must be familiar with the Part 200 selected items of cost section. The district must follow these rules when charging these specific expenditures to a federal grant. When applicable, district staff must check costs against the selected items of cost requirements to ensure the cost is allowable. In addition, state, district and program-specific rules may deem a cost as unallowable and district personnel must follow those non-federal rules as well.

The selected item of cost addressed in Part 200 includes the following (in alphabetical order):

Item of Cost	Citation of Allowability Rule
Advertising and public relations costs	2 CFR § 200.421
Advisory councils	2 CFR § 200.422
Alcoholic beverages	2 CFR § 200.423
Alumni/ae activities	2 CFR § 200.424
Audit services	2 CFR § 200.425
Bad debts	2 CFR § 200.426
Bonding costs	2 CFR § 200.427
Collection of improper payments	2 CFR § 200.428
Commencement and convocation costs	2 CFR § 200.429
Compensation – personal services	2 CFR § 200.430
Compensation – fringe benefits	2 CFR § 200.431
Conferences	2 CFR § 200.432
Contingency provisions	2 CFR § 200.433
Contributions and donations	2 CFR § 200.434
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 CFR § 200.435
Depreciation	2 CFR § 200.436
Employee health and welfare costs	2 CFR § 200.437
Entertainment costs	2 CFR § 200.438

Equipment and other capital expenditures	2 CFR § 200.439
Exchange rates	2 CFR § 200.440
Fines, penalties, damages and other settlements	2 CFR § 200.441
Fund raising and investment management costs	2 CFR § 200.442
Gains and losses on disposition of depreciable assets	2 CFR § 200.443
General costs of government	2 CFR § 200.444
Goods and services for personal use	2 CFR § 200.445
Idle facilities and idle capacity	2 CFR § 200.446
Insurance and indemnification	2 CFR § 200.447
Intellectual property	2 CFR § 200.448
Interest	2 CFR § 200.449
Lobbying	2 CFR § 200.450
Losses on other awards or contracts	2 CFR § 200.451
Maintenance and repair costs	2 CFR § 200.452
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454
Organization costs	2 CFR § 200.455
Participant support costs	2 CFR § 200.456
Plant and security costs	2 CFR § 200.457
Pre-award costs	2 CFR § 200.458
Professional services costs	2 CFR § 200.459
Proposal costs	2 CFR § 200.460
Publication and printing costs	2 CFR § 200.461
Rearrangement and reconversion costs	2 CFR § 200.462
Recruiting costs	2 CFR § 200.463
Relocation costs of employees	2 CFR § 200.464

Rental costs of real property and equipment	2 CFR § 200.465
Scholarships and student aid costs	2 CFR § 200.466
Selling and marketing costs	2 CFR § 200.467
Specialized service facilities	2 CFR § 200.468
Student activity costs	2 CFR § 200.469
Taxes (including Value Added Tax)	2 CFR § 200.470
Termination costs	2 CFR § 200.471
Training and education costs	2 CFR § 200.472
Transportation costs	2 CFR § 200.473
Travel costs	2 CFR § 200.474
Trustees	2 CFR § 200.475

Likewise, it is possible for the state and/or district to put additional requirements on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, employees must consult federal, state and district requirements when spending federal funds. Massachusetts procurement laws are more restrictive than the federal guidelines; therefore, all purchases must follow state procurement laws.

In order for a cost to be allowable, the expenditure must also be allowable under the applicable program statute (e.g., Title I of the Elementary and Secondary Education Act (ESEA), or the Carl D. Perkins Career and Technical Education Act (Perkins)), along with accompanying program regulations, non-regulatory guidance and grant award notifications.

District employees must be aware of related state and district rules and ensure they are complying with all requirements.

Frequent Types of Costs

Travel: Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of a grant recipient. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the recipient’s non-federally funded activities and in accordance with the recipient’s written travel reimbursement policies. 2 C.F.R §200.474(a).

Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the district in its regular

operations as the result of its written travel policy. In addition, if these costs are charged directly to the federal award, documentation must be maintained that justifies that (1) participation of the individual is necessary to the federal award; and (2) the costs are reasonable and consistent with the district's established policy. 2 C.F.R §200.474(b).

In addition to the federal guidelines regarding travel, employees and officers must adhere to the Cambridge Public Schools travel policy. The travel policy can be found on the [CPS Financial Forms/Policies webpage](#).

Helpful Questions for Determining Whether a Cost is Allowable

In addition to the cost principles and standards described above, the grant Administrator, Chief Financial Officer, Grants Coordinator, and other staff can refer to this section for a useful framework when performing an allowability analysis. In order to determine whether federal funds may be used to purchase a specific cost, it is helpful to ask the following questions:

- Is the proposed cost allowable under the relevant program?
- Is the proposed cost consistent with an approved program plan and budget?
- Is the proposed cost consistent with program specific fiscal rules?
 - For example, the district may be required to use federal funds only to supplement the amount of funds available from nonfederal (and possibly other federal) sources.
- Is the proposed cost consistent with EDGAR?
- Is the proposed cost consistent with specific conditions imposed on the grant (if applicable)?

As a practical matter, staff should also consider whether the proposed cost is consistent with the underlying needs of the program. For example, program funds must benefit the appropriate population of students for which they are allocated. This means that, for instance, funds allocated under Title III of the Elementary and Secondary Education Act (ESEA) governing language instruction programs for limited English proficient (LEP) students must only be spent on LEP students and cannot be used to benefit non-LEP students. Further, under most major elementary and secondary education programs, recipients may use federal funds only to supplement the amount of funds available from nonfederal sources for the education of students participating in the program. The recipients cannot use federal funds to supplant nonfederal funds that would otherwise have been used for the expenditure in question.

Also, funds should be targeted to address areas of weakness, as necessary. To make this determination, district staff should review data when making purchases to ensure that federal funds meet these areas of concern. This should be a collaborative effort amongst programmatic and financial staff.

F. Federal Cash Management Policy/Procedures

The district complies with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the district, in accordance with the Cash Management Improvement Act at 31 CFR Part 205. Generally, the district receives

payment from the Massachusetts Department of Elementary and Secondary Education and the Massachusetts Department of Early Education and Care on a reimbursement basis. 2 CFR § 200.305. However, if the district receives an advance in federal grant funds, the district will remit interest earned on the advanced payment quarterly to the federal agency. The district may retain interest amounts up to \$500 per year for administrative expenses. 2 CFR § 200.305(b) (9).

According to guidance from the U.S. Department of Education (ED), when calculating the interest earned on ED grant funds, regardless of the date of obligation, interest is calculated from the date that the federal funds are drawn down from the G5 system until the date on which those funds are disbursed by the LEA.

Interest would not accrue if the LEA uses nonfederal funds to pay the vendor and/or employees prior to the funds being drawn down from the G5 system, commonly known as a reimbursement.

Payment Methods

Reimbursements: The district will initially charge federal grant expenditures to nonfederal funds. The Budget/Financial Operations staff will review and request reimbursement for actual expenditures incurred under the federal grants on a monthly basis (or once a sizeable amount of reimbursement is due) with the exception of the final drawdown of funds with an ending period of August 31. The final drawdown for these funds is the July drawdown window and shall include all funds projected to be spent through the final grant period ending August 31. Reimbursement or drawdown of funds for all federal grants funded through DESE is initiated through the DESE web-based grants management system or EdGrants, depending on the specific grant award. Budget/Financial Operations staff request reimbursement for all expended grant funds at the requested date. All reimbursements are based on actual disbursements, not on encumbrances/obligations. In addition, cash requests do not included the amounts paid by the MA DESE to the Massachusetts Teachers' Retirement Board (MTRB).

The MA DESE will process reimbursement requests in a timely manner. Consistent with state and federal requirements, the district maintains source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for the MA DESE review upon request. Reimbursements of actual expenditures do not require interest calculations.

Advances: To the extent the district receives advance payments of federal grant funds, the district will strive to expend the federal funds on allowable expenditures as expeditiously as possible.

The district will hold federal advance payments in interest-bearing accounts IF it is deemed plausible by city and district financial staff that interest in excess of \$500 could reasonably be earned on the total balance of Federal advanced revenue in the applicable time period. The district Budget/Financial Operations office will maintain documentation of any related analysis used to make this determination.

If city/district staff determine earning interest of \$500 or more is possible, the district will transfer advance payments into interest-bearing accounts and will begin to calculate interest earned on cash balances once funds are deposited into the district's account in a manner consistent with the sample methodology below. Total federal grant cash balances will be

calculated on cash balances per grant applying the district's actual interest rate. The district will remit interest earned (annually) to the appropriate entity. The district 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

1. Divide the total of advances (all federal funds) in reporting period by the number of days in reporting period.
2. Total of all daily balances in the reporting Period = \$50,000.
3. Actual number of days in the reporting period (month) = 31
4. Average daily balance = \$1,612.90

Step 2: Calculate the Annual Interest Amount

1. Multiply the average daily balance by the actual interest rate
2. Average daily balance = \$1,621.90
3. Actual interest rate = 1.045%
4. Annual interest amount = \$16.95

Step 3: Calculate the Daily Interest Amount

1. Divide interest amount by number of days in year.
2. Annual interest amount = \$16.95
3. Number of days in year = 365
4. Daily interest amount = \$0.0464

Step 4: Calculate the Total Federal Interest Due

1. Multiply the daily interest amount by number of days in reporting period
2. Daily interest amount = \$0.0464
3. Number of days in reporting period = 92
4. Total federal interest due = \$1.18

G. Timely Obligation of Funds

When Obligations are Made

Obligations are orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period. 34 C.F.R. § 200.71

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

If the obligation is for:	The obligation is made:
Acquisition of property	On the date which the district makes a binding written commitment to acquire the property
Personal services by an employee of the district	When the services are performed
Personal services by a contractor who is not an employee of the district	On the date which the district makes a binding written commitment to obtain the services
Public utility services	When the district receives the services
Travel	When the travel is taken
Rental of property	When the district uses the property
A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR part 200, Subpart E- Cost Principles.	On the first day of the project period.

34 C.F.R. § 75.707; 34 C.F.R. § 76.707.

Period of Performance of Federal Funds

All obligations must occur on or between the beginning and ending dates of the grant project. 2 C.F.R. § 200.309. This period of time is known as the period of performance. 2 C.F.R. § 200.77. The period of performance is dictated by statute and will be indicated in the grant award notice. Further, certain grants have specific requirements for carryover funds that must be adhered to.

State-Administered Grants: As a general rule, state-administered federal funds are available for obligation within the year that Congress appropriates the funds for. However, given the unique nature of educational institutions, for many federal education grants, the period of availability is 27 months. Federal education grant funds are typically awarded on July 1 of each year. While the district will always plan to spend all current grant funds within the year the grant was appropriated for, the period of obligation for any grant that is covered by the “Tydings Amendment” is 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability, plus a 12-month period for carryover. 34 C.F.R. § 76.709. For example, funds awarded on July 1, 2015 would remain available for obligation through September 30, 2017.

Direct Grants: In general, the period of availability for funds authorized under direct grants is identified in the grant award notice.

For both state-administered and direct grants, regardless of the period of availability, the district must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period unless an extension is authorized. 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 must be returned to the awarding agency. 2 C.F.R. § 200.343(d). Consequently, the district closely monitors grant spending throughout the grant cycle.

Carryover

State-Administered Grants: As described above, the Tydings Amendment extends the period of availability for applicable state-administered program funds. Essentially, it permits recipients to “carryover” any funds left over at the end of the initial 15 month period into the next year. These leftover funds are typically referred to as carryover funds and continue to be available for obligation for an additional 12 months. 34 C.F.R. § 76.709. Accordingly, the district may have multiple years of grant funds available under the same program at the same time.

Title I and Title IIA

Through DESE, the district is permitted to carryover funds for Title I and Title IIA. DESE facilitates these carryovers as multi-year grants. A carryover form is submitted to DESE in the Spring for estimated carryover amounts for Title I and Title IIA. Because the state does not require an FR-1 at the end of year 1, nor does it require funds to be returned and re-applied for at the start of year 2, or any separation of reporting, the grant retains all original coding and remains open in the CPS financial system without interruption.

Title III and EC Special Education Allocation (EEC)

Title III and EC Special Education Allocation grants are eligible for Tydings and that option is frequently exercised. However, DESE and EEC (as of the creation of this manual) facilitate carryover of these grants differently than Title I and Title IIA. In these cases an FR-1 is submitted to the state sponsor within 2 months of the close of the initial grant term, and any unexpended funds are returned to the state, at which time the corresponding grant appropriation in Peoplesoft is transferred to the Return of Expended Funds account code. In the fall of the following year, a Tydings application is submitted and, if approved, the returned funds are re-awarded to the district and funds are re-appropriated in accordance with the approved state budget categories. If a Tydings application is rejected and funds are not approved for award, the Budget office would reduce the remaining appropriation in the grant to zero.

Direct Grants: Grantees receiving direct grants are not covered by the 12 month Tydings period. However, under 2 C.F.R. § 200.308, direct grantees enjoy unique authority to expand the period of availability of federal funds. The district is authorized to extend a direct grant automatically for one 12-month period. Prior approval is not required in these circumstances; however, in order to obtain this extension, the district must provide 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.

The district will seek prior approval from the federal agency when the extension will not be contrary to federal statute, regulation or grant conditions and:

- The terms and conditions of the Federal award prohibit the extension;
- The extension requires additional Federal funds; or
- The extension involves any change in the approved objectives or scope of the project. 2 C.F.R. § 200.308(d) (2).

H. Program Income

Definition

Program income means gross income earned by a grant recipient that is directly generated by a supported activity or earned as a result of the federal award during the grant's period of performance. 2 C.F.R. § 200.80.

Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with federal award funds. Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. 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 the use of program income for the district 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. Program income will only be used for current costs unless the district is otherwise directed by the federal awarding agency or pass-through entity. 2 C.F.R. § 200.307(e) (1). The LEA 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 must 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 district always refers to the grant award notice prior to determining the appropriate use of program income.

IV. Procurement System

The district maintains the following purchasing procedures.

A. Responsibility for Purchasing

The City of Cambridge's Purchasing Agent is also the purchasing agent for the school district. However, the city's Purchasing Agent delegates that authority to the Cambridge Public Schools Purchasing Manager, who is MCPPO certified.

CPS requires all requests to purchase goods or services be initiated through a paper requisition signed by both the requestor and the administrator of the department and/or grant being utilized for the purchase. Each requisition must contain a requisition number, the vendor name/number, ship to location, quantity, item description, unit price, freight amount, and budget string to be charged. The item description must be clear so as to properly communicate to the vendor the exact item requested and/or service to be performed, and deadlines for delivery and/or completion.

Requisitions are sent to the Purchasing Department and time-stamped upon receipt. Requisitions are reviewed by the Purchasing Manager and/or Purchasing Department staff (Buyers) to ensure purchases are in accordance with Massachusetts General Law, Chapter 30B. If approved, Purchasing staff enter a Purchase Order into the Peoplesoft Financial system, which is then routed to City Purchasing and City Auditing for electronic approvals.

Meanwhile an overnight process budget checks the PO. Grant budgets are set up with budgetary controls in place that prevent purchase orders from exceeding budgeted amounts. If a PO is entered in a budget line that exceeds the budgeted amount, the PO will enter a budget error status. A list of POs in budget error status are reviewed by the Budget department daily, and the analyst assigned to the relevant grant/department will conduct the necessary research and take appropriate steps (whether it be to transfer budget as allowable within the grant, reduce the PO amount, or change the funding source) to rectify the error.

B. Purchase Methods

The type of procurement procedures required depends on the cost of the item(s) being purchased.

Purchases up to \$3,000 (Micro-Purchases)

Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed \$3,000. The micro-purchase method is used in order to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold. To the extent practicable, the district distributes micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting

competitive quotations if the district considers the price to be reasonable. The district maintains evidence of this reasonableness in the records of all micro-purchases.

Purchases between \$3,000 and \$9,999 (Sound Business Practices)

Procurement of supplies and services under \$10,000 are governed by Massachusetts General Law, Chapter 30B. The procurement procedure for purchasing supplies and services under \$10,000 requires sound business practices. This is defined as ensuring the receipts of favorable prices by periodically soliciting price lists or quotes. No formal advertising is required and a written contract is not required.

Purchases between \$10,000 and \$49,999 (Solicit Quotes)

Procurement of supplies and services between \$10,000 and \$49,999 are governed by Massachusetts General Law, Chapter 30B. The procurement procedure for purchasing supplies and services between \$10,000 and \$49,999 requires three written quotes solicited by the Purchasing Manager or MCPPO certified designee if approved by the city's Purchasing Agent as a designee. No formal advertising is required. A written contract is required and is awarded to the responsible and responsive person offering the best price. A responsible vendor is defined as a person who has the capability to perform fully the contract requirements, and the integrity and reliability which assures good faith performance. A responsive bidder is defined as a person who has submitted a bid or proposal which conforms in all respects to the solicitation. A contract cannot exceed three years unless the Cambridge City Council authorizes a longer contract period. In addition, the Cambridge School Committee must approve all vendor contracts with a value of \$25,000 or more.

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

For purchases over \$50,000, bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. If a Request for Proposal is issued, the most advantageous proposal from a responsible and responsive proposer is selected taking into consideration price and no-price proposals. The City of Cambridge Purchasing Agent makes final determinations as to whether the Request for Proposals process may be utilized for a given purchase and selects the Invitation for Bid process rather than the RFP process whenever feasible. The City of Cambridge Purchasing Agent facilitates all Invitations for Bids and Requests for Proposals. While CPS staff members are involved in the preparation of specifications and in the review of submitted proposals, the process itself is not facilitated by Cambridge Public Schools Purchasing staff.

Procurement with State and National Contracts

In compliance with M.G.L. Ch. 30B, CPS program administrators may purchase from state or national contracts for goods. For more information on whether a national contract complies with M.G.L. Ch. 30B, please contact the CPS Purchasing Manager. Note that this only applies to the purchase of goods; state law does not permit the purchase of services through national contracts.

Noncompetitive Proposals (Sole Sourcing)

Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- The item is available only from a single source;

- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the district; or
- After solicitation of a number of sources, competition is determined inadequate.

Under M.G.L. Chapter 30B, a sole source procurement of any supply or service under \$50,000 is allowable when a reasonable investigation shows that there is only one practicable source for the required supply or service.

Sole source contracts in excess of \$50,000 are only allowable for the following purchases:

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

All sole source procurements must include a memo that details the basis for determining that there was only one practicable source for the purchase. The memo should be sent to the CPS Purchasing Manager, to be reviewed by the city’s Purchasing Agent and, if approved, to be attached to the contract/purchase order. The CPS Purchasing Manager will ensure each sole source contract is approved and properly documented.

C. Purchasing Cards

The City of Cambridge does not allow Purchasing cards except in rare circumstances to specific senior staff by exception. In these rare instances, Purchasing cards are tied to general fund accounts. Purchasing cards are not used for expenditure of federal grant funds.

D. Full and Open Competition

All procurement transactions must be conducted in a manner providing full and open competition consistent with 2 C.F.R §200.319. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

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

EDGAR further requires the following to ensure adequate competition.

Geographical Preferences Prohibited

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

Prequalified Lists

The district must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the district must not preclude potential bidders from qualifying during the solicitation period.

Solicitation Language

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

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

E. Federal Procurement System Standards

Avoiding Acquisition of Unnecessary or Duplicative Items

The district must avoid the acquisition of unnecessary or duplicative items. Additionally, consideration is given to consolidating or breaking out procurements to obtain a more economical purchase. And, where appropriate, an analysis must be made of leases versus purchase alternatives, and another other appropriate analysis to determine the most economical approach. These considerations are given as part of the process to determine the allowability of each purchase made with federal funds.

Use of Intergovernmental Agreements

To foster greater economy and efficiency, the district enters into state and local intergovernmental agreements where appropriate for procurement or use of common or shared goods and services.

Use of Federal Excess and Surplus Property

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

The district may not subcontract with or award subgrants to any person or company who is debarred or suspended. 2 C.F.R. Part 200, Appendix II (1) and 2 C.F.R. §§ 180.220 and 180.300. For all contracts over \$10,000 the district verifies that the vendor with whom the district intends to do business is not excluded or disqualified by requiring vendors to sign an affidavit. A copy of the affidavit is attached in Appendix B.

Maintenance of Procurement Records

The district must maintain records sufficient to detail the history of all procurements. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price (including a cost or price analysis), and verification that the contractor is not suspended or debarred.

Time and Materials Contracts

The district may use a time and materials type contract only (1) after a determination that no other contract is suitable; and (2) if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and materials type contract means a contract whose cost to the district is the sum of: the actual costs of materials, and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the district must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

Settlements of Issues Arising Out of Procurements

The city/district alone is responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the district of any contractual responsibilities under its contracts. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

Protest Procedures to Resolve Dispute

The City of Cambridge maintains protest procedures to handle and resolve disputes relating to procurements and, in all instances, discloses information regarding the protest to the awarding

agency. Contract disputes arise from a belief the procurement process was not conducted properly. A vendor has three options to seek a remedy:

1. Contact the local jurisdiction;
2. Contact the state agency in charge of enforcing the law (i.e. Inspector General's Office for Chapter 30B contracts); and/or
3. Superior Court.

If a vendor contacts the district with a complaint regarding the procurement or award of contract, the complaint should be forwarded to the CPS Purchasing Manager, who will work with the city's Purchasing Agent to determine the most appropriate next steps towards assessment and resolution of the complaint.

F. Conflict of Interest Requirements

Standards of Conduct

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

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

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

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

The Massachusetts State Ethics Commission interprets the conflict of interest law and publishes advisories. The Ethics Commission interprets substantial value to mean anything with a value of \$50 or more. Gifts less than \$50 that may have an appearance of a conflict of interest should be disclosed. Disclosures should be made in writing and given to their appointing authority.

Massachusetts defines "immediate family" as spouse, parent, brother, sister, child or a spouse of your parent, brother, sister, or child. The financial disclosure law which, like the conflict of interest law, is interpreted and enforced civilly by the State Ethics Commission. Chapter 268B,

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

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

Organizational Conflicts

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

Disciplinary Actions

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

Mandatory Disclosure

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

G. Contract Administration

The district maintains oversights to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Contract management is a shared responsibility between the department/grant Administrator procuring the goods/services and Purchasing department staff. In coordination with each other, they:

1. Communicate with the vendor;
2. Evaluate the qualifications of contract personnel for compliance with contract requirements;
3. Determine acceptability of reports and deliverables produced by the contractor;
4. Approve or reject contractor payment requests; and
5. Ensure any contract amendments are in writing and fully approved by all signatories.

The Purchasing Department maintains all contract files.

V. Property Management Systems

A. Property Classifications

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

Supplies means 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 the district for financial statement purposes or \$5,000, regardless of the length of its useful life. 2 C.F.R. §200.94.

Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information. 2 C.F.R. §200.20.

Capital assets means 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.

B. Inventory Procedure

Inventory is maintained on all Equipment (as defined above) purchased with federal grant funds. Computing devices with a per unit value of less than \$5,000 are considered supplies and shall not be treated as equipment.

C. Inventory Records

For each equipment and computing device (of a value over \$5,000) purchased with federal funds, the following information is maintained by the grant Administrator in a spreadsheet:

- Date of purchase;
- Cost of purchase;
- Purchase order number;
- Serial number or other identification number;
- Source of funding;
- Any ultimate disposition data including the date of disposal and sale price of the property.

For property, the following additional information will be retained:

- Who holds title (if applicable);
- 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.

On an annual basis, the grant Administrator will review the inventory list and note changes. Changes to the inventory based on property being sold, lost, stolen or broken will be noted. If the item was stolen, a copy of the police report should be included in the file. The updated inventory spreadsheet should be printed annually and filed with other grant documentation, and a copy should be furnished to the Budget/Financial Operations office.

D. Physical Inventory

A physical inventory of any property must be taken and the results reconciled with the property records at least once every two years.

E. Maintenance

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

F. Lost or Stolen Items

The district ensures adequate safeguards are in place to prevent loss, damage, or theft of the property. Employees issued computer devices are responsible for abiding by the Acceptable Use Policy (AUP).

G. Use of Equipment

Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the federal award, and the district will not encumber the property without prior approval of the federal awarding agency and the pass-through entity.

During the time equipment is used on the project or program for which it was acquired, the equipment will also be made available for use on other projects or programs currently or previously supported by the federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by the federal awarding agency that financed the equipment. Second preference is given to programs or projects under federal

awards from other federal awarding agencies. Use for non-federally funded programs or projects is also permissible.

When no longer needed for the original program or project, the equipment may be used in other activities supported by the federal awarding agency, in the following order of priority: (1) activities under a federal award from the federal awarding agency which funded the original program or project; then (2) activities under federal awards from other federal awarding agencies.

H. Disposal of Equipment

When it is determined that original or replacement equipment acquired under a federal award is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, the grant Administrator will contact the awarding agency (or pass-through for a state-administered grant) for disposition instructions. Generally, disposition of equipment is dependent on its fair market value (FMV) at the time of disposition. If the item has a current FMV of \$5,000 or less, it may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency. If the item has a current FMV of more than \$5,000, the federal awarding agency is entitled to the federal share of the current market value or sales proceeds. If acquiring replacement equipment, the district may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property. Disposition of Surplus Property is governed by Massachusetts General Law Chapter 30b and is facilitated by the CPS Purchasing Manager.

VI. **Written Compensation Policies**

A. Time and Effort

Time and Effort Standards

All employees who are paid in full or in part with federal funds must keep specific documents to demonstrate the amount of time they spent on grant activities. This includes an employee whose salary is paid with state or local funds but is used to meet a required “match” in a federal program. These documents, known as time and effort records, are maintained in order to charge the costs of personnel compensation to federal grants.

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into official records;
- Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;
- Encompass both federally assisted and all other activities compensated by the district on an integrated basis;

- Comply with the established accounting policies and practices of the district and
- Support the distribution of the employee's salary or wages among specific activities or costs objectives.

Time and Effort Procedures

The portion of federally-paid salary should reflect the time and effort the individual has put forth for that federal program. Effort is the amount of work or portion of time spent, including summer and after school hours, expressed as a percentage of total time, on all activities performed within the scope of an individual's appointment or employment. When a project budget includes funding support for faculty, staff, and students, each individual's percentage of effort must be in accordance with the percentage of his/her salary being allocated to the project. Grant Administrators facilitate certification of this effort for employees charged to their projects as follows:

- Semi-Annual Certifications: required for personnel whose compensation is funded solely from a federal grant and document that an individual has been working solely in activities supported by the grant.
- Monthly Certifications: required for personnel whose time is charged in part to a federal grant and in part to other revenue sources (split-funded staff) and document the portions of time and effort, expressed as a percentage, dedicated to the grant and other revenue sources.
- Stipend Certifications: required for personnel who have received a Stipend for activities performed and the Stipend was paid from a federal grant.

Certifications are to be signed by the employee completing the work as well as an immediate supervisor having firsthand knowledge of the work performed by the employee. Once signed, the certifications are reviewed by the grant Administrator and maintained in his/her grant files.

Reconciliation and Closeout Procedures

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

Grant Administrators are responsible for notifying the Budget office without delay if an employee supported by federal funds is changing work roles or is otherwise not anticipated to fulfill work activity that corresponds with the percentage budgeted through federal funds. Staff may only be charged to a federal grant in an amount that equals or is lower to the amount of time spent on federal funds.

Employee Exits

Grant Administrators shall contact any federal grant funded staff who are exiting the district during the school year and make arrangements for them to sign final certification forms for time and effort before the staff member exits the district. Grant Administrators shall follow up with

former staff as necessary to ensure all final certification forms are submitted to the Budget office for the grant files.

B. Human Resources Policies

District policies ensure that personnel compensation costs are spent in accordance with written policies, procedures, and agreements. Refer to School Committee policy, collective bargaining unit contracts, and the personnel handbook for more information. Unless authorized by the School Committee and the grantor, the Cambridge Public Schools will not use federal funds for relocation or severance pay.

The allowability of various types of personnel compensation costs is dependent on whether they are spent in accordance with written policies and procedures. For example, the cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as annual leave, sick leave, or holidays, is allowable if, among other criteria, the costs are provided under established written leave policies. Therefore, it is important the district maintain human resource policies which at least cover (1) how employees are hired (2 CFR §200.430(a)(2)); (2) the extent to which employees may provide professional services outside the district (2 CFR §200.430(c)); (3) the provision of fringe benefits, including leave and insurance, (2 CFR §200.431)); (4) the use of recruiting expenses to attract personnel (2 CFR §200.463(b)); and (5) reimbursement for relocations costs. 2 CFR §200.464.

The Public Schools employee handbook can be found on the website at:

http://www.cpsd.us/UserFiles/Servers/Server_3042785/File/Migration/CPS_Employee_Handbook.pdf

VII. **Record Keeping**

A. Record Retention

The district maintains all records that fully show (1) the amount of funds under the grant or subgrant; (2) how the subgrantee uses those funds; (3) the total cost of each project; (4) the share of the total cost of each project provided from other sources; (5) other records to facilitate an effective audit; and (6) other records to show compliance with federal program requirements. 34 C.F.R. §§ 76.730-.731 and §§ 75.730-.731. The district also maintains records of significant project experiences and results. 34 C.F.R. § 75.732. These records and accounts must be retained and made available for programmatic or financial audit.

The U.S. Department of Education is authorized to recover any federal funds misspent within 5 years before the receipt of a program determination letter. 34 C.F.R. § 81.31(c). Consequently, the district retain records for a minimum of five (5) years from the date on which the final Financial Status Report is submitted, unless otherwise notified in writing to extend the retention period by the awarding agency, cognizant agency for audit, oversight agency for audit, or cognizant agency for indirect costs. However, if any litigation, claim, or audit is started before

the expiration of the record retention period, the records will be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. 2 C.F.R. § 200.333.

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

B. Collection and Transmission of Records

Most records may be maintained in either paper or electronic form, based on the current practices in the district. Electronic storage will provide an easier means to share documents upon request i.e. auditors, records inquires, etc. In either case, care must be taken to ensure the materials chosen to create the record will last through the records retention period.

C. Access to Records

The district provides the awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives the right of access to any documents, papers, or other records of the district which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the district's personnel for the purpose of interview and discussion related to such documents.

D. Privacy

The Family Educational Rights and Privacy Act (FERPA) affords parents and students who are 18 years of age or older ("eligible students") certain rights with respect to the student's education records. Cambridge Public Schools protects personal information of both students and employees through regular training and updated policies and procedures.

The Cambridge Public Schools Acceptable Use Policy may be found at the link below: http://www.cpsd.us/UserFiles/Servers/Server_3042785/File/Migration/AcceptableUsePolicy.pdf?rev=0

VIII. Subrecipient Monitoring

In the event that the district awards subgrants to other entities, it is responsible for monitoring those grant subrecipients to ensure compliance with federal, state, and local laws. Monitoring is the regular and systematic examination of all aspects associated with the administration and implementation of a program. Each program office that awards a subgrant must have its own monitoring policy. This policy must ensure that any monitoring findings are corrected.

IX. Legal Authorities and 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.

Education Department General Administrative Regulations (EDGAR)

- <http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>

Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 200)

- <http://www.ecfr.gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&node=pt2.1.200&rgn=div5>

USDE's Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 3474)

- http://www.ecfr.gov/cgi-bin/text-idx?SID=ccccf77e01c9e6d4b3a377815f411704&tpl=/ecfrbrowse/Title02/2cfr3474_main_02.tpl

Federal program statutes, regulations, and guidance

- <http://www.ed.gov/>

State regulations, rules, and policies

- Massachusetts Department of Elementary and Secondary Education, Grants Manual: <http://www.doe.mass.edu/grants/procedure/manual.html>
- Massachusetts Department of Early Education and Care Grants: <http://www.mass.gov/edu/birth-grade-12/early-education-and-care/financial-assistance/funding-opportunities/forms-for-grant-recipients/>
- Massachusetts Municipal Records Retention Schedule: http://www.sec.state.ma.us/arc/arcpdf/MA_Municipal_Records_Retention_Manual.pdf
- Massachusetts Inspector General's Office, Chapter 30B Procurement: <http://www.mass.gov/ig/procurement-assistance/>

District regulations, rules, and policies

- CPS Staff Resources: <http://www.cpsd.us/cms/One.aspx?portalId=3042869&pageId=3510390>
- Cambridge Public Schools, Financial Forms and Procedures: <http://www.cpsd.us/cms/One.aspx?portalId=3042869&pageId=3462359>

Appendix A - Grant Budget Structure Template

To: **(Administrator)**

Date: **XX/XX/20XX**

Amended:

From: **Financial Operations Office**

Each Budget line item in your approved grant coincides with a budget code listed below which has been established in the School Department Financial System. Compare the budget items listed in the approved grant proposal to these budget codes. If there are any questions, contact the Financial Operations Office (x6447). The correct budget codes must be used on all requisitions, service agreements, vouchers, P101s and P102s to ensure that the grant expenditures are properly charged. Please share this budget structure with other individuals who are involved with this grant.

Budget Account Structure

Grant Title: **(Grant Name)**

Grant Sponsor: **(e.g. US DOE via State)**

Grant Period: **XX/XX/XX - XX/XX/XX**

Award Identification #: **XXXXXXXX**

Project/Grant Number: **SCXXXXXX**

CFDA # (Federal Awards): **XXXXXXXX**

Internal Budget Codes Acct - Fund - Dept - Proj/Grant	State Line Item	Description	Original Budget Amount	Adjustments Budget Amendment	Adjusted Budget Amount	Comments Notes
					-	
					-	
					-	
					-	
					-	
					-	
		Totals	-	-	-	

**Americans with Disabilities Act (42 U.S.C. 12131)
Section 504 of the Rehabilitation Act of 1973
Tax Compliance/Anti-Collusion Statement
Debarment Statement**

The Americans with Disabilities Act (the "Act") applies to all employers of fifteen or more employees. All vendors that are subject to the Act must comply with its provisions. In further compliance with the Act, all Contractors who enter into contracts with the City are prohibited from discrimination against the City's employees, regardless of the size of the Contractor.

The Act protects against discrimination on the basis of "disability", which is defined as a physical or mental impairment that substantially limits at least one "major life activity"; discrimination against a person having a history or record of such impairment; and discrimination against an individual regarded - even if inaccurately - as having such an impairment. The Act also expressly prohibits discrimination that is based on an individual's relationship or association with a disabled person.

The Contractor shall not discriminate against any qualified employee or job applicant with a disability and will make the activities, programs and services covered by any contract awarded through this procurement readily accessible to and usable by individuals with disabilities. To be qualified for a job, or to avail oneself of the Contractor's services, the individual with the disability must meet the essential eligibility requirements for receipt of the Contractor's services or participation in the Contractor's programs or activities with or without: 1) reasonable modifications to the Contractor's rules, policies and practices; 2) removal of architectural, communication, or transportation barriers; or, 3) provisions of auxiliary aids and services.

By submitting its contract, the Contractor certifies to the City of Cambridge that it understands and will comply with all applicable provisions of the Act, including compliance with applicable provisions of Section 504 of the Rehabilitation Act of 1973, if the Contractor is receiving federal funds.

The undersigned certifies under penalties of perjury that this contract has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the "person" shall mean any natural person, business, partnership, corporation, union, committee, club, or other organization, entity, or group of individuals

As required by M.G.L. c. 62C, §49A, the undersigned certifies under the penalties of perjury that the Contractor has complied with all laws of the commonwealth relating to taxes, reporting of employees and contractors, and withholding and remitting child support.

The undersigned certifies that it is not currently subject to any State or Federal debarment order.

Date: _____

(Print Name of person signing bid)

(Signature & Title)