



*EarlyLearn NYC*

**Fiscal Manual**

**ACS Division of Financial Services**



Version 2

Effective Date: FY 2016

Issue Date: 4/14/2016

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## **I. INTRODUCTION**

## **INTRODUCTION**

The EarlyLearn Fiscal Manual for the City of New York Administration for Children’s Services (ACS) is a set of policies and procedures which must be adhered to by ACS contractors, Board Members, management and financial staff in the areas of Bookkeeping, Reporting, Budgeting, Cost Allocating, Payment, Audit and Accounting. The objective of the Fiscal Manual is to foster documentation of internal controls by EarlyLearn contractors and to ensure compliance with all applicable Federal, State and City regulations. All City expenditures must comply with applicable law, including the Charter of the City of New York (Charter), the rules and regulations of the Procurement Policy Board (PPB) and the Comptroller’s Directives. All Agency transactions are subject to audit by the Office of the Comptroller.

The Federal Office of Management and Budget (OMB) streamlined the OMB Circulars on Administrative Requirements, Cost Principles, and Audit Requirements for all Federal awards into one document, referred to as Uniform Guidance or the Super Circular. The Super Circular combines eight previous OMB Circulars into comprehensive guidance for all EarlyLearn contractors which is codified at 2 Code of Federal Regulations (CFR), Part 200. These previous Circulars include A-122 and A-133 which are the foundation of EarlyLearn (EL) regulations.

Also included in the Uniform Guidance are the Health and Human Services-specific (HHS) amendments in 45 CFR Part §75 and Subparts A – F for HHS awards. These amendments give regulatory effect to the OMB Uniform Guidance, superseding regulations at 45 CFR Parts §74 and §92. Head Start grantees are regulated by 45 CFR Part §75.

The Fiscal Manual applies to all organizations under EarlyLearn contracts with the City of New York ACS. Where specific requirements pertain to Head Start Agencies, i.e., those agencies receiving Head Start funds and operating Head Start programs, these requirements are defined under a Head Start caption. The same methodology applies to agencies funded for Child Care (CC) or Universal Pre-Kindergarten (UPK). Where there is no specific definition in the caption, the requirement governs EarlyLearn contracts in general.



## **II. ACCOUNTING OPERATIONS**

All EarlyLearn contractors must:

- Adhere to all applicable City, State and Federal statutes, regulations, and policies; and
- Compile a written financial policy.

#### **A      GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

All Agencies are to adhere to Generally Accepted Accounting Principles (GAAP) for Nonprofit Organizations as set by Financial Accounting Standards Board (FASB). The GAAP are uniform minimum standards of and guidelines to financial accounting and reporting. Agencies should follow FASB announcements in order to ensure their accounting systems are up to date with new GAAP requirements Accounting records must be established and maintained in accordance with GAAP. It is essential that the organization maintains accurate, complete and permanent financial records available for inspection by ACS.

#### **B      ACCRUAL ACCOUNTING FOR EARLYLEARN**

An entity's accounting basis determines when transactions and economic events are reflected in its financial statements. All Agencies must follow the accrual basis of accounting. Under the accrual basis of accounting, a system records financial transactions when they occur, irrespective of when actual cash is received or paid.

#### **C      FUND ACCOUNTING**

Fund accounting is the tracking and reporting of the segregated accounts in the form of "funds" to track projects and programs. Agencies must establish and maintain one or more separate accounts (fund) for every funding source they obtain from ACS and other funding sources and shall maintain records to track and clearly identify the funds obliged through each contract with ACS. These funds must be treated as separate entities with their own general ledger and must provide individual income statements and balance sheet reports. They must then report in total for the entire organization.

There are five categories of funding used by ACS as funding sources: Child Care Block Grant (CCBG), Community Development Block Grant (CDBG), Head Start Grant (HS), Universal Pre-Kindergarten Grant (UPK) and City Tax Levy CTL). See Section V. FUNDING SOURCES FOR EARLYLEARN PROGRAMS.

#### **D      ACCOUNTING CALENDAR**

The accounting calendar is a schedule of anticipated dates for financial activities throughout the month. It is important that Agencies establish these dates and adhere to them in order to ensure for adequate financial controls. The accounting calendar will have transaction due dates for department deposits, journal entries, payments, and billing transactions. The importance of these dates is to provide for a monthly close on a timely basis in order to produce a trial balance which will support the financial statements. Since the board has a fiduciary responsibility, there will be dates in place to produce both monthly and year to date actual reports based on these closing

dates. All Head Start Agencies should close their books monthly since Head Start requires monthly reporting.

## **E CHART OF ACCOUNTS**

A chart of account is a listing of all the accounts that make up the accounting system. These accounts provide the framework for recording every transaction in the organization. EarlyLearn contractors must have an established chart of account that lists the account in the following order: Assets, Liabilities, Net Assets, Revenue and Expenses. A good format to follow is the United Chart of Accounts (UCOA) which is designed to provide framework that matches the reporting needs of the IRS and the filing of the Form 990.

## **F GENERAL LEDGER**

The General Ledger (GL) is the core of the Agency's financial records and contains all of the financial accounts as well as off-setting debit and credit accounts (including control accounts). Every transaction must be recorded in the GL and become part of the history of all financial transactions.

The GL will produce financial reports and financial statements which include:

- Statement of Position;
- Statement of Activities; and
- Statement of Cash Flow

EarlyLearn contractors receiving Head Start funds must maintain a separate GL for each funding source or have the ability to run GL reports at the individual funding level. Beginning February 1, 2016 ACS will institute a requirement for all Head Start Agencies to provide an explanation, additional supporting schedules and/or reconciliation documents that match the submitted ACS-HS-01 Reports. This report captures a monthly summary of Head Start expenses for each Agency, including Non-Federal Share, CACFP and any applicable indirect cost rate.

## **G CASH TRANSACTIONS**

Some activities of organizations may be most easily handled with cash. Sometimes this may result in large amounts of cash being handled at one time. Some simple procedures can limit the possibility of theft or any accusations of theft:

- Have cash counted and recorded as soon as possible from the time they were received.
- Always ensure there are at least two (2) people present when cash is being handled.
- Once cash has been counted, lock it up in a location that can only be accessed by authorized individuals.
- Make bank deposits regularly to avoid having significant amounts of cash on hand.
- In cases where cash is being distributed, request receipts or have the individuals receiving the cash sign a form stating they have received it.

### **501 (C) (3) Tax Exempt Certificate**

Upon approval by the IRS of the Application for Recognition of Tax Exemption, non-profit organizations are granted tax exempt status. This certificate exempts qualifying non-profit organizations from payment of sales tax on purchases. It is the responsibility of the Agency to have this certificate available.

## **H BANK ACCOUNTS FOR EARLYLEARN CONTRACTORS**

EarlyLearn contractors must establish and maintain bank accounts in a New York Charter Bank located in New York City and/or a bank authorized to do business in New York State which must be used solely in connection with funds received from ACS. Each EL agency should establish one bank account to receive all ACS payments. A waiver of this requirement can be requested in writing to the respective ACS Budget Analyst and the waiver must be approved by the ACS Associate Commissioner of Finance. If approved, the Agency may use a general bank account or a set of accounts for deposits and disbursements.

EL contractors must notify ACS of the names, locations and account numbers of all bank accounts in which any funds are maintained, or any change in the names, locations, or account numbers of such accounts within five (5) days of such establishment or change. The respective banks must have branches located in New York City unless otherwise approved by ACS Financial Services.

EL contractors must notify ACS Financial Services of the names, titles, and business addresses of those persons authorized to receive, handle or disburse monies under ACS contracts, including the names and addresses of companies where such persons are not employees of the Agencies. Such notification must be in writing and furnished to the ACS Finance within five (5) days from the execution of the contract, and within five (5) days of subsequent change or substitution of authorized signatories.

### **Bank Reconciliation**

Bank reconciliation of all accounts must be prepared on a monthly basis, reviewed by the appropriate staff and kept on file for examination by ACS, when requested.

## **I CHECKS AND SIGNING AUTHORITY FOR EARLYLEARN CONTRACTORS**

Checks provide an easy paper trail for EL Contractors. In order to reduce the risk of forgery, all blank checks should be kept in a secure location. ACS requires all Agencies to develop policies and procedures which identify persons authorized to write and approve checks, including the names of at least two (2) authorized signers. All rules with regard to checks should be followed for accounting and bank transactions. Signature stamps must not be used on checks.

## **J CREDIT/DEBIT CARD FOR EARLYLEARN CONTRACTORS**

It is the responsibility of the Governing Board to determine if the Agency needs a credit card or debit card. Only authorized individuals can utilize the card. There must be written policies and

procedures which are implemented and updated. The card must only be used for official purposes related to the needs of the Agency and not used for personal matters or loaned/shared. The card must have a pre-set limit that may not be exceeded unless approved by an authorized officer. It cannot be used for purchases from any business in which a member of the agency has an interest. All credit card transactions must conform to accounting rules and Agencies must report all credit/debit card expenditures monthly to the Governing Board and Policy Council.

The Board must ensure that adequate guidelines are in place. The Board must be notified of major transactions which will require sufficient cash set aside for payments. All credit/debit card transactions must be supported by documentation. Credit cards are to be kept secure.

## **K PETTY CASH**

Petty cash is a small amount of cash available to an Agency to facilitate payment for small purchases that would not normally be handled by check. Petty cash must be managed in the same way as other assets of the Agency and is subject to the same regulations as expenses paid by check. It is the Agency's responsibility to set up policies for use of petty cash and to monitor transactions. The Agency can set a specified dollar limit; any transaction over the specified amount must be processed by check payment or a purchase order, and must not be taken from petty cash. All petty cash transactions should include the date, amount and a general description and must be reconciled to the general ledger monthly. The timing of replenishment will differ and will be dependent on the Agency's flow of business. The same regulations regarding cash transactions should be followed for petty cash with regard to security.

## **L TRAVEL COSTS FOR EARLYLEARN**

Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travelling on official business. All EarlyLearn contractors must follow travel policies and procedures to ensure that all travel costs are pre-authorized and documented. Head Start agencies should follow 45 CFR Part §75.474.

## **M JOURNAL ENTRIES**

EarlyLearn agencies must follow guidelines for developing internal policies and procedures for journal entries. Journals entries are also called books of original entry which are used to systematically record all accounting transactions before they are entered into the general ledger. Journals organize information chronologically and by transaction type (receipts, disbursements, other). There are three primary journals:

- The Cash Disbursement Journal is a chronological record of checks that are written, categorized using the chart of accounts;
- The Cash Receipts Journal is a chronological record of all deposits that are made, categorized using the chart of accounts; and

- The General Journal is a record of all transactions that do not pass through the checkbook, including non-cash transactions (such as accrual entries and depreciation) and corrections to previous journal entries.

There are also "subsidiary journals" which include:

- The Payroll Journal, which records all payroll-related transactions;
- The Accounts Payable Journal which tracks expenses related to purchases; and
- The Accounts Receivable Journal which tracks income

The process of transferring information from the journals to the general ledger is called posting. Accounting systems often require users to post all income and expense transactions through the Accounts Receivable and Payable Journals. Other automated systems allow users to post to Cash Disbursements or Receipts Journals but cannot produce detailed financial information from these journals.

## **N ALLOWABLE COST**

Allowability of costs shall be determined in accordance with the applicable cost principles. In general, EarlyLearn contractors must be guided by 2 CFR Part 200. However, All Head Start Agencies are governed by 45 CFR Part §75. EL agencies must follow guidelines in their financial policies and accounting procedures which indicate what costs are considered allowable and unallowable under the terms and conditions of the appropriate funding source; what and how direct and indirect costs are allocated; who approves of these costs; and what is the procurement method to obtain goods and services.

Costs considered allowable may be disallowed if they are not specifically defined in financial policies and written accounting procedures. When allowable costs have been articulated in financial policies, they should also be codified in the chart of account. The total cost is the sum of the allowable direct and allocable indirect costs, less any applicable credits. When a list of items which are considered allowable and unallowable has been established and allocated, an approval process should also be articulated regarding the purchase of goods and services. Set dollar thresholds and appropriate levels of approval should be defined before goods and services are purchased.

A procurement method should also be defined that outlines the various methods that can be used to purchase goods and services and the dollar threshold in which certain purchases would follow. All costs charged must meet the following requirements: (1) be approved by authorized personnel (director, supervisor, etc.); (2) determined as reasonable; (3) allocable to the program for which the grant was awarded; (4) permitted under the appropriate cost principles prescribed in 45 CFR §75.404 through §75.408 for Head Start and 200.474 for non-Head Start programs; (5) not restricted or prohibited by the terms and conditions of the grant; (6) be in accordance with generally accepted accounting principles (GAAP); (7) be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization; (8) not be

included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period; and (9) be accorded consistent treatment and adequately documented.

Listed below is a summary of basic considerations for each Agency's fiscal policy and written accounting procedures.

### **Reasonable Costs**

A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. The question of reasonableness is particularly important when the Agency is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

- i.** Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the Agency or the proper and efficient performance of the Federal award.
- ii.** The restraints or requirements imposed by such factors as: Sound business practices; arm's length bargaining; Federal, state local, tribal and other laws and regulations; and terms and conditions of the Federal award.
- iii.** Market prices for comparable goods or services for the geographic area.
- iv.** Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the Agency, its employees, where applicable its students or membership, the public at large and the Federal Government.
- v.** Whether the Agency significantly deviates from its established practices and policies regarding the incurrence of costs, which may justifiably increase the Federal award's cost.

### **Allocable Costs**

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- i.** Is incurred specifically for the Federal, City or State award.
- ii.** Benefits both the Federal award and other work of the Agency and can be distributed in proportions that may be approximated using reasonable methods; and
- iii.** Is necessary to the overall operation of the Agency and is assignable in part to the Federal award in accordance with the principles in this subpart.

### **Applicable Credits**

Applicable credits refer to those receipts or reduction-of-expenditure type transactions that offset or reduce expense items allocable to the award as direct or indirect (F&A) costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments of overpayments or erroneous charges. To the extent

that such credits accruing to or received by the Agency relate to allowable costs, they must be credited to the award either as a cost reduction or cash refunds, as appropriate.

In some instances, the amounts received from the Federal Government to finance activities or service operations of the Agency should be treated as applicable credits. Specifically, the concept of netting such credit items (including any amounts used to meet cost sharing or matching requirements) must be recognized in determining the rates or amounts to be charged to the Federal award. (See §§75.436 and 75.468 for areas of potential application in the matter of Federal financing activities).

### **Prior Written Approval**

Under any given award, the reasonableness and allocability of certain items of cost may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, the Agency may seek the prior written approval for indirect costs from ACS in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described under certain circumstances.

## **O LIMITATION ON ALLOWANCE OF COSTS**

The Head Start grant may be subject to statutory requirements that limit the allowability of costs. When the maximum amount allowable under a limitation is less than the total amount determined in accordance with the principles, the unrecoverable amount under the grant may not be charged to the grant.

## **P DISALLOWED COSTS**

Any cost found by ACS to be improperly incurred by the Agency shall not be subject to reimbursement.

### **Common Reasons for Disallowing Costs:**

- Lack of documentation.
- Credit not handled correctly.
- Non-compliance with procurement requirements.
- Improper dispersal of Cost of Living Adjustments (COLA).
- Claiming a cost as both direct and indirect.
- Charging a federal grant differently than other funds.
- Written cost allocation plan and/or indirect/direct plan not updated or on file.
- Cost not allocated or allocated properly.
- Year-end spending issues.
- No formal system for recording obligations.

## **Q FINANCIAL MANAGEMENT SYSTEMS**

The financial management system of each Agency must provide for the following:

1. Identification, in its accounts, of all City, State and Federal grants received and expended and the programs under which they were received. All Federal award identification must include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, Federal Award Identification Number (FAIN) and year, name of the HHS awarding agency and name of pass-through entity, if any.
2. Accurate, current and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements. If an HHS awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.
3. Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.
4. Effective control over, and accountability for, all funds, property and other assets. The Agency must adequately safeguard all assets and assure that they are used solely for authorized purposes.
5. Comparison expenditures with budget amounts for each Federal award;
6. Written procedures to implement payment requirements;
7. Written procedures for determining the allowability of costs in accordance with Subpart E [Cost Principles] and the terms and conditions of the grant.

## **R HEAD START REPORTING REQUIREMENTS**

All HS Agencies must establish and maintain efficient and effective reporting systems that generate official reports for Federal, State, and local authorities, as required by applicable law.

**HS Act: 642(d) (2) (A)-(1)** - Each Agency must ensure the sharing of accurate and regular information for use by the Governing Body and the Policy Council about program planning, policies, and Agency operations.

**HS Act: 642(c) (1) (E)-(iv)(IV)** - The Governing Body is responsible for establishing procedures and guidelines for accessing and collecting information in reports received by the Governing Body/Policy Council. Listed below are the required monthly, quarterly and annual reports for Head Start:

*Monthly:* SEC.642 (d) (2) (A)-(D)

- Monthly financial statements, including credit card expenditures
- Monthly variance reports showing budget versus actual
- Monthly program information summaries
- Program enrollment reports, including attendance reports for children whose care is partially subsidized by another public agency
- Monthly reports of meals and snacks provided through USDA programs

*Quarterly:*

- IRS 941 1304.51(H)(2)

*Annually:* SEC.642 (d) (2) (E)-(G) (1)

- The financial audit
- The annual self-assessment, including any findings related to such assessment
- The community-wide strategic planning and needs assessment of the Head Start Agency, including any applicable updates
- The program information reports

Reporting to HHS Agencies and the IRS

*Annually:*

- Single Audit
- Compliance Supplement; HS Act Sec. 647(c)(2)
- Annual Report to the Public HS Act Sec. 644(a)(2)(A)-(H)
- IRS 5500 1304.51(h)(2)
- IRS 990 (for non-profits) 1304.51(h)(2)

## **S ACS-HS-01 REPORTING TEMPLATE**

The ACS-HS-01 Reporting Template captures cumulative expense reporting by Head Start Agencies. This is a new reporting requirement for Agencies to compile monthly expenses for ACS to review for Grant Reporting on the SF-425. Agencies can also use this template to generate reports for Governing Boards. The data is reported in six sections:

- Section One - Summarizes Head Start expenses at the Delegate level and also allows a line for Delegates using an approved Indirect Cost Rate
- Section Two - Non-Federal Share for UPK/Other
- Section Three - Total of Section One + Section Two
- Section Four - Summarizes administrative expenses by Head Start funds and NFS and calculates the overall Administrative percentage
- Section Five - CACFP expenses
- Credit Cards

This new report is consistent, simple and encompasses compilation of information to submit to ACS for Grant Reporting which encompasses:

- Head Start expenses
- Non-Federal Share
- Administrative 15%
- CACFP

The first report requested from Agencies captured data for PY02. This report is due six weeks after the end of each 6-month period on:

- September 15<sup>th</sup> for the period February 1<sup>st</sup> to July 31<sup>st</sup>
- March 15<sup>th</sup> for the period August 1<sup>st</sup> to January 31<sup>st</sup>

## **T RECONCILIATION**

According to the ACS EarlyLearn contract:

On a monthly, quarterly and/or at least on an annual basis, the Department shall reconcile the amounts paid to the Contractor (based on the Daily Rates and any other applicable payments such as start-up funds, facility rate add-on, advance payments and additional payments) with the allowable expenses incurred by the Contractor, as stated on the Monthly Expense Reports, and the total amount not to exceed to determine whether the Department recoups funds overpaid to the Contractor, funds not spent or misspent by the Contractor or if the Contractor has been underpaid. The reconciliations, whether performed monthly, quarterly and/or annually shall be completed in accordance with the requirements of the EL Fiscal Manual.

A reconciliation may result in: (1) a surplus of funds which must be reinvested by the contractor into the program in the City fiscal year in which the surplus is incurred and must be spent on allowable expenses in accordance with the Fiscal Manual; (2) recoupment of funds by the Department due to overpayment by the Department or funds paid to the Contractor but not spent or misspent, shall be recouped by the Department in accordance with the Fiscal Manual; or (3) evidence of an underpayment by the Department which shall be paid to the Contractor in accordance with the EL Fiscal Manual.

All Head Start funds must be obligated and spent within the Head Start Grant program year in which the funds are received and must be invoiced within ninety (90) days after the end of the same Head Start Grant program year.

This Agreement shall not obligate ACS DFS beyond the dollar amount designated as the maximum contract amount in the absence of a duly executed written contract amendment registered pursuant to section 328 of the New York City Charter.

**Section 4.07 Recoupment of Disallowances, Improperly Incurred Costs and Overpayments.**

The Department may, at its option, either require the Contractor to reimburse the Department or withhold for the purposes of set-off, any monies due to Contractor under this Agreement up to the amount of any disallowance or improperly incurred costs resulting from any audits of Contractor, and/or the amount of any overpayment to Contractor with regard to this Agreement or to any other agreement between the parties hereto, including any agreement(s) that commenced prior to the commencement date of this Agreement. Prior to the imposition of withholding for the purposes of set-off, the Department will provide the Contractor with an opportunity to be heard upon at least (10) days prior written notice.

**Section 4.07 Failure to Spend Funds.**

In the event that Contractor fails to spend funds for any part of the Budget within the time indicated therein (i.e. the fiscal year unless otherwise indicated) or at the level of expenditures indicated therein, the Department reserves the right, in its discretion, to recoup any funds advanced and not spent. If Contractor fails to spend funds in the Budget, the Department reserves the discretion to reduce the Budget going forward to account for the expected future level of expenditures.



### **III. EARLY CARE AND EDUCATION**

## **Early Care and Education (ECE) Program Description**

### **A CHILD CARE**

Child Care subsidized services are funded by several Federal, State and local resources. Each funding stream has eligibility requirements for the differing types of care. ACS is the recipient of the New York City allocation of the Federal Child Care Development Block Grant, and governs the eligibility requirements for subsidized child care.

Eligible children are between six (6) weeks and thirteen (13) years of age (18 years if the child has a documented special need). Contracted center-based care is for children between the ages of 6 weeks and up to four (4) years of age (kindergarten eligible). Contracted Family Child Care is for children between the ages of six (6) weeks and up to four (4) years of age (UPK eligibility).

#### **Child Care Centers**

EarlyLearn Child Care programs are offered in two types of settings:

- Center-based care is available for children from six-weeks through four-years-old; and
- Home-based care is available for children from six-weeks through four-years-old through Family Child Care Networks (FCCN).

Pre-kindergarten is offered to all four year olds in partnership with the NYC Department of Education and services are available for up to ten hours a day. Financial eligibility is determined by a family's gross income, with consideration of family size.

### **B UNIVERSAL PRE-KINDERGARTEN (UPK)**

Universal Pre-Kindergarten is a free educational program available through the Department of Education. A child is eligible for UPK if he or she resides in New York City, and will be 4 years old by December 31st of the school year. Programs are offered as either half day or full day in local elementary schools and community-based sites. Funding is integrated into the EarlyLearn NYC contract and many ACS-funded Child Care centers include Universal Pre-Kindergarten, funded at half day. To support full day expansion starting City Fiscal Year 2015, ACS provided additional UPK funding known as "Enhancement" to the base EarlyLearn contract funds. Please refer to presentations from August 24, 2015 and October 1, 2014 along with FAQ on EarlyLearn website for further guidance.

### **C HEADSTART**

In order to be eligible for Head Start services, a child shall be either 3 or 4 years of age and shall meet one or more of the following criteria:

- Family income below 100% of Federal Poverty Level (FPL);
- Receiving Temporary Assistance for Needy Families (TANF) or Social Security Income (SSI);
- Homeless (as defined by the McKinney-Vento Act); and
- The child is in foster care.

In addition to families meeting one of the above listed eligibility criteria, programs with Head Start funding may serve families with incomes **above** 100% of FPL, up to maximum of 10% of their funded enrollment. Each program is allowed to serve 10% of their program's enrollment above the poverty level, as per Head Start Performance Standard § 1305.4.

After priority is given to those meeting the above criteria, and in addition to the 10% over-income, programs with Head Start funding may also serve a limited number of families with incomes between 100% and 130% of FPL (up to a maximum of 35%). Head Start enrollment should include 10% of children with disabilities.

## **D DUAL PROGRAMS**

Dual programs serve children who are eligible for Child Care and Head Start services. In order to be eligible for a dual slot, a child must meet the Head Start age and income requirements:

- Children must be pre-school age (3 years or 4 years);
- Family income below 100% of FPL; and
- Recipient of cash assistance through TANF.



#### **IV. NON-FEDERAL SHARE AND CONTRACTOR CONTRIBUTION**

## **A HEAD START NON-FEDERAL SHARE**

Head Start is a federally funded and community-supported program. The federal government awards community organizations 80 percent of the cost of the program and expects the agency to fund 20 percent from cash or in-kind donations. Federal regulations guide all grant expenses, including non-federal share match. Costs must be reasonable, necessary, allowable, and allocable and meet the cost principles. Non-federal Share is calculated at 20 percent of the total grantee budget (federal funds plus non-federal share), which is the same as 25 percent of the federal funds.

### **Budget**

The Head Start grant application submitted by ACS must include proposed budgets for the federal and non-federal funds.

### **Cash Match**

State or local funds and private or corporate donations may be used as match, but only when expended. Federal funds can't be used (exceptions include PL 638 Indian Self Determination Act, Indian Child Welfare Act, and Community Development Block Grant [CDBG] funds used with Head Start funds for eligible activities). UPK funded services are eligible for Non-Federal Share.

### **Documenting the Match**

- All contributions must benefit the program and be allowable under the cost principles.
- All contributions must be verifiable from the delegate's records, including the source and application of cash match, services received, and donations of supplies and equipment.
- Volunteer time must include the establishment of a wage scale based upon the Agency's internal scale or prevailing wages in the area and be documented via time sheets (See ACS Wage Comparability Study).
- Supplies and/or equipment should include a copy of a receipt issued to the donor with a description of the item, an estimate of the current fair-market value, the date received, and signatures of the donor and the recipient.
- Cash is only recognized as a match when the funds are expended on allowable purchases.

#### **i. Valuing Loaned Equipment and Space**

Loaned equipment and space must be valued at the current fair market value rental rate. Space donations must be verified by a certified appraiser.

**Note:** City leased or owned, NYCHA and DOE sites, as well as fully depreciated sites owned by Agencies, cannot be included as donated space for Non-Federal Share.

#### **ii. Valuing Donated Equipment, Land or Buildings**

Donated equipment valued at market rate at time of donation. (For Head Start programs operated by state, local, or tribal governments, prior approval is required by ACS).

When title of a building passes to the grantee, the value (as established by a certified appraiser), shall not exceed its fair market value at the time of donation. (For Head Start programs operated by state, local, or tribal governments, only depreciation or use allowances may be counted, based on the property's market value at the time it was donated.)

- When title to land passes to grantee, value shall not exceed its fair market value at the time of donation, as established by a certified appraiser. (For Head Start programs operated by state, local or tribal governments, the grantee must seek ACF permission.)

**iii. Valuing donated supplies**

Third-party donations of supplies can be valued at their current fair market value of the supplies, as determined by the agency using sources such as the guide issued by the IRS.

**iv. Valuing Volunteer Time**

A volunteer must provide a service to and not receive a service from the program. Time spent by a parent working in the classroom is allowable as a service provided to the program. To be counted as an in-kind donation:

- The volunteer's time must not be paid under another federal grant.
- The services would have to be allowable costs that would be purchased from a consultant or other individual or provided by salaried personnel.
- The duties of the individual must be controlled by the agency.
- The value of the service provided by the individual must be measurable and material.
- The value must be based upon the service provided by the individual.
- Consultants and others may provide services to a program at a reduced rate, and the difference between the reduced rate and the amount normally charged may be used as in-kind.
- Time spent in decision-making capacity by governing bodies and Policy Council may be used as in-kind. A reasonable valuation should be developed by the program and applied, based upon documentation from the meeting minutes and sign-in sheets. Policy Council time would be considered to be programmatic; and the governing body's time, depending on the particular function of its members, could be considered an administrative match subject to the 15 percent limitation.

**v. Potential disallowances**

Failure to meet non-federal share requirement without an approved waiver from ACS can have a severe impact on the Agency, as the disallowance may reduce the amount of unmatched federal funds. The disallowance must be repaid with agency funds, not federal funds.

**vi. Audit Requirements**

Auditors are required to assess internal control and compliance for non-Federal share. This includes whether the minimum amount of match required was met, if the match allocated was allowable, and if the grantee appropriately valued and documented match sources.

**vii. Waivers**

To receive a waiver (or a reduction in the required non-Federal share), the Agency must provide ACS with written documentation of need based on any of five criteria:

1. Lack of community resources
2. Impact of cost an agency may incur in the early days of the program
3. Impact of an unanticipated increase in cost
4. Community affected by disaster
5. Impact upon the community if the program is discontinued

Non-Federal Share is evaluated based on the Head Start program year and the NYC fiscal year. Agencies must request a waiver in the event the requirements for Non-Federal Share cannot be met.

**B CHILD CARE**

**Contractor Contribution**

Contractor contributions can be in the form of cash, real property, equipment, supplies, donated food, administrative services and expendable property. It is expected that these contributions will fund only allowable costs. Third party in-kind contributions shall count toward satisfying the contribution if the party receiving the contribution were to pay for them. There must be written proof of any cash donation and when it was received. Non-cash facility rental expenses cannot be considered contractor contribution.

Examples of allowable contractor’s contributions are:

- Cash
- Marketable securities.
- Donated land, building and equipment where the title passes to the contractor.
- Time donated by Board Members on Management Activities.
- Donated supplies (fair market value).

- Donated food (fair market value).
- Administrative services (Bookkeeping, custodial, and cooking services).
- Donated health insurance or pension costs.
- Time donated by employees and volunteers.
- Professional development services.
- Tuition paid by third party.
- Transportation costs.
- Equipment or space loaned by third party (fair market value).
- Equipment or space loaned by contractor (value based on depreciation or use allowance, taxes, insurance etc.).

Costs paid centrally by ACS, fees collected from Family Child Care and/or Group Family Child Care home providers, CACFP revenue, and parent fees for Child Care eligible children may not be included in the contractor contribution.

### **Parent Fees**

Families with children enrolled in EarlyLearn are required to pay a weekly parent fee with regard to the daily attendance of the child. All families in receipt of child care or a dually eligible child care slot (infant/toddler or pre-school) are required to pay the weekly parent fees, with the exception of families on Public Assistance, or in receipt of Protective Services, as determined by the HRA or ACS.

#### **i. Parent/Caretaker Fees**

ACS sets a weekly fee for Child Care services (Center-based and FCC Network providers) in accordance with New York State regulations. ACS also advises the contractor of the fee the parent/caretaker must be charged for each enrolled child.

The contractor must collect parent/caretakers fees weekly in advance for children whose program eligibility requires parent contributions. Contractors are required to have a parent/caretaker fee collection policy. This policy must be shared with all fee paying parents/caretakers. Parent/caretaker fees are billed and collected in advance of service. It is the responsibility of the parent/caretaker to pay the fee and the contractor to collect the fee. The fee is revenue which is essential to the operation of the contractor's program(s). Parent Fees are a separate funding source and must be tracked separately.

#### **ii. Private Pay**

ACS encourages the integration of fee paying children with ACS-subsidized children. Fee paying families would have a different fee schedule from the one ACS- subsidized children are contracted for. Note that the separation of children by income is discouraged.

## **C UNIVERSAL PRE-KINDERGARTEN**

Programs are offered as either half day or full day in local elementary schools and community-based sites. Many ACS-funded child care centers include Universal Pre-Kindergarten. UPK is free but the wrap-around hours associated with the Child Care program still requires a fee.

## **D CHILD AND ADULT CARE FOOD PROGRAM (CACFP)**

### **i. Child Care Centers - CACFP**

Eligible public or private nonprofit centers, outside-school-hours care centers, Head Start programs, and other institutions which are licensed or approved to provide day care services must participate in CACFP, independently or as sponsored centers. For-profit programs (or contractors with for-profit centers under their administration), receive subsidized tuition payments for child care services or are eligible for free and reduced meal reimbursement from CACFP if meals were served in months with twenty five percent (25%) of enrolled children, or twenty five percent (25%) of the licensed capacity (whichever is less). Meals served to children are reimbursed at rates based upon a child's eligibility for free, reduced price, or paid meals. The EarlyLearn program requires all contractors to maintain a CACFP agreement which covers food costs paid for by CACFP.

### **ii. Family Child Care Homes – CACFP**

If the contractor has a Family Child Care Network ("FCC Network"), the contractor serves as the administrator of CACFP for its family child care or group child care home providers ("FCC Network provider(s)") and is responsible for ensuring FCC Network providers are participants in CACFP. Reimbursement for meals served in child care homes is based upon eligibility for tier I rates (which targets higher levels of reimbursement to low-income areas, providers, or children) or lower tier II rates.

## **E FUND-RAISING**

Costs of organized fund-raising to raise capital or obtain contributions are unallowable. Fund raising costs for the purposes of meeting program objectives are allowable with prior written approval from ACS.

- Fund raising activities must be conducted after normal business hours and on week-ends; and
- Staff must volunteer to participate.



## V. COST ALLOCATION

## **A COST ALLOCATION PLAN**

A Cost Allocation Plan (CAP) is a written account of the methodology used by the EarlyLearn contractor to allocate program costs among its various funding sources. A CAP is required based on contractual agreement with ACS and in accordance with federal regulations. EarlyLearn agencies shall accurately and equitably allocate costs which are attributable to the operation of two or more programs or which are attributable to two or more funding sources. The goal is to ensure that each program bears its fair share of the total cost of any item. The requirement to allocate the costs of shared resources can be met by using logical and rational methods. Generally, the methods used to allocate a shared cost should be the simplest, most straightforward way of allocating this type of cost fairly.

### **i. Braided Funding**

Funds from two or more funding sources are coordinated to support the total cost of services to individual children, but revenues are allocated and expenditures tracked by funding source. In braiding, cost allocation methods are required to assure that there is no duplicate funding of service costs and that each funding source is charged its fair share of program and administrative costs.

To encourage Head Start Agencies to collaborate with other child-care programs, the 1998 amendments to the Head Start Act provide an exception to the general requirement to allocate costs. When there is a collaborative activity between Head Start and another Federal child care or early childhood education program, the costs of shared resources in two cost categories, equipment and non-consumable supplies, do not have to be allocated between the programs, so long as Head Start is the predominant source of funding for the activity. While these two categories are generally rather small in Head Start budgets, this exception is intended to reduce barriers to effective collaboration (Head Start Act Section 640 (a) (5) (E) (ii)).

### **ii. Space Allocation**

The following requirements should be considered when allocating space at EarlyLearn Facilities:

- Use floor plans, blueprints or measurements;
- Assign square footage to individual programs to the extent possible;
- Calculate percentages of shared use from assigned square footage;
- Apply percentages of shared use to square footage which can't be assigned to individual program (common areas);
- Make sure all space is accounted for; and
- Factor in amount of time used to equitably apportion shared space.

## **B COST ALLOCATING PLAN**

All Agencies are required to have a Cost Allocating Plan (CAP). Allocating between direct and indirect costs refers to the distribution of costs between direct/programmatic and indirect/administrative funds which, taken together, equal the total cost of the program.

## **Cost Allocating:**

- Ensures costs are reasonable;
- Identifies each component of the budget as either direct or indirect; and
- Identifies how money is spent in connection with a program and how much is spent to administer it.

The direct and indirect cost allocating plan can be a stand-alone plan for single-source fund program or it can be incorporated as the foundation of a Cost Allocation Plan (CAP) for an organization with multiple funding sources.

Any Agency that is receiving only ACS funding (e.g., Head Start, CACFP and ACS/DOE intra-city UPK funding) will be required to submit a cost allocating plan which delineates direct and indirect costs. However, the entity will not be required to submit a CAP, if they represent a single-source funded program.

In order to report these expenses in functional classifications, “program expenses- direct cost, management and general expenses; administrative in nature indirect cost,” a methodology to allocate direct and indirect costs is needed. This must be done for all programs regardless of the number of funding sources (single or multiple). In order to recover both direct and indirect expenses, Agencies need a way to allocate its direct and indirect costs to specific programs for reimbursement of these costs.

## **C DIRECT AND INDIRECT COSTS**

There is no universal rule for classifying certain costs as either direct or indirect. A cost may be direct with respect to some specific service or function but indirect with respect to the final objective. It is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or indirect cost in order to avoid possible double-charging. Head Start regulations for determining direct and indirect costs charged to Federal awards are provided in CFR §§75.413 and 75.414.

### **Direct Costs**

Direct Costs are those costs that can be identified specifically with a particular final cost objective, such as Head Start, Child Care, UPK and CACFP or other internally or externally funded activity, or that can be assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (Facilities & Administration) costs.

### **Application to EarlyLearn and Head Start Agencies**

Identification with the Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their fringe benefit costs, the costs of materials and other items of expense

incurred for the Federal award. Certain costs that would otherwise be treated as indirect costs if directly related to a specific award may also include extraordinary utility consumption, the cost of materials supplied from stock, or services rendered by specialized facilities or other institutional service operations.

The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- i. Administrative or clerical services are integral to a project or activity;
- ii. Individuals involved can be specifically identified with the project or activity;
- iii. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
- iv. The costs are also recovered as indirect costs.

### **Minor Items**

Any direct cost of minor amount may be treated as an indirect (F&A) cost for reasons of practicality where such treatment for that item of cost is consistently applied to all Federal and non-Federal cost objectives.

The costs of certain activities are not allowable as charges to Federal awards. However, even though these costs are unallowable for purposes of computing charges to Federal awards, they nonetheless must be treated as direct costs for the purposes of determining indirect (F&A) cost rates and be allocated their equitable share of the Agency's indirect costs if they represent activities which:

- i. Include the salaries of personnel.
- ii. Occupy space, and
- iii. Benefit from the Agency's indirect (F&A) costs.

The costs of activities performed by the Agency primarily as a service to the members, clients, or the general public, when significant and necessary to the Agency's mission, must be treated as direct costs whether or not allowable, and be allocated an equitable share of indirect (F&A) costs. Some examples of these types of activities include:

- Maintenance of membership rolls, subscriptions, publications, and related functions.
- Providing services and information to members, legislative or administrative bodies, or the public.
- Promotion, lobbying, and other forms of public relations.
- Conferences except those held to conduct the general administration of the Agency
- Maintenance, protection, and investment of special funds not used in operation of the Agency.

- Administration of group benefits on behalf of members or clients, including life and hospital insurance, annuity or retirement plans, and financial aid.

### **Indirect (F&A) Costs**

Facilities and Administration Classification: For major Institutions of Higher Education (IHEs) and nonprofit organizations, indirect (F&A) costs must be classified within two broad categories: “Facilities” and “Administration.” “Facilities” is defined as depreciation on buildings, equipment, and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses.

- (a) “Administration” is defined as general administration and general expenses such as the director’s office, accounting, personnel, and all other types of expenditures not listed specifically less than one of the subcategories of “Facilities” (including cross allocations from other pools, where applicable).
- (b) Diversity of nonprofit organizations: Because of the diverse characteristics and accounting practices of nonprofit organizations, it is not possible to specify the types of cost which may be classified as indirect (F&A) cost in all situations. Identification with a Federal award rather than the nature of goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards. However, typical examples of indirect (F&A) costs for many nonprofit organizations may include the depreciation on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.
- (c) Federal Agency Acceptance of Negotiated Indirect Cost Rates
  - (1) The negotiated rates must be accepted by all Federal awarding agencies. An HHS awarding agency (ACF or Head Start) may use a different rate from the negotiated rate for a class of Federal awards or a single Federal award only when required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegated based on documented justification as described in paragraph (c)(3) of this section.
  - (2) The HHS awarding agency head or delegate must notify OMB of any approved deviations.
  - (3) The HHS awarding agency must implement, and make publicly available, the policies, procedures and general decision making criteria that their programs will follow to seek and justify deviations from negotiated rates.
  - (4) As required under §75.203(c), the HHS awarding agency must include in the notice of funding opportunity the policies relating to indirect cost rate reimbursement, matching, or cost share as approved. See also Appendix I.C.2 and D.6 of this part. As appropriate, the HHS agency should incorporate discussion of these policies into their outreach activities with Agencies prior to the posting of a notice of funding opportunity.

(d) Pass-through entities are subject to the requirements in §75.352(a)(4) and 200.331.

(e) In addition to the procedures outlined in the appendices in paragraph (e) of this section, any Agency that has never received a negotiated indirect cost rate, except for those Agencies described in Appendix VII to part 75 (D) (1) (b) may elect to charge a *de minimis* rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. As described in §75.403 and 200.403, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as the Agency chooses to negotiate for a rate, which the Agency may apply to do at any time.

## **D INDIRECT COST RATE**

An Indirect Cost Rate may be limited to the Administrative Cost Limitations according to regulations for each funding stream. E.g. 15% for Head Start. Grantees are not required to obtain a negotiated indirect cost rate. Those who have never had a negotiated indirect cost rate have three options for dealing with indirect costs. See Appendix C - Uniform Guidance Highlights.

### **Indirect Cost Agreement:**

An indirect cost rate agreement is negotiated with the cognizant agency for indirect costs (Cost Allocation Services, or CAS), as outlined in §75.414, which is explained in more detail in Appendix IV to Part 75.

### **De Minimis Rate**

Any Agency that has never received a negotiated indirect cost rate, except for a governmental department or agency unit that receives more than \$35 million in direct federal funding, may elect to charge a *de minimis* rate of 10 percent of modified total direct costs (MTDC), which may be used indefinitely. Election and effective date of the *de minimis* rate should be reflected in the fiscal policies and procedures of the Agency. Adoption of the *de minimis* rate does not impact the Agency's responsibility to assure that administrative costs do not exceed 15 percent of the total Head Start award (federal + match).

MTDC includes:

- All direct salaries and wages
- Applicable fringe benefits
- Materials and supplies
- Services
- Travel
- Up to the first \$25,000 of each sub-award (regardless of the period of performance of the sub-awards under the award)

MTDC excludes:

- Equipment

- Capital expenditures
  - Rental costs
  - The portion of each sub-award in excess of \$25,000
- Costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both.
  - Once elected, the *de minimis* rate must be used consistently for all federal awards until such time as the Agency chooses to negotiate for a rate, which the Agency may apply to do at any time.

## **E ADMINISTRATIVE COSTS**

Expenses are reported in functional classifications such as program expenses and administrative expenses. Administrative costs cover the organization-wide management functions of accounting, budgeting, coordination, direction, and planning, as well as the management of payroll, personnel, property and purchasing. Such costs can be for either personnel or non-personnel functions.

Non-personnel costs include expenses related to audits, bonding, accounting and payroll services. Also, to the extent they support administrative functions and activities, expenses for insurance, supplies, office furniture and equipment, copy machines, postage utilities and occupying, operating and maintaining space also are administrative costs.

Personnel costs include salaries and fringe benefits for positions such as executive director, fiscal officer/staff accountant, personnel officer, payroll/insurance/property clerk, secretary/administrative assistant/receptionist in the administrative office, and staff accountant. In addition, administrative personnel costs include the janitor/custodian for administrative office space and costs associated with volunteers carrying out administrative functions. Expenses for these staff such as travel, per diem, training, and transportation also would be considered as administrative costs. Personnel costs for the director, center directors, and secretary are primarily administrative costs. However, there are instances where they may be classified as a dual benefit cost

**Note:** The Indirect Cost Rate is 100% administrative.

The Agency's actual percentage can be obtained by dividing the total administrative costs incurred to date or at the end of the budget period by the total approved costs (Federal share plus non-Federal share) incurred to date or at the end of the budget period. The total expenditures for administrative costs are to be reported in the final Financial Status Report (SF-425) for the budget period.

## **F PROGRAM COSTS**

Program costs cover expenses directly related to (1) the direction, coordination or implementation of component services as well as (2) the delivery of such component services.

Program costs include but are not limited to:

- (1) Personnel and non-personnel costs directly related to the provision of program component services and component training and transportation for staff, parents and volunteers;
- (2) Costs of functions directly associated with the delivery of program component services through the direction, coordination or implementation of a specific component;
- (3) Costs of the salaries of program component coordinators and component staff, janitorial and transportation staff involved in program component efforts, and the costs associated with parent involvement and component volunteer services; and
- (4) Expenses related to program staff functions, such as the allocable costs of fringe benefits, travel, per diem and transportation, training, food, center/ classroom supplies and equipment, parent activities funds, insurance, and the occupation, operation and maintenance of program component space, including utilities.

Labeling a personnel officer as a "program officer," or a staff accountant as a "program manager," does not make it a programmatic position or a programmatic cost. They are still administrative staff and must be classified as such.

## **G DUAL BENEFIT COSTS**

All costs are initially classified as administrative, programmatic or dual benefit. Some costs benefit program components as well as development and administrative functions within the EarlyLearn program. In such cases, Agencies must further classify dual benefit costs as administrative or programmatic and properly allocate such costs according to the percent of the cost that is dedicated to each function.

Dual benefit costs can apply to personnel or non-personnel costs. Dual benefit costs include, but are not limited to, salaries, benefits and other costs (such as travel, per diem, and training costs) of staff that perform both program and development and administrative functions. Space costs, and costs related to space, such as utilities, are frequently dual benefit costs. The grantee must determine and allocate appropriately the amount or percentage of space dedicated to development and administration.

Not all administrative costs or program costs can be classified as dual benefit costs. For example, the grantee executive director is 100 percent administrative and a teacher is 100 percent program. They cannot be classified as a dual benefit cost.

## **H ADMINISTRATIVE COST LIMITATIONS**

### **i. Head Start Administrative Cost Limitation**

The Head Start Act in Section 644 (b) and Head Start regulation 45 CFR 1301.32 limit the amount of funds that may be charged as development and administrative costs to 15% of the total costs of the program for both Head Start only program Dual programs. However, there are

some exceptions. Total costs equal Head Start funded plus non-Federal share funded. If a Head Start contractor has a negotiated rate in excess of 15%, the maximum that can be charged to Head Start grant funding is 15%. The net percentage of the negotiated rate in excess of 15% can contribute to non-Federal match.

**ii. Child Care Administrative Cost Limitations**

The percentage of funds that may be charged as development and administrative costs for Child Care is 25% of the total cost of the program. In dual programs, contractors must apply the administrative cost rate of appropriate to the funding:

- Combined Head Start and Non-Federal Share funded expense development and administrative costs cannot exceed 15%
- Child Care, Community Development Block Grant and Child Care related UPK-funded development and administrative costs cannot exceed 25%

Agencies must have a system in place, including adequate procedures, to ensure that the administrative cost limitation requirement is met to avoid non-compliance. If the administrative costs exceed the limitation, a finding should be indicated in the audit report and corrective action should be taken to correct this finding.



## **VI. COST OF LIVING ADJUSTMENTS**

## **A. COST OF LIVING ADJUSTMENTS**

Cost of Living Adjustments, if provided by the various funding sources, will be applied at the rate being paid to Agencies. *Head Start and Dual Funded* Agencies must follow all expense requirements outlined in Head Start funded COLA grant awards.

Each Agency may apply for a COLA increase in accordance with the terms of their funding award for the fiscal year base funding level. Base funding excludes training and technical assistance funds and any one-time funding Agencies may have received during the fiscal year. COLA funds are to be used to increase staff salaries` and fringe benefits and to pay for higher operating costs. Only the allocated portion of each funding may be entitled/eligible for COLA adjustments, depending on directives.

Programs that use COLA funds to increase staff salaries should increase the hourly rate of pay and permanently increase the Head Start pay scale, rather than only increasing the salaries of current employees. Sections 653 and 640(j) of the Head Start Act provide further guidance on the uses and limitations of the COLA funds. Section 653 of the Act restricts compensation to a Head Start employee that is higher than the average rate of compensation paid for substantially comparable services in the area where the program is operating. Section 640(j) of the Act requires that the compensation of Head Start employees must be improved regardless of whether the agency has the ability to improve the compensation of staff employed by the agency that do not provide Head Start services.

Each Agency, as specified in 45 CFR §1301.31, is required to have personnel policies that specify salary rates and fringe benefits. Any Agency proposing differential COLA increases to staff or delegates must justify its rationale in its budget narrative.

In order to access these funds, Child Care network providers will be required to submit additional information about the actual number of employees covered and their wages.



## **VII. FUNDING SOURCES FOR EARLYLEARN PROGRAMS**

## **A EARLYLEARN FUNDING MODEL**

The EarlyLearn system combines three types of early childhood education programs and braids five funding streams managed by ACS and the New York City Department of Education (DOE). ACS and its contractor/delegates must follow fund accounting, which separately tracks revenue and expenditures by funding source.

The categories of funds disbursed by ACS and the DOE to contractors are:

### **1. Head Start Grant**

ACS receives funding through a direct federal Head Start grant to provide high-quality early childhood services to children in poor families and low-income children with special needs and limited English proficiency.

### **2. Child Care Development Block Grant (CCDBG)**

ACS receives funding from the State for CCDBG to provide contracted center-based and home-based childcare for eligible children in low-income working families.

### **3. Community Development Block Grant (CDBG)**

The CDBG program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at Housing and Urban Development (HUD). The CDBG program provides annual grants on a formula basis to local government and States.

The Disaster Relief Appropriations Act of 2013 provides CDBG-DR (Disaster Recovery) funds to help restore and repair areas affected by Hurricane Sandy. All Disaster Relief funds must be expended within 24 months of the award date, unless a class waiver has been approved by the Office of Management and Budget (OMB). Any funds not expended must be returned to HHS, unless an individual waiver is submitted to OMB for review and approval.

### **4. Universal Pre-Kindergarten Grant (UPK)**

The New York State UPK program, funded by state education dollars, provides resources through the Department of Education to operate public prekindergarten classes for 4-year-olds in local public schools and community-based child care centers.

### **5. City Tax Levy (CTL)**

New York City tax levy dollars are used to support the early childhood education system through revenue from real estate related taxes, income taxes, consumption and other taxes.

Additionally, all EarlyLearn NYC programs must participate in the state-run Child and Adult Care Food Program (CACFP) which provides reimbursement to programs serving healthy meals and snacks. CACFP is the primary funding source for child nutrition expenses.



## VIII. BUDGET

## **A FISCAL YEAR 2016 EARLYLEARN LINE ITEM BUDGET GUIDELINES**

In keeping with the need for a more flexible funding structure, ACS is transitioning from a pay for enrollment method of funding EarlyLearn NYC services to a line item method of reimbursement for documented, actual, allowable, and budgeted expenses, beginning in Fiscal Year 2016 (FY2016). In addition to converting to a line item reimbursement system, Agencies can reallocate funds to line items that may have been under-funded and request increases above the amount of the current FY2016 EarlyLearn Budget. This change to line item budgeting will be effective retroactive to July 1, 2015 and will be the basis for the contract amendment.

When an Agency's contract amendment has been registered, the agency will be able to request line item reimbursement for all documented, actual, allowable expenses up to the newly amended budget, retroactive to July 1, 2015.

### **Overview**

Agencies must use the following procedure for submitting line item budgets using the budget template shown in Appendix D. *Note: A budget template must be submitted for each EarlyLearn program the Agency administers.*

1. Allocate your FY2016 line item budget up to your current FY2016 EarlyLearn NYC contract amount.
2. Add FY2016 Wage Adjustment funding into the budget template.
3. Add expenses over your current FY2016 EarlyLearn NYC budget and supported by documentation.
4. Allocate expenses among funding streams according to your cost allocation plans, as indicated in the budget template.
5. If applicable, allocate required funding from parent fees for Child Care funded services.
6. Submit the completed line item budget to ACS with supporting documentation for review and approval.

Please refer to the detailed guidance for each step below. You will receive individualized budget template(s) to populate and submit. ACS will begin processing your amendment once the budget template(s) have been approved.

### **Instructions**

#### **STEP 1 – Complete the FY2016 Line Item Budget Using the Current Budget [Column B]**

You will receive a FY2016 budget template for each program your agency administers. This includes programs that your agency may administer for only part of the fiscal year.

The top of the budget template indicates identifying information about the program including contractor name, site name, site address, ACS program ID, DOE site ID, program setting, City lease status, the number of contracted seats and classrooms by each child age, as well as the current EarlyLearn NYC pay for enrollment funding by each child age.

In Column B, the “FY2016 ACS Contract Budget” column, fill in the line item budget categories in the template until the total budget equals the current FY2016 EarlyLearn pay for enrollment amount. (See Step 3 to add requests over current budget). The current EarlyLearn pay for enrollment budget can be found at the top of Column B, the “FY2016 ACS Contract Budget” column in the “Funding Distribution” row. You may enter a budget amount in any line except for Food [CACFP] and Non-Food Related [CACFP]. You can keep track of the balance of current EarlyLearn funding to your FY2016 ACS Contract Budget in the funding balance row at the bottom of the template.

Each program (site) will have its own budget template. The line item budget is program site specific. You will not be able to transfer budgeting from one program site to another. Enter the number of classrooms by child age [i.e., infant, toddler and preschool] in the section colored pink at the top of the template. You may enter a line item budget that is less than your current EarlyLearn pay for enrollment budget. However, if you intend to request funding above your program’s current EarlyLearn pay for enrollment amount, you must first fully allocate the entire EarlyLearn pay for enrollment budget in the Column B. You can find the current EarlyLearn pay for enrollment amount in the Funding Distribution row of Column B. Your budget will be reviewed for reasonableness.

**Do not include FY2016 Wage Adjustment funding in Column B amounts.** Wage Adjustment funding must be listed separately in Column C [See Step 2].

How to Budget Fiscal Year 2016:

- Fill out Column B completely. You are free to allocate all budget lines sufficiently to meet all requirements to keep your center open and meet all DOHMH, ACS, and when applicable Head Start regulations and requirements. To ensure full funding of personnel and non-facility OTPS, it may be necessary to shift funds. You will be able to account for full expenses in Column D [See step 3].
- If this budget template is for a Family Child Care Network program, the Family Child Care Stipend line must equal the “Required Stipend Allocation” at the bottom of the budget template.
- Your total proposed FY2016 combined budget is reported in Column E, “FY2016 Combined Budget.” Column E will equal the sum of Columns B, C and D.

**STEP 2 – Add FY2016 Wage Adjustment Funded Expenses [Column C]**

In Column C, the “FY2016 Wage Adjustment” column, enter the amount of salary, fringe benefits and Family Child Care Stipend expenses that have been funded through the Mayor’s FY2016 Wage Adjustment initiative. These funds are in addition to your agency’s current contract budget in Column B. The contract for FY2016 Wage Adjustment funds in Column C should equal the Wage Adjustment template approved earlier this fiscal year. Since the funds were at contract level, your agency must allocate at eligible site level. The following line items, in Column C, can be funded with FY2016 Wage Adjustment funds:

- ✓ Instructional Staff
- ✓ Support Staff
- ✓ FICA
- ✓ Unemployment
- ✓ Workers Compensation
- ✓ Family Child Care Stipends [*This line is for FCCN providers only*]

**Wage adjustment funds should be allocated under Child Care.**

**STEP 3 – Add Expenses Over the Current FY2016 Contract Budget [Column D]**

After fully allocating your FY2016 ACS Contract Budget in Column B and filling in the FY2016 Wage Adjustment Funded Expenses in Column C, you may request additional funds above your EarlyLearn pay for enrollment budget and Wage Adjustment Funded Expenses.

The requested amount over the current FY2016 ACS Contract Budget should be entered in the rows of Column D, the “FY2016 Over Contract” column.

• **Health, Unemployment and Workers’ Compensation Insurances:** To request this additional funding, you must provide documentation of the actual costs of insurance policies and provide an attestation signed by your Governing Board, indicating that there have been no voluntary changes to your agency’s cost allocation or beneficiary cost-sharing plans. Enter the amount over budget your agency is requesting in column D. Insurance documentation must support the total amount reported in the insurance line item in Column E, “FY2016 Combined Budget.”

• **Facility expense:** To request this additional funding, your agency must first fully budget the minimum facility allocation in in Column B, the “FY2016 ACS Contract Budget” column [see Step 1 above]. Facility expenses above the current contract amount in Column B can be entered in Column D, the “FY2016 Over Contract” column. For FY2016 Over Contract facility expenses to be approved, you must submit documentation demonstrating the need for funding. The documentation must equal the combined FY2016 budget for each line. Documentation must also include an attestation signed by your board of directors indicating that there are no voluntary changes to your agency’s cost allocation.

- **Professional Development:** To request this additional funding, you must provide supporting documentation including a description of initiatives with expenses equaling the FY2016 Over Contract funds requested in Column D.

#### **STEP 4 – Allocating the Combined FY2016 Budget among Funding Streams [Columns F to L]**

After completing Steps 1, 2 and 3, you must fully allocate their expenses among the following funding streams based upon your cost allocation plans:

- Child Care [Column F]
- Child Care related UPK [Column G]
- Head Start [Column H]
- Head Start related UPK [Column I]
- Head Start related City Funds [Column J]
- Community Development Block Grant [Column K]

The Funding Distribution row in columns F through K provides the budgeted allocation of FY2016 ACS Contract funding and equals the Funding Distribution in Column B.

- When allocating Child Care related UPK [Column G], Head Start [Column H], Head Start Related UPK [Column I] and Community Development Block Grant [Column K] you are required to fully allocate the funding distribution given at the top of each column. You cannot exceed or under allocate this amount; the funding allocation must net to zero for each of these columns in the Funding Balance [Over Budget/Wage Adjustment] Row.

- The funding for FY2016 Wage Adjustment [Column C] and FY2016 Over Contract [Column D] can only be reported in two funding columns – Child Care [Column F] and Head Start related City Funds [Column J] o **Child Care [Column F]** Use this column to allocate FY2016 Wage Adjustment [Column C] and FY2016 Over Contract [Column D] expense that fund Child Care services. This amount can be over the Funding Distribution amount in Column F and will be recognized as a dollar amount in the Funding Balance [Over Budget/Wage Adjustment] row of Column F.

*Note: The Family Child Care Network budget should be fully funded in this column.*

**Head Start-related City Funds [Column J]** Use this column to allocate FY2016 Wage Adjustment [Column C] and FY2016 Over Contract [Column D] expense that fund Head Start services. This amount will be over the Funding Distribution amount of \$0.00 in Column J and will be recognized as a dollar amount in the Funding Balance [Over Budget/Wage Adjustment] row of Column J. Head Start related City Funds should be recognized as Head Start Non-Federal Match and should be accounted for according to Head Start Regulations.

You must fully allocate the Combined FY2016 Budget from Column E among the funding streams in Columns F through K. The Unallocated Column L will provide you with under and over allocations by line item. When the line item in Column L equals zero, you will have completed the allocation of your FY2016 budget among funding streams. Column F and Column J should be the only columns with a balance reported in Funding Balance [Over Budget/Wage Adjustment] row.

#### **STEP 5 – Allocation of Parent Fees Due and Child Care Funds [Column M and N]**

Programs that serve Child Care-funded children are required to collect part of their funding from parent contributions. Parent Fees reduce the amount of Child Care funds available for budgeting. If your program serves Child Care funded children, you will find a budgeted amount in the Parent Fees Due [Column M]. This amount is projected from your program's actual parent fees due so far this fiscal year. Fully allocate the parent fees among the line items in Column M. Column N will equal the line item allocation funded in Child Care Column F, minus the Parent Fees Due allocation in Column M. This will be the maximum child care budget against which you can report child care expenses during FY2016.

#### **STEP 6 – Submit the FY2016 Line Item Budget Template with Documentation**

Submit the completed budget template to your budget analyst with documentation for review and approval.

When your agency has submitted a line item budget using the FY2016 line item budget template provided, ACS will review your budget. When the budget is approved, ACS will take the necessary steps to amend your EarlyLearn contract to the new line item amount. The New York City Procurement Policy Board Rules require all procurement transactions to follow certain procedural requirements and that all contracts, including amendments, be registered with the Comptroller and approved prior to taking effect. Therefore, these guidelines do not create any affirmative or implied obligation on the part of the City of New York, including ACS.



## **IX. PAYMENTS**

## **A ADVANCE PAYMENTS TO EL CONTRACTORS USING CITY TAX LEVY**

ACS invoices NY State on a monthly basis for Child Care expenses. For Head Start, ACS draws down funds every three months on the calendar quarter. ACS does not draw down Federal Head Start funds prior to disbursement to Agencies. ACS advances monthly funds based on a prior month's adjusted enrollment. These advanced funds are City tax levy dollars.

## **B WEEKLY PARENT FEES**

The weekly parent fee, for Child Care services only, is assessed on the family level. This is a statutory requirement for Child Care subsidized services only. For families with multiple children, the fee is "attached" to the youngest child receiving Child Care and only the program providing services to that child is responsible for collecting the fee from the family. ACS deducts the aggregate parent fees due from the contractors' payments.

In accordance with the signed ACS fee agreement, any parent's failure to pay fees is a reason for termination and contractors should immediately give a written notice of any past due fees to the family with a specified time period of 7 to 30 days within which satisfactory arrangements for such payment must be made. If a full payment of parent fees is not made within the time period specified, contractors should provide a second written notice to the family stating that failing to comply with paying their fee will result in termination from the program within 10 days.

If a preschooler is in a dually eligible slot, the fee is assessed on no more than six hours of service. The remaining hours of service are considered Head Start. There is no fee for a child in a Head Start slot.

## **C CHILD CARE VOUCHER PROVIDER/PARENT FEES**

The Child Care Certificate Program is a federally funded program designed to provide parents with assistance with child care tuition. Parents may choose any type of child care while participating in this program.

Parents who meet the income and work requirement for participation in the Certificate Program will be responsible for paying their child care provider a monthly co-payment fee. In addition, parents will be responsible for published tuitions rates. For example, if a parent has a child enrolled in preschool and the preschool's published tuition rates are \$390 per month and the Child Care Certificate Program pays \$300 per month, the parent is responsible for paying the \$90 difference to the child care provider, in addition to their monthly co-payment.

## **D EARLYLEARN MONTHLY DISBURSEMENT REPORT**

Each month, EarlyLearn providers will receive a Microsoft Excel file that contains remittance advice comprised of supporting schedules for the most recent payment. The schedules are:

1. The Summary Tab; and

## 2. The Monthly 14 Tab

Contractors will be able to review the enrollment by program, child age and funding by source, including the aggregate parent fees offset that determine their monthly earnings.

### **E CITY OF NEW YORK PAYEE INFORMATION PORTAL (PIP)**

The Payee Information Portal of the City of New York is designed to facilitate vendor record maintenance and payment reconciliation.

Registered vendors can:

- Check payment status
- Update business information
- View agreements and invoices from City agencies
- Enroll for commodity codes to receive solicitations from the City
- Update and report subcontracts and payments made to subcontractors
- Download applications forms



## **X. PROCUREMENT**

## A EARLYLEARN

Agencies are required to establish their own written procedures for purchasing services, supplies and other expendable property, equipment, and real property. Agencies are advised to use Federal funds to purchase items and services in the most economical way, and to buy only what they need. Agencies are allowed to design their own systems for procurement and use whatever forms and workflow processes best suit the organizational structure. Head Start Agencies must follow the standards for procurement found in regulations 45 CFR 75.329.

Purchases of equipment, purchase/construction/renovation of facilities, etc., must still comply with all applicable Federal requirements, including prior approval from ACF as the Head Start funding source, before being purchased. Any record keeping requirements associated with such purchases should reflect the definitions of the funding agency. For example, if your agency definition of equipment uses a benchmark of \$1,000 or more, your agency does not have to request Federal prior approval or maintain an equipment inventory for Federal purposes of items purchased for under \$3,000. All Agencies must document procurement procedures and provide copies to ACS. For details, see Appendix C: Uniform Guidance Highlights.

## B ACS BIDDING PROCEDURES FOR HEAD START AGENCIES

### **Head Start Facilities Maintenance and Repair for Projects Less than \$20,000**

#### **Bidding**

1. A Project is identified by:
  - a) Department of Health, Fire Department, Department of Buildings, Department of Environmental Protection or other official regulatory agency
  - b) Agency Staff (request corroborated by Facilities Project Manager)
  - c) Request from ACS HS Administration/Program/Facilities
2. If the project is estimated to be less than \$20,000, specifications will be sent by E-mail to five (5) random vendors from the City of New York bidder's list and five (5) Minority and Women Business Enterprises and Employment (MWBE) vendors from the City of New York bidder's list provided by ACS Administration Services. Additionally, a minimum of five (5) previous Head Start contractors registered on the City bidder's list may be solicited.
3. Proposals will be sent to a special computer mailbox set up for privacy of the bids, which is accessible only by the Facilities Director. Printing will be done only at the time proposals will be reviewed.
4. Proposals will be evaluated by the Facilities Director, a representative of the Agency, a Facilities Project Manager and an EarlyLearn Head Start Education representative. If a representative from the Agency is unable to attend the bid opening, a conference call will

be arranged and the proposals will be reviewed while they call in. A copy of all the bids will be mailed to the Agency, along with the bid evaluation sheet to be signed and returned.

5. The bid evaluation sheet will be completed and signed by Agency, Facilities Project Manager, HS Facilities Director and HS ECE representative.
6. The Project is awarded to the lowest responsible bidder based on price, time-frame and ability to perform the work satisfactorily.

### **Contracts**

1. The selected contractor is notified by the HS Facilities Project Manager or the HS Facilities Director.
2. The Facilities Unit prepares and prints the standard HS construction contract (originally developed by ACS Business Law Unit), attaching Davis-Bacon regulations for projects over \$2,000 as well as the original proposal. The Contract includes: Estimated project completion time, estimated project commencement date and estimated project completion date. Dates are subject to change based on funding or unforeseen field circumstances. Any significant delay by the contractor beyond the estimated dates in the Contract must be justified in writing by the contractor, and approved by ACS prior to any release of payment to the contractor.

### **Payment to the Agency**

1. When the signed contracts are returned to Facilities, a Renovation Funds Release Authorization ("RFRA") is generated from Facilities, signed by the HS Project Manager, HS Facilities Director, Assistant Commissioners, ACS Facilities and ACS Financial Services and HS Assistant Director for EarlyLearn Budget.
2. The amount of start-up funds requested to be released to the Agency is dependent on the size and timeline for the estimated time of completion.
3. After Budget encumbers the funds, they generate a Disbursement Memorandum which is sent to Payments, along with the contract and original RFRA
4. The Facilities Unit notifies the Agency by E-mail that a disbursement is in process and the Agency Payment Release Authorization ("DAPRA") should be prepared. A copy of the Disbursement Memorandum is sent to the Agency so that they are aware of the amount of the expected payment and to be able to check their bank account for these funds.

### **Payment to the Contractor**

1. In order for contractor payments to be made against the disbursement, the Agency initiates a signed DAPRA to Facilities.

- a. For start-up funding, the Project Manager and Facilities Director must sign the DAPRA and forward to Budget for signature, allowing payment.
  - b. In the absence of start-up funds, the Project Manager and Facilities Director sign the DAPRA, review the Application for Payment or invoice, and the Department of Labor (DOL) payroll forms.
2. Facilities reviews the DOL payroll forms for completion of all related information, including the trade classification for the job and accuracy of wage rates paid plus fringe benefits. DOL payroll forms must be submitted for each week worked on the project.
  3. In order to justify the payment, the contractor's work must be inspected before the Project Manager signs the DAPRA. The Facilities Director must sign the DAPRA and forward to Budget for signature along with the invoices and Department of Labor payroll forms.
  4. When the signed DAPRA is returned to Facilities, it is sent by E-mail to the Agency for processing and release of the check to the contractor for the amount listed on the DAPRA. The original copy of the DAPRA is then mailed to the Agency for their records.

**Head Start Facilities Maintenance and Repair for Projects more than \$20,000 and all Construction Projects**

**Bidding**

1. The Project is identified by:
  - a. Department of Health, Fire Department, Department of Buildings, Department of Environmental Protection or other official regulatory agency
  - b. Agency Staff (request corroborated by Facilities Project Manager)
  - c. Request from ACS HS Administration/Program/Facilities
  - d. Specifications (drawings, if necessary) are developed into an Invitation to Bid package.
2. Invitations are sent by E-mail to five (5) random vendors from the city bidder's list, a minimum of five (5) MWBEE vendors from the city bidder's list provided by ACS Administrative Services, and a minimum of five (5) Head Start contractors registered on the city bidder's list.
3. Sealed bids are due on a date certain and are kept sealed in Facilities Director's office until the scheduled bid opening.
4. All bids include detailed section on Davis Bacon and posting rules. Bidders must provide listing of job categories, with wages plus fringe in order to be considered.

5. Agency representative attend the bid opening at 150 William Street with the ACS HS Project Manager, the Early Care Education representative, and the Facilities Director.
6. A. Bid envelopes are unsealed and opened by the Agency and reviewed by each person present for completeness, entering pertinent information into the Bid Evaluation form. If this is a relatively straightforward project the award is made to the lowest responsible bidder.  
  
B. If it is a more complex project, the bid evaluation is signed and the Agency is given a copy of the bids. The Facilities Staff and Agency have 5 business days to review the documents. If the award does not go to the lowest bidder, there must be a detailed written justification.

### **Contracts**

1. Selected contractor is notified by HS Facilities Project Manager or HS Facilities Director.
2. The award decision is made and Facilities Unit prepares and prints the HS Construction contract (originally developed by ACS Business Law Unit), attaching Davis-Bacon guidance and the contractor's bid. Contract includes: Estimated project completion time, estimated project commencement date and estimated project completion date. Dates are subject to change based on funding or unforeseen circumstances. Any significant delay by the contractor beyond the estimated dates must be justified in writing by the contractor, and approved by ACS prior to this release of payment to the contractor.

### **Payment to the Agency**

1. When the signed contracts are returned to Facilities, a Renovation Funds Release Authorization ("RFRA") is generated from Facilities, signed by the HS Project Manager, HS Facilities Director, Asst. Commissioner ACS Facilities and ACS HS Financial Services HS Asst. Director for EarlyLearn Budget. The amount of start-up funds released to the Agency will be dependent on the size and timeline for the estimated time of completion.
2. After Budget encumbers the funds they generate a disbursement memorandum to Payments Unit, along with the contract and original Renovation Funds Release Authorization ("RFRA").
3. The Facilities Unit notifies the Agency by email that a disbursement is in process and the Agency Payment Release Authorization ("DAPRA") should be prepared. A copy of the Disbursement Memorandum is sent to them as well so that they know the amount to expect and to begin checking their account for these funds.

### **Payment to the Contractor**

1. In order for contractor payments to be made against the disbursement, the Agency must

initiate a signed DAPRA and send to Facilities when the funds have been transferred to their account. The amount of start-up funds released to the Agency will depend on the size and timeline for the estimated time of completion.

- a. For start-up funding, the Facilities Project Manager and Facilities Director must sign the DAPRA and forward it to Budget for signature, before payment is made.
  - b. Excluding start-up funds, the Project Manager and Facilities Director sign the DAPRA, review the Application for Payment or invoice and the Department of Labor (DOL) payroll forms.
2. Facilities reviews the DOL payroll forms for completion of all related information, including the trade classification for the job and accuracy of wage rates paid plus fringe benefits. DOL payroll forms must be submitted for each week worked on the project.
  3. The contractor's work is inspected before the Project Manager signs the DAPRA in order to justify the payment. The Facilities Director then signs the DAPRA and forwards to Budget for signature along with the invoices and Department of Labor payroll forms.
  4. When the signed DAPRA is returned to Facilities, it is sent by E-mail to the Agency for processing and release of the check to the contractor in the amount listed on the DAPRA. The original copy of the DAPRA is then mailed to the Agency for their records.

## **C MICRO PURCHASES FOR ACS HEAD START AGENCIES**

In accordance with the Code of Federal Regulations, 45 Part §75, purchases of supplies or services less than \$3,000 (if ACS project managers know the cost to be fair and just) are treated as micro-purchases. Every effort must be made to extend these micro-purchases to a variety of vendors and, whenever possible, to MWBE vendors. In all cases, if the cost exceeds \$2,000, payment and reporting procedures must be in accordance with the Davis Bacon Act.

Although Part 75 allows small contracts up to \$150,000, ACS always solicits bids over \$20,000 and normally, over \$10,000.

### **Emergency Procedures**

Emergency work pertains directly to issues that affect the safety of any Head Start facility or taking action to prevent a situation from becoming dangerous, when there is no time to solicit bids and follow the normal bidding procedures.

Emergencies are identified by ACS Facilities or Early Care and Education (ECE), Department of Health, the City of New York Fire Department, Environmental Control Board, Department of

Buildings, the Agency and its staff or parents calling in to ACS or the City of New York 311 hotline.

When an emergency is reported, an ACS Project Manager, an ACS on-call contractor or contractor known to Head Start responds quickly to evaluate the site. Depending on the nature of the emergency, a contractor known to ACS with a fair and reasonable rate is dispatched.

Contractors are approved and recommended by the New York City Vendor Source System whereby multiple quotes or proposals are received and followed with a contract proposal. In all cases, a variety of vendors are chosen with special consideration for MWBEs. ACS Facilities then follows the normal process for contracts and payments to the Delegate and the vendor, as outlined in 'Bidding' above under Sections B, C, and D.



## **XI. PAYROLL/PERSONNEL INTERNAL CONTROLS**

## **A WRITTEN PERSONNEL AND PAYROLL MANUAL**

The Agency shall develop, follow, and regularly update a written payroll and personnel manual. Such manual shall include policies and procedures regarding payroll and personnel practices and comply with the law. The payroll manual shall include policies and procedures that govern the attendance, vacation and sick leave, executive compensation, incentives and bonuses, and pension. The personnel manual shall include the policies and procedures that govern hiring and termination of staff, the engagement of paid and non-paid consultants or subcontractors, including but not limited to, FCC Network providers, and volunteers. The personnel manual shall contain policies such as employee conflict of interest, sexual harassment and protection for “whistle-blowers”. These shall be accessible to all employees and be made available to ACS upon request.

Under the *Head Start program or Dual Program*, performance standards and regulations 45 CFR §1301.31, personnel policies denote the outline regarding policies that are consistent for Head Start.

### **Leave Accrual Payment Liability**

For each Head Start program year, ACS will only fund accrued leave that is liquidated within ninety (90) days of the end of the program year. Accrued leave which is determined to be a prior year liability must be treated as a liability of the Agency.

### **Staff Incentives**

#### **§200.437/§75.437 Employee health and welfare costs**

(a) Costs incurred in accordance with the Agency's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable.

An organization now needs a "documented policy" in order to pay health and welfare costs with federal funds. Costs that would previously have been described in fiscal policies and procedures as *employee morale costs* are no longer allowable.

### **Executive Compensation**

#### **i. Key Employee List**

Agencies shall submit to ACS within thirty (30) days of the execution of the EarlyLearn contract, and at the beginning of each fiscal year, a list of its key employees, which shall include the Executive Director, Chief Financial Officer, Chief Operating Officer, or the functional equivalent of such positions, and the senior financial and programmatic supervisory personnel involved directly or indirectly in the performance of the contract. For each listed employee, the Agency shall provide current total compensation (including all benefits), all sources of the employee's total compensation, whether from this contract or another City, State, Federal or private source, and the dollar amount of compensation from each such source.

Section 653 of the Head Start Act prohibits any Head Start employee from being compensated at a rate higher than that of an Executive Schedule **Level II** position, currently \$185,100 effective January 1, 2016.

**ii. Compensation Policies - Executive Level Staff**

Agencies must document a compensation policy for Executive Level positions, e.g. Directors and Chief Executive Officers and the Board has a responsibility to approve reasonable (not excessive) compensation for these positions. Boards that engage in an annual process of reviewing and approving the compensation of key employees, as well as documenting the process in minutes of Board meetings, will be acting in the best interest of their organizations.

Compensation is defined as salary and benefits, i.e. health, paid leave, retirement and other welfare related benefits, as well as perquisites such as housing, car allowances and related insurance. All of these items and any other benefits must be reported in the employee's year end W2. Fringe benefits under the categories of Social Security, Medicare and 401K that are typically part of a 30-35% fringe rate are excluded from counting as compensation, in accordance with Section 653.

**iii. Board Compensation**

Agencies shall submit to ACS, within thirty (30) days of the execution of the EarlyLearn contract and at the beginning of each new fiscal year, a listing of all members of its Board of Directors and identify any of its members who receive compensation in any form, including but not limited to salary, stipend, per diem payments, and/or payments for services rendered, from the Agency or its affiliates, together with the amount of any such compensation, regardless of the source of its payment, and a description of its purpose.

**iv. Pension Contributions to the Cultural Institutions Retirement System (CIRS)**

Pension funds are part of the EarlyLearn rate for *Head Start funded employees only*. Pension for *Child Care* funded employees including Family Child Care Network (FCCN) Administrative Staff will continue to be provided by the Cultural Institutions Retirement Systems (CIRS). FCCN in-home providers are not entitled to the pension covered through the CIRS.

The purpose of the schedule of pension contributions to the CIRS is to determine the number of employees with its corresponding total amount of salaries per budget category that are eligible for the Pension. Through this, ACS will be able to compare the Schedule from the amount paid directly to CIRS for Child Care or proper remittance of premium are observed for Head Start.



## **XII. INSURANCE**

Effective January 1, 2014, all Agencies are required to purchase insurance policies covering general liability, workers compensation, disability and employee fraud/theft. ACS recommends that Governing Boards obtain Directors' and Officers' Liability Insurance. All contractors are required to send copies of their current insurance policies to ACS and these policies must include the following:

**Certification by Broker** – notarized document attesting to accuracy of associated policies

**Workers' Compensation and Disability Insurance** - Insurance that provides medical & salary to employees in the event of occupational disease or bodily injury resulting from their employment. Coverage is also provided for any suit filed against programs due to an injury sustained by an employee.

**Commercial General Liability** - Insurance that protects programs against claims or suits from the bodily injury suffered by members of the public or from damage to their property, \$1 million each occurrence. This also includes negligence or physical damage caused by staff; sexual abuse and molestation.

**Fidelity** - This covers loss of monies and securities due to employee theft, \$1 million theft with a limit of liability equal to twenty five percent (25%) of the Contractor's annual budget. This also covers robbery from program premises, including computer theft through outside manipulation; robbery of program messenger away from the premises, premises monies and security; loss resulting from check forgery. It does not cover petty cash coverage.

**Special Accident (Non-Employee Coverage)** - This covers medical expenditures for non-employees injured in the program, who are authorized to participate in the activities of the insured.

**Property** - Covers physical damage to the Agency property and valuable papers owned by the Agency. Staff personal property and the homes of Family Day Care providers are excluded. It is written on an all-risk basis and covers standard perils such as burglaries, vandalism, fire and floods.

All insurance certificates submitted to ACS must meet the following requirements:

**Certified by a Broker**

- Notarized; and
- Include Broker's Name & Contact Information

**Certificate of Liability Insurance (Form ACORD 25) –**

The following information must be included:

- Broker's Name & Contact Information

- Contractor's Name and Address
- Insured Site name and address
- Contact name on document
- Other Locations listed if more than one site
- Policy number
- Policy effective and expiration date
- NAIC No. {The NAIC# must match with the name of the Insurance Company ( refer to naic.org )}
- Fidelity Bond/Insurance was listed
- Certificate of Holder section must show:  
*The City of New York*  
*c/o The Administration for Children's Services*  
*150 William Street*  
*New York, NY 10038*
- Description of Operations/Location section must include "*The City of New York, including its officials and employees are listed as additional insured*"

#### **Certificate of Disability Insurance (Form DB-120.1)**

The following information must be included:

- Legal Name and Address of Insured per Site
- Business Number of Insured
- NYS Unemployment Insurance Employer Registration Number
- Federal Employer ID or SS Number
- Name and Address of the Entity Requesting Proof of Coverage should read as follows:  
*The City of New York*  
*c/o The Administration for Children's Services*  
*150 William Street*  
*New York, NY 10038*
- Insurance Carrier's name
- Policy number
- Policy effective and expiration date

#### **Certificate of Workers' Compensation Insurance NYSIF – New York State Insurance Fund (Form U-26.3)**

The following information must be included:

- Business Name and Address
- Policyholder Name and Address (Insured Site)
- Policy number

- Certificate number
- Period Covered by this Certificate
- Certificate Holder section showing :  
*The City of New York*  
*c/o The Administration for Children's Services*  
*150 William Street*  
*New York, NY 10038"*

OR

**State of New York Workers' Compensation Board Certificate of Coverage (Form C-105.2)**

The following information must be included:

- Legal Name and Address of Insured per Site
- Business Number of Insured
- NYS Unemployment Insurance Employer Registration Number
- Federal Employer ID or SS Number
- Name and Address of the Entity Requesting Proof of Coverage should read as follows:  
*The City of New York*  
*c/o The Administration for Children's Services*  
*150 William Street*  
*New York, NY 10038*
- Insurance Carrier's name
- Policy number
- Policy effective and expiration date

**Certificate of Fidelity Bond/Insurance:** (If a separate certificate was provided to ACS)

The following information must be included:

- Broker's Name & Contact Information
- Insured Site Name and Address
- Contact name on document
- Other Locations listed if more than one site
- Policy number
- Policy effective and expiration date
- NAIC No. {The NAIC# must match with the name of the Insurance Company (refer to naic.org)}
- Certificate of Holder section must show:

*The City of New York*  
*c/o The Administration for Children's Services*  
*150 William Street*

*New York, NY 10038*

- Description of Operations/Location section must include *“The City of New York, including its officials and employees are listed as additional insured”*

### **Bus Trip (including Yellow School Bus) Insurance**

– (on a case-by-case basis)

- Coverage should be a total of \$5million dollars

### **Hurricane Sandy Emergency Relief Funds**

The Disaster Relief Appropriations Act, H.R. 152 (Act) was signed on Jan. 29, 2013. The Act provides emergency funding for recovery, relief, and resiliency efforts in areas affected by Hurricane Sandy. Head Start agencies in Connecticut, Delaware, the District of Columbia, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Virginia, and West Virginia may be eligible for emergency relief funds if their programs were directly impacted by Hurricane Sandy. The Department of Health and Human Services (HHS) will prioritize funding programs that sustained significant damage from Hurricane Sandy and serve a high proportion of families displaced as a result of the storm.

Eligible Head Start agencies may only apply for funding for costs not covered by commercial or self-insurance proceeds or other emergency funds received from any local, state, federal, or private sources. Applicants must attest that funds requested will not be used for costs that are reimbursed by the Federal Emergency Management Agency (FEMA), covered by commercial or self-insurance proceeds, or from any other local, state, federal, or private sources. The Office of Head Start (OHS) will work closely with FEMA to ensure no duplication of federal funding occurs.



### **XIII. PAYMENT OF TAXES**

All Agencies are subject to certain monthly, quarterly, and annual tax requirements. Agencies are also subject to federal income tax withholding and social security tax. This means these two taxes must be withheld from employees' pay and the agency must make monthly and/or quarterly federal tax deposits and employer-share contributions to social security.

Tax reports include the following:

## **A FEDERAL FILING**

### **IRS Form 941**

This is used for an employer's quarterly Federal tax return. All EarlyLearn contractors are responsible for withholding Federal income tax and other payroll taxes from each employee's paycheck and remitting it to the IRS. Each Form 941 filed reports the total amount of tax withheld during the quarter.

### **IRS Form 990**

All Non-Profit Agencies must file Form 990 with the IRS. Form 990 is an annual report that certain federally tax-exempt organizations must file with the IRS.

The IRS uses this form to assess compliance with the Internal Revenue Code. It provides information on the filing organization's mission, programs, and finances. The form lists organizational assets, receipts, expenditures, and compensation of officers.

## **B STATE FILING**

### **CHAR500**

All EarlyLearn contractors must file a CHAR500 with New York State. All registered organizations, even those meeting annual report exemption requirements, must file with the Charities Bureau every year on form CHAR500.



## **XIV. PROPERTY MANAGEMENT**

## **A. CONSTRUCTION, PURCHASES AND MAJOR RENOVATIONS**

Major renovation means a structural change to the foundation, roof, floor, or exterior or load-bearing walls of a facility, or extension of an existing facility to increase its floor area. Major renovation also means extensive alteration of an existing facility, such as to significantly change its function and purpose, even if such renovation does not include any structural change to the facility. Major renovation also includes a renovation of any kind which has a cost exceeding the lesser of \$257,595, adjusted annually to reflect the percentage change in the Consumer Price Index or 25 percent of the total annual direct costs approved for the grantee by ACF for the budget period in which the application is made.

Prior approval must be sought for facilities subject to major renovation if:

- The renovation involved a structural change to the foundation, roof, floor, or exterior or loadbearing walls of a facility or extension of an existing facility to increase its floor area.
- The renovation involved extensive alteration of an existing facility, such as to significantly change its function and purpose, even if such renovation did not include any structural change to the facility.
- The renovation cost is in excess of \$257,729 effective 2016.

### **Construction & Facility Improvement Contracts or Sub-Contracts In Excess Of \$150,000**

For construction projects over the simplified acquisition threshold (currently at \$150,000), the method of procurement should involve either sealed bids or competitive proposals.

Contracts for purchases over \$150,000 must include a performance and payment bond for 100% of the contracted price. A certificate of insurance from the contractor naming the Agency as an additional insured for a minimum of \$1,000,000 must be obtained from the contractor prior to any work being completed on any project. All bonds must be issued by a surety company licensed to do business in the United States of America. These documents must be maintained by the Head Start director.

In addition, all contracts must include a provision for administrative, contractual, or legal remedies to be enforced if the contractor violates or breaches the contract terms. All contracts must contain a clause for contract termination as a result of default or conditions beyond the control of the contractor. All contracts must contain a provision allowing the Department of HHS or any other duly authorized representative access to the contractor's books, documents, paper, or records in direct connection with the contracted services.

### **Small-Construction Projects (Adequately Documented By FY and PY**

Incidental alterations and [minor] renovations mean improvements to facilities which do not meet the definition of major renovation

### **Use of One-Time Funds**

When one-time funds have been identified (ACS makes one time funds available, under-spending from delegates, etc.) ACS may use them for facilities related repair, maintenance or equipment purchases.

ACS will:

1. Survey the Agencies and establish an aggregate list of projects needed with projected costs (completed by Facilities)
2. Present a project budget request to the Budget Department. Costs must be allocated among multiple funding streams based on the programs receiving the benefit (completed by Facilities).
3. Review and verify that the Agency is in good standing and has a valid contract with the City, and then sets up a payment schedule with the Agency (completed by Budget).
4. Send a RFRA (request for release of payment - an internal document) to the ACS Payment Department, authorizing payments to contractors according to the agreed upon schedule (completed by Finance).
5. Work with the Agency to oversee the projects (completed by Facilities).
6. As invoices are submitted for completed work, validate, verify, and confirm work completed as specified on the invoice, and approve all payments to contractors (completed by Facilities).
7. Once approved by Facilities, submit the invoice to Finance for payment.
8. Validate that the work done according to the terms of the contract, and then pay the vendor/contractor (completed by Finance).
9. When the project is complete, receive confirmation and then report the project as “expensed” and/or “completed”. If it’s an extensive project, create an interim schedule and monitor on a scheduled cycle of chunked payments and approvals (completed by Finance).
10. Determine the schedule per project (completed by the Facilities Project Manager, who has discretion in establishing the timing and schedule of payments).
11. Send the Agency a memorandum outlining how to account for the use of the one-time funds (completed by Budget).

## **B CITY LEASE COSTS**

The City leases a number of centers where Head Start and/or Child Care funds are used to operate programs. NYC has a process in place using multiple City agencies to lease and oversee the facilities. The ACS Facilities Department manages those properties, working with the City's Department of Citywide and Administrative Services to negotiate leases.

## **C PROPERTY MANAGEMENT - FEDERAL INTEREST**

45 CFR §1309.21 applies to all Head Start and Early Head Start Agencies:

When Head Start funds are used, the Federal government has an interest in all real property and equipment acquired or upon which major renovations have been undertaken. Facilities acquired with Head Start funds may not be mortgaged or used as collateral, or sold or otherwise transferred to another party, without the written permission of ACS and the responsible HHS official.

Any use of the Head Start facility outside of the purpose for which the facility was funded, without the express written approval of the responsible ACS or HHS official, is prohibited. The Agency must record the Notice of Federal Interest in the appropriate official records for the jurisdiction where a facility is or will be located.

The federal government has a claim on Head Start agencies for whom ACS provides \$257,517 (as of March 1<sup>st</sup>, 2016) or more for facilities or other work. Whenever a renovation cost exceeds the threshold where entities must file federal interest, the ACS Facilities Department manages the submission of this documentation and files it with the federal government on behalf of the Agency.

§75.343 Reporting on real property - ACS requires Agencies to submit reports at least annually on the status of real property in which the federal government retains an interest, unless the federal interest in the real property extends 15 years or longer. The awarding agency can allow multi-year frequencies for reporting where the federal interest extends 15 years or longer. ACF has opted to require annual real property reporting using Standard Form (SF) 429 and Attachment A, as indicated in ACF-IM-HS-15-01, for all grantees.

ACS will distribute and require all delegates to submit to ACS a completed Standard Form 429 each fiscal year.

***Insurance Coverage:*** Agencies operating in a site with Federal Interest are required to obtain minimum insurance coverage as follows:

- A physical destruction insurance policy, including flood insurance where appropriate, which insures the full replacement value of the facility from risk of partial and total physical destruction. The insurance policy is to be maintained for the period of time the facility is owned and used for operating a Head Start Program.

### **Federal Interest - Collateral**

Facilities acquired with grant funds may not be mortgaged or used as collateral, or sold or otherwise transferred to another party, without the written permission of the responsible HHS official, including refinancing of existing loans. 45 CFR 1309.21(b)

ACS will monitor Federal Interest to ensure that Agencies:

- Make written request and receive written permission before:
- obtaining a mortgage;
- using mortgage as collateral;
- sale or transfer of property
- Obtain permission and enter into a written agreement with required terms before subordination of the Federal interest. 45 CFR §1309.21.
- Include mortgages and encumbrance review in the annual audit.

### **Federal Interest - Default**

Subordination of the Federal interest allows a lender to take precedence over HHS in receiving its money back in case the borrower (Agency) defaults on the mortgage.

In the event of default, ACS will ensure that the following mortgage provisions are applied:

- Notice of default to ACF
- ACF right of intervention
- ACF right to substitute borrower
- If foreclosure occurs, Federal share must be paid to ACF

Head Start Agencies involved in purchase of facilities with respect to which the responsible HHS official has subordinated the Federal Interest to that of the lender must keep the lender informed of the current addresses and telephone numbers of the agencies to which the lender is obligated to give notice in the event of a default.

### **Federal Interest - Leases**

In order to protect federal interest, ACS Finance and Facilities will work together to ensure that lease provisions allow ACS the right to designate a new lessee in the event of default.

## **D PROPERTY MANAGEMENT - OWNERSHIP**

ACS Finance will require Agencies to ensure the following specifications are defined for each owned facility:

- Receive express written permission before using a facility for a purpose other than that for which it was funded. 45 CFR §1309.21.
- Obtain title insurance with ACS named as loss payee. 45 CFR §1309.23.
- Obtain physical destruction insurance (may include flood insurance). 45 CFR §1309.23.
- Adequately maintain facilities. 45 CFR §1309.23.
- Submit timely certified copies of all required documents. 45 CFR §1309.40.

**Note:** *In the event that the Head Start facility is operated in a city-owned building, the charging of rent to Non-Federal Share is not an allowable cost.*

## **E PROPERTY MANAGEMENT - LEASEHOLD**

ACS Finance will require Agencies to ensure the following specifications are defined for each leasehold facility:

Arm's length lease: This is an operating lease between the Agency and an unrelated property owner. The relationship between the delegate and the owner is arm's length. The lease does not include elements of purchase.

Less than arm's length: There is a less than arm's length relationship between the Agency and the landlord. One party to the Lease Agreement is able to control or substantially influence the actions of the other.

Lease to Purchase: The lease contains at least one of the elements of a purchase:

- The lease provides for transfer of ownership to the Agency.
- The lease provides for the Agency to purchase the property for less than fair market value.
- The duration of the lease is 75 percent or more of the expected economic life of the facility.
- Payments under the lease are at least 90 percent of the asset's value.

Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount that would be allowed had the institution purchased the property on the date the lease agreement was executed. This amount would include expenses such as depreciation, maintenance, taxes, and insurance.

**Note:** *In the event that the Head Start facility is operated in a city-owned building or NYCHA building where the rent is paid by ACS, the charging of rent to Non-Federal Share is not an allowable cost.*

## **F MORTGAGES**

Facilities acquired with grant funds may not be mortgaged or used as collateral, or sold or otherwise transferred to another party, without the written permission of ACS and the responsible HHS official, including refinancing of existing loans. 45 CFR 1309.21(b).

ACS will monitor Federal Interest to ensure that Agencies:

- Make written request and receive written permission before:
  - obtaining a mortgage;
  - using mortgage as collateral;
  - sale or transfer of property
- Obtain permission and enter into a written agreement with required terms before subordination of the Federal interest. 45 CFR §1309.21.
- Include mortgages and encumbrance review in the annual audit.

## **G EQUIPMENT THRESHOLD POLICY**

Physical assets acquired with unit costs in excess of \$3,000 must be capitalized as property and equipment in each Agency's General Ledger. Items with unit costs below this threshold shall be expensed in the year purchased. If ACS requires a lower threshold for equipment, the Agency must adhere to that dollar amount only for that program or contract.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land, are subject to depreciation over the estimated useful life. For the Agency's financial statements, these assets must be capitalized and depreciated according to these policies.

### **Contributed Assets**

Assets with a fair market value in excess of \$3,000 (per unit) which have been donated to the Agency must be capitalized as fixed assets on the General Ledger. Contributed items with a market value below this threshold must be expensed in the year contributed.

Capitalized contributed assets are accounted for at market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over the estimated useful life, as described later.

### **Equipment and Furniture Purchased with Federal Funds (2 CFR Part 200.313)**

ACS Agencies may occasionally purchase equipment and furniture that will be used exclusively on a program funded by Head Start. In addition to those policies on Asset Management described earlier, equipment and furniture charged to Head Start funds will be subject to certain additional policies, as described below.

For purposes of Head Start accounting and administration, *equipment* shall include all assets with a unit cost equal to the lesser of \$3,000 or the equipment threshold utilized by ACS, described under Asset Management.

All purchases of *equipment* with Head Start funds must be approved, in advance and in writing, by ACS. In addition, the following policies shall apply regarding equipment purchased and charged to Head Start funds:

1. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Head Start funds.
2. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of \$3,000 or less at the conclusion of the grant, ACS shall retain the equipment without any requirement for notifying the federal agency.
3. If the remaining per unit fair market value is \$3,000 or more, Agencies shall gain a written understanding with the ACS regarding disposition of the equipment. This understanding may involve returning the equipment to ACS, keeping the equipment and compensating ACS, or selling the equipment and remitting the proceeds, less allowable selling costs not to exceed \$500, to ACS. (2 CFR Part 200.313(e))
4. The Grant Manager shall determine whether a specific Head Start includes additional equipment requirements or thresholds and requirements that differ from those described above.

#### **Establishment and Maintenance of a Fixed Asset Listing**

All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset: (2 CFR part 200.313(d)(1))

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number or other identification number)
4. Source of the funds used to purchase the equipment, including the federal award number, if applicable
5. Whether the title vests in the agency or ACS
6. Information to calculate the federal share of the cost of the equipment, if applicable
7. Location, use and condition
8. Depreciation method
9. Estimated useful life
10. Ultimate disposition data including the date of disposal and sale price

A physical inventory of all assets capitalized under the preceding policies will be taken annually by the Agency. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Executive Director.

**Receipt of Newly Purchased Equipment and Furniture**

At the time of arrival, all newly purchased equipment and furniture shall be examined for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the point of sale immediately. In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the contractor immediately.

**Depreciation and Useful Life**

All capitalized assets are maintained in the property and equipment account group and are not included as an operating expense. Property and equipment are depreciated over their estimated useful lives using the [straight-line] method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the fifteenth day of the fifth month shall have eight full months of depreciation (eight-twelfths of one year, recorded for that year.)

Estimated useful lives of capitalized assets shall be determined by the Accounting Department in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	Up to 10 years
General office equipment	5 years
Computer hardware and peripherals (which exceed the capitalization threshold)	3–5 years
Computer software	2–3 years
Leased assets	Life of lease
Leasehold improvements	Remaining lease term

For accounting and financial reporting purposes, depreciation expense will be recorded monthly.

**Changes in Estimated Useful Life**

If it becomes apparent that the useful life of a particular capitalized asset will be less than the life originally established, an adjustment to the estimated useful life shall be made. All such changes in estimated useful life of capitalized assets must be approved by the Executive Director. When a change in estimated useful life is made, the new life is used for purposes of calculating annual depreciation expense. In the year in which the change in estimate is made, the cumulative effect of the change shall be reflected as depreciation expense in the Agency’s General Ledger.

For example, if in the fourth year of an asset’s life, it is determined that the asset will last five years instead of the original estimate of seven years, depreciation expense for that year shall be equal to the difference between 4/5 of the asset’s basis (accumulated depreciation at the end of year four) and 3/7 of the asset’s basis (accumulated depreciation at the beginning of the year).

### **Repairs of Property and Equipment**

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property. Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use.

Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

### **Disposition of Property and Equipment**

If equipment is sold, scrapped, donated, or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the amount received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain (if the money received is more than the book value).

### **Write-Off of Property and Equipment**

The Executive Director must approve the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen must be reported immediately to the Executive Director. If not located, this property must be written off the books with the proper notation specifying the reason.



## **XV. PROGRAM OR GRANT-RELATED INCOME**

**Head Start**

Agencies may not collect fees for Head Start services or participation, including meals. However, if a parent volunteers to pay all or part of the child's costs, payment may be accepted, recorded as program income and it must be used for allowable program costs. Program income may also be received from rental of property purchased with Head Start funds.

**Non-Head Start**

Agencies may collect co-payment for non-Head Start child care services as part of an extended day (commonly referred to as wrap-around services) and classified in the General Ledger as unrestricted income.



## **XVI. CHILD VACANCIES AND IMPACT OF CHRONIC UNDER- ENROLLMENT**

EarlyLearn Agencies must adhere to ECE enrollment guidelines in order to maintain their funding. These guidelines stipulate the following:

1. An agency's ***Child Care*** slots must be enrolled at 95% or above for the year.
2. There must be an active waiting list for each site
3. Vacant slots must be filled through the waiting list.
4. If enrollment is not at 100%, Agencies must implement a plan to increase enrollment to or close to 100%.
5. If a program is under-enrolled, the Agency must identify and implement cost saving practices.
6. Agencies must use an eligibility tool that adheres to ***Child Care and Universal Pre-K*** policies regarding eligibility, enrollment and attendance.
7. Agencies must collect 100% of parent fees due, only for Child Care services.
8. If parents are behind in paying their fees, Agencies must establish a payment plan for collection of fees before terminating services.
9. Agencies must establish a termination of enrollment policy if parents are not paying required fees.
10. When families go through the annual re-certification process, Agencies must:
  - a. Confirm that eligibility for enrollment has been maintained, and
  - b. Note if parent fee amounts have changed.



## **XVII. CONFLICT OF INTEREST POLICY**

ACS requires all contractors to establish safeguards to prevent employees, consultants, members of governing bodies, and others who may be involved in grant-supported activities from using their positions for purposes that are, or give the appearance of being, motivated by a desire for private financial gain for themselves or others, such as those with whom they have family, business, or other ties. These safeguards must be reflected in written standards of conduct.

Conflict of interest arises whenever an individual's personal, financial, professional interest or other business concerns are potentially at odds with the best interests of the organization. Each Agency must have a conflict of interest policy which outlines what constitutes a conflict of interest for Board members, staff and volunteers. The Governing Board must ensure it has a strong conflict-of-interest policy with disclosure and recusal guidelines and that this policy is enforced without failure.

The IRS has published a suggested conflict of interest policy on the *Appendix A: Sample Conflict of Interest Policy of Form 1023 – Additional Material* (Application for Exemption under Section 501(c) (3)).

## **A PROCUREMENT**

No payment shall be made to or obligation undertaken in connection with the ACS Contract with (including but not limited to consulting services) (a) any person who is a relative of a director or officer or principal of the Agency, or (b) any entity that has a director, officer or principal who is a relative of the director, officer or principal of the Agency.

Agencies should also establish procedures, such as competitive bids, that ensure that the organization is receiving fair value in the transaction.

## **B HUMAN RESOURCES**

A conflict of interest policy regarding human resources must include, but not be limited to:

### **Auditor Independence**

17 CFR PARTS 210, 240, 249 and 274 “Strengthening the Commission's Requirements Regarding Auditor Independence,” released by Securities and Exchange Commission:

- Prohibit certain partners on the audit engagement team from providing audit services to the issuer for more than five or seven consecutive years, depending on the partner's involvement in the audit, except certain small accounting firms may be exempted from this requirement
- Prohibit an accounting firm from auditing an issuer's financial statements if certain members of the management of that issuer has been members of the accounting firm's audit engagement team within the one-year period preceding the commencement of the audit procedures

**Nepotism**

Conflict of interest includes having an immediate family members of a governing board member be employed, by the Agency.

**C FACILITIES****Restrictions on the Ownership of Property**

As pursuant to the Appendix B Article 4 Sec. 5 of the EarlyLearn Contract, no member of the Board of Directors, or officer or employee of the Agency, shall be: an owner; a member of the Board of Directors of an owner; a trustee of an owner, or an employee of an owner of the facility in which an EarlyLearn NYC program is located. This rule shall not apply, however, where the facility in which the EarlyLearn NYC programs are provided by the Agency or developed to the Community Facilities Improvement Act.

**D FISCAL****Fiscal Role of the Board**

The Board has a fiduciary responsibility for the organization, a responsibility to see that funds are well managed and safeguarded by following the items below:

**i. Policies:**

The Board must have financial policies in place that dictate their desire regarding financial matters such as controls on cash receipts and disbursements, budget practices, investments, capital budgets, financial reports and audits. The Board must ensure that all finances are properly managed.

**ii. Budget:**

The Board must have an annual budget in place that they approve along with established policies for the development of the budget cycle, budget revisions and budget activity.

**iii. Financial Reporting:**

The Board should review both the monthly financial statements, budget reports and the cash flow statements. In regard to conflict of interest on fiscal matters, a conflict is defined as an actual or perceived interest in an action that results in, or has the appearance of resulting in, personal or professional financial gain. The Board is obligated to seek the furtherance of the mission of the agency. Board members are prohibited from using their job title or status for private profit or benefits. If it is a relevant conflict, the Board is responsible for reviewing and voting on the said conflict. This vote must be absent of the conflicting board member(s).

**E GOVERNANCE**

The directors of an organization owe it a duty of loyalty. The duty of loyalty requires a director to act in the interest of the organization rather than in the personal interest of the director or some other person or organization. In particular, the duty of loyalty requires a director to avoid conflicts of interest that are detrimental to the organization. Agencies must adopt a written

conflict of interest policy to address potential conflicts of interest involving their directors, trustees, officers, and other employees.

**Head Start Act of 2007 Governing Body Conflict of Interest Sec. 642 (c) (1) (C)**

Members of the governing body shall:

(i) Not have financial conflicts of interest with the Head Start agency (including any Agency);

(ii) Not receive compensation for serving on the governing body or for providing services to the Head Start agency;

(iii) Not be employed, nor shall members of their immediate family be employed, by the Head Start agency (including any Agency); and

(iv) Operate as an entity independent of staff employed by the Head Start agency.

**Governing Board Composition**

Head Start programs must have a governing body composed of at least one member with a background and expertise in accounting or fiscal management, one member with a background and expertise in early childhood education and development and one member who is a licensed attorney familiar with issues that come before the governing body.



## **XVIII. AUDIT**

## **A FINANCIAL AUDIT**

All Agencies are required to have an annual audit of their financial statements covering a fiscal period of one (1) year, beginning July 1. The grantee agencies must submit the annual financial audit to ACS, within thirty (30) days after the grantee agencies' receipt of the final report, but no later than nine (9) months after the audit period. The audit must be conducted by an independent certified public accountant.

The audit must be performed in accordance with Generally Accepted Accounting Principles (GAAP), Generally Accepted Government Auditing Standards (GAGAS), Non-Profit Auditing Standards, ACS Audit Instructions, Federal laws including Audits of States, Local Governments, and Non-Profit Organizations including the Compliance Supplement (US OMB Single Audit) and shall contain a separate opinion of the adequacy of the grantee agency's internal controls of Federal Awards to safeguard its assets.

Auditors are required to follow the provisions of OMB Single Audit and program-specific guidance found in the 2014 Compliance Supplement (Supplement). The 2014 Supplement applies to audits of fiscal years beginning after June 30, 2013.

Additional documents may be requested by ACS.

### **Generally Accepted Government Auditing Standards (GAGAS)**

The Single or Program-specific audit must be performed in accordance with Generally Accepted Government Auditing Standards. GAGAS contains requirements and guidance dealing with ethics, independence, and auditor's professional judgment, quality control, the performance of fieldwork, and reporting.

Ethics, independence and auditor's professional judgment – The audit firm and its staff must be proficient and independent when performing the Single Audit or other government audits. The audit staff must maintain their proficiency by enrolling in a program of continuing education. The audit firm must have a quality of control in place and have undergone a recent peer review.

Quality control – Each audit organization performing audits in accordance with GAGAS must establish a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements.

Performance of fieldwork – Auditors performing financial statements audits are required to plan the audits, supervise the staff and review the auditee's internal control. In addition, the auditors must gather sufficient and competent evidence to support their findings.

Reporting – Audit reports are prepared in accordance with GAGAS, which incorporates the AICPA standards. GAGAS requires the auditors to state in the report whether or not the grantee agency's financial statements are presented fairly in all material respects in accordance with Generally Accepted Accounting Principles (GAAP). For a Single Audit, the auditors must determine whether the schedule

of expenditures of Federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.

AICPA Statements on Auditing Standards – The AICPA issues the Statements on Auditing Standards (SAS) to provide clarification on the application of the standards of fieldwork and reporting. The auditors must refer to them in conducting the audits.

Internal Control and Compliance – For single audits, the auditors must evaluate the internal control over the grantee agency’s Federal awards and assess the level of control risk for the major programs. Likewise, the auditors must determine if the grantee agency complied with laws, regulations and the provisions of the contracts, or grant agreements.

### **Financial Statements**

Financial statements are designed to reflect the fiscal condition and gauge the financial health of an organization by showing how an organization finances its operations. Financial statements of nonprofits have to follow generally accepted accounting principles (GAAP). Financial Statements Reports consist of:

- (a) Statement of Financial Position (Balance Sheet)
- (b) Statement of Activities (Income Statement / Profit & Loss Statement)
- (c) Statement of Cash Flows
- (d) Statement of Functional Expenses
- (e) Notes to Financial Statement

### **Notes to Financial Statement**

The Notes to financial statements are additional information added to the end of financial statements and help explain specific items as well as provide a more comprehensive assessment of the grantee agency’s financial condition.

The following notes should be included in the audit(s) to the extent that they are applicable:

1. Summary of Significant Accounting Policies
2. Cash
3. Receivables
4. Prepaid Expenses
5. Security Deposits
6. Accounts Payable
7. Accrued Expenditures
8. Other Payables
9. Child and Adult Care Food Program (C.A.C.F.P.)
10. Lease Commitments
11. Contractual Agreements
12. Cost Allocation
13. Centrally Paid Costs for EarlyLearn grantee agencies
14. Contingent Liabilities:
15. Depreciation

16. Related Parties
17. Reporting Parents' Fees in the Audit Reports
18. Reporting Private Tuition Fees in the Audit Reports
19. Other Funds Used for Day Care
20. Prior Year/s COLA
21. Due To/Due From ACS

In the "Notes to Financial Statements and Compliance Section," the auditor shall indicate if the grantee agency has a *cost allocating plan* or a *cost allocation plan* and if the plan was implemented in their accounting system.

## **B OMB SINGLE AUDIT**

### **Audit Requirements §75.501 and 200.501**

The Single Audit Act Amendments of 1996 and OMB New Uniform Guidance of 2014 provide that Agencies that expend \$750,000 or more in Federal Awards during FY16 and FY17 must have either a single or a program-specific audit conducted for that year. The definitions of single and program-specific audits are as follows:

- **Single audit** – an organization-wide audit that includes both the entity's financial statements and the Federal awards.
- **Program-specific audit** – an audit of one particular Federal program performed in accordance with program specific guidelines.

A grantee agency can elect to have a program-specific audit provided that it has only one program (excluding Research and Development) and the Federal program's laws, regulations, or grant agreements do not require otherwise.

### **OMB Single Audit Exemption**

If an Agency spends less than \$750,000 in federal awards in a year, it is not required to have a single or a program-specific audit but it is **still required** that an audit be done. However, the grantee agency must comply with the program's rules, regulations and contract or grant agreements. In addition, the grantee agency may be monitored for compliance with these requirements by appropriate officials of the Federal Agency, the General Accounting Office (GAO) and ACS.

*If the grantee agency does not meet the threshold of \$750,000 in federal awards and is therefore exempted from a Single Audit, a signed attestation (Appendix B) must be submitted by the grantee agency's Chief Financial Officer to:*

Ms. Marcia Gilliard – Assistant Commissioner  
Finance/Audit and Banking  
150 William St. 10<sup>th</sup> Floor  
New York, NY 10038

To determine if a grantee agency is subject to a single audit, the total expenditures made for the year should be multiplied by the Federal percentage for the Federal program. If the result for any of the

Federal programs operated by a grantee agency is \$750,000 or more, that grantee agency must contract for a Single Audit.

The funding breakdown and CFDA numbers for Fiscal Year 20XX are as follows:

Funding Allocation

EARLYLEARN	CFDA #	City	State	Federal
Head Start	93.600	-	33%	77%
Child Care	93.575	23%	11%	56%

*The percentages are for illustration purposes only and are subject to change.*

An Agency may have one or more Federal program. If in Fiscal Year 20XX a grantee agency has only one Federal program and the Federal Expenditures are less than \$750,000, the grantee agency is not required to have a Single Audit (See Example 1). However, if the program’s Federal Expenditures equal \$750,000 or more, the Agency must hire an audit firm to conduct a Single Audit (See Example 2).

When an Agency has more than one Federal program, all Federal expenses should be added to determine if the Agency is subject to the Single Audit (See Example 3).

Schedule of Expenditures of Federal Awards for FY Ended June 30, 20XX

The Schedule of Expenditures of Federal Awards should include a list of Federal programs by Federal grantee agency, ACS name and pass-through number, the total amount provided by ACS and the total amount expended for the Federal award from the total.

*Example 1*

<u>Program Name</u>	<u>CFDA Federal Number</u>	<u>Agency Number</u>	<u>Total Expenditures</u>	<u>Federal Expenditures</u>
Expenditures U.S. Department of Health & Human Services Head Start	93.600	99F2356	\$850,000	\$654,500
<b><u>Total</u></b>			<b><u>\$850,000</u></b>	<b><u>\$654,500</u></b>

*A Single Audit is not required because the Federal Expenditures are less than \$750,000 and the grantee agency has no other Federal program.*

*Example 2*

<u>Program Name</u>	<u>CFDA Federal Number</u>	<u>Agency Number</u>	<u>Total Expenditures</u>	<u>Federal Expenditures</u>
Expenditures U.S. Department of Health & Human Services Head Start	93.600	99C1232	\$974,221	\$750,150
<b><u>Total</u></b>			<b><u>\$974,221</u></b>	<b><u>\$750,150</u></b>

*A Single Audit is required where the Federal Expenditures are higher than the \$750,000 threshold. In addition, if the Agency has only one Federal program, it may elect to conduct a Program Specific Audit.*

*Example 3*

<u>Program Name</u>	<u>CFDA Federal Number</u>	<u>Agency Number</u>	<u>Total Expenditures</u>	<u>Federal Expenditures</u>
Expenditures U.S. Department of Health & Human Services Pass-through from NYC Admin. For Children Services Social Services Block Grant General Prevention (GP)	93.667	99F2356	\$975,000	\$195,580
Dept. of Social Services Early Head Start	93.600	02YCO3059	\$1,500,000	\$302,900
Head Start	93.600	02YCO3070	\$338,312	\$260,500
<b><u>Total</u></b>			<b><u>\$2,813,312</u></b>	<b><u>\$758,980</u></b>

*In this example, the grantee agency has two Federal programs. One Federal program is under the \$750,000 threshold, but the combined total of Federal expenditures of both programs is more than \$750,000, therefore, a Single Audit is required.*

## **C ACS SUPPLEMENTARY SCHEDULES**

ACS has included required schedules for EarlyLearn Agencies, regardless of the type of audit, to fully identify and account for ACS funds for each and every program.

When contracting for audit services, Agencies must request that the auditors complete these schedules as part of the Single Audit. These schedules must be included in the audit report whether or not the EarlyLearn program and other ACS Federal awarded programs are audited as a major program. These schedules can be shown in a separate section of the audit report as supplementary information to the report.

Agencies that are not subject to the Single Audit are required to prepare EarlyLearn schedules for final reconciliation of their fiscal year as well as submit their financial statements to ACS. The additional requirements will serve to provide accurate information to complete a final closeout process for the fiscal year and comply with New York State monitoring requirements. Also required is a signed attestation from the Chief Financial Officer stating that the grantee agency received less than \$750,000 in federal funds and is therefore not required to do a Single Audit.

The final closeout will be computed from the Statement of Revenues and Expenditures comparing the revenue to the total budget amount and actual expenditures. Agencies with multiple dual or multiple programs must be presented by funding source.

All ACS schedules are part of the audit report and will be subject to all audit procedures and requirements:

- Schedule 1 – Statement of Revenues and Expenditures Budgeted & Actual – Consolidated
- Schedule 2 – Schedule of Head Start Expenditures
- Schedule 3 – Schedule of Fixed Assets Inventory
- Schedule 4 – Schedule of Quantitative Program Results

### **Statement of Revenues and Expenditures Budgeted and Actual Consolidated**

A Statement of Revenues and Expenditures is an income statement specifically for the EarlyLearn (“EL”) Program presented by funding stream.

**i. Special Payments**

Special Payments are not part of the EL contract amount but are passed through ACS for specific purposes. These special payments, which include Health & Safety, HS COLA, Sandy Relief and Other Funding (Mortgage/Operational Advances), must be reflected in the Other Funding Source Revenue line item of the Revenue Section.

Expenses for Health and Safety repair can be classified as *Capital Expenditures and Renovations*. Expenses incurred using *Sandy Relief Fund and Other Funding (Mortgage/Operational)* must be classified according to the nature of the cost or transaction. In the event that revenues of these special payments are not utilized to its full amount, the Other funding source revenue must be adjusted to match the actual expenses and the excess of such must be disclosed in the Notes to Financial Statements as *Due to ACS*.

**ii. Cost Of Living Adjustments (COLA)**

Cost of Living Adjustments (COLA) if provided by the various funding sources will be adjusted in the rate being paid to grantee agencies. ***Head Start and Dual Funded grantee*** agencies must follow all expense requirements outlined in Head Start funded COLA grant awards.

Payments for current year COLA must be presented in the fiscal year audit under Salaries - COLA and FICA – COLA in the expenditures section of the ACS Schedule I.

**a. Parent Fees**

Grantee agencies are required to collect parent fees weekly in advance for children whose program eligibility requires parent contribution. A Fee Collection Policy must be in place and Parent fees must be collected within the fiscal year. Parent fees must be recognized as revenue and reflected as a separate line item in the ACS Schedule 1.

**b. Child and Adult Care Food Program (C.A.C.F.P.)**

**CACFP Deficit**

Early Learn will fund additional food and related cost provided that the following criteria are met:

1. The Agency is duly licensed.
2. The desired Utilization is 85%. An Agency with utilization of 80% and above, and having a deficit in the CACFP Food Program, may have the deficit supplemented with EL surplus. Utilization below 80% may not be supplemented with EL surplus without prior approval from ACS.
3. There are no Administrative Costs charged to CACFP.
4. There are enough funds in the EL Budget to pick-up the CACFP deficit.

Providing the above criteria are met CACFP deficits charged to EL surplus must be addressed before year-end closing of the books and be included in the audit report. Expenditure shifts involving CACFP are not permitted as part of the closeout.

**CACFP Surplus**

CACFP surpluses normally should not occur. Should a CACFP surplus exist, the Agency must ensure that it is used prior to the year-end closing of the books and be included in the audit report. Expenditure shifts involving CACFP are not permitted as part of the closeout.

**i. Universal Pre-Kindergarten (UPK)**

The first dollars expensed by the organization is charged against the Universal Pre-Kindergarten (UPK) Budget. All funding received from the UPK Program should be fully expensed. At the end of the program year a net asset (fund balance) in the UPK Budget should not exist.

**ii. Contractor's Contribution**

Contractor's contribution must cover the program costs associated with meeting the service requirements and not supplement them. Contractor's Contribution can be in the form of cash and non-cash contribution and it is expected to fund allowable costs. It must meet the criteria for the allowability, allocability, and the valuation of the sources contributed. This contribution should not

have any strings attached to it, where the grantee agencies benefits personally from the contribution. If the expenses are not valid this should be recorded in the Compliance Reports.

If the Agency has not met its contractor's contribution, the auditor should note this in the Compliance Report.

#### Contractor's Contribution Calculation

Contribution due from an Agency should be calculated by program model and then aggregated on a level based on actual expenditures. Agencies may have different program models and each model has its own specifics due to different funding. The information below should only be used for *Child Care* programs.

**If an Agency has excess Contractor's Contribution and In-Kind Match, the excess over the budgeted amount should not be a Questioned Cost.** A note should be added to Statement of Revenues & Expenditures-Budgeted and Actual explaining that the budget overage is caused by an excess of In-Kind or Contractor Contributions. Any Contractor Contribution and In-Kind match deficiency should also be disclosed in the Compliance Report.

#### **iii. Family Child Care Network (FCCN)**

Family Child Care Network provider stipends are not included when calculating Contractor's Contribution. For this model the Contractor's Contribution is calculated based on the cost of administering the FCC network.

#### **a. Statement of Head Start Expenditure**

A Statement of Head Start Expenditure is a statement of activity presented per Head Start program year.

#### Non-Federal Share (NFS)

ACS will fund Agencies up to a maximum of 93.3% of program costs of all funding source. Each Agency must contribute a minimum of 6.7% for all funding sources except Head Start and the Head Start portion of Dual (Head Start and Child Care) which requires a 25% non-federal match, the 6.7% for these types of funding sources is a subset. Since UPK Head Start expenses are funded by sources other than deferral fund (New York State) they may be counted toward NFS requirements for Head Start. Some of the other Head Start NFM are as follows:

- Cash
- Lease space
- Donated land, building and equipment where the title passes to the grantee agency
- Transportation costs
- Donated supplies, clothing and food (*at fair market value*)
- Professional development services
- Marketable securities

- Time donated by Board Members and Policy Council Members on management activities
- Time donated by employees
- Tuition paid by third party
- Fund raised by parents

**b. Schedule of Fixed Assets Inventory**

A Schedule of Fixed Assets Inventory details current year purchases and prior year inventory specifically for EarlyLearn programs.

**c. Schedule of Quantitative Program Results**

A Schedule of Quantitative Program Results details enrollment, attendance and costs per site/slot.

The Agency should maintain an average daily attendance of at least 85% of the funded enrollment. This percentage rate is considered the benchmark for best practice. If however, this percentage is not reached, the grantee agency should document the reason and efforts made to attain the desired attendance. When the monthly average daily attendance rate in a center-based program falls below 85 percent of attendance per contracted slot, a grantee agency must analyze the causes of absenteeism. The analysis must include a study of the pattern of absences for each child, including the reasons for absences as well as the number of absences that occur on consecutive days.

Agencies must ensure that the following procedures are followed:

- Enrollment and attendance is recorded daily for each child enrolled in the program in a roll book, attendance sheet, or other source document.
- Daily attendance is tallied on the monthly report for each eligible child enrolled in the program.  
Determining that attendance, as recorded in the roll book, daily attendance sheet, or other source document is properly supported by:
  - Performing, on an unannounced basis, a head count of children in attendance on a given day.
  - Tracing the results of the above head count to the attendance recorded for each child in the roll book, daily attendance sheet, or other source document.

In terms of the issue regarding the number of children in attendance by site provided on the Schedule IV, Part I - Enrollment, the average number of children in attendance by site during FYXX must be used, not the average number on the specific day of June 30, 20XX.

Cost

- a. Total expense for the contract

This is the total of ACS-funded expenditures and can be found in the Schedule of Revenues and Expenditures-Consolidated.

b. Total expense by site

This is the breakdown of the program expense for *each* site, for Agencies with multiple sites.

c. Average cost slots (Total expense/Average attendance for sites)

This amount is the total expense by site, divided by the number of children enrolled at the site.

d. Average cost per site or Total cost per site or Attendance by site

This is calculated by multiplying the average cost with the average attendance. It is listed by site as shown in the example below:

	Average Cost	Average Attendance	Total Cost
a) Site 1	\$ xxx	xxx	\$ xxx
b) Site 2	\$ xxx	xxx	\$ xxx
c) Site 3	\$ xxx	xxx	\$ xxx

## D AUDIT FINDINGS

The Agency is responsible for developing a corrective action plan based on all audit findings and implementing the plan. As part of this responsibility, the Agency shall prepare a summary schedule of prior audit findings. The Agency shall also prepare a corrective action plan for current year audit findings. The summary schedule of prior audit findings and the corrective action plan shall include the reference numbers the auditor assigns to audit findings.

### i. Prior Year Audit Findings

The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit’s schedule of findings and recommendations relative to the Federal awards. The summary schedule shall also include audit findings reported in the prior audit’s summary schedule of audit findings, except audit findings listed as corrected, no longer valid or not warranting further action.

### ii. Corrective Action Plan

At the completion of the audit, the Agency shall prepare a corrective action plan to address each audit finding included in the current year auditor’s report. The Agency is responsible for addressing all findings. The corrective action plan shall provide the name of the contact person responsible for the corrective action, the required corrective action and the anticipated completion date. If the Agency does not agree with the audit findings or believes corrective action is not required, then the corrective action plan shall include an explanation with specific reasons.

## **E REPORT SUBMISSION**

The Agency is required to submit the reporting package nine (9) months after the end of the fiscal year. The reporting package is comprised of:

1. Financial Statements and Schedules of Expenditures of Federal Awards
2. Summary Schedule of Prior Audit Findings
3. Auditor's Reports
4. Corrective Action Plan

Agencies must send two (2) bound copies of the audit reporting package described above to ACS, on or before March 31, addressed to:

Marcia Gilliard, Assistant Commissioner  
Finance/Audit and Banking Division  
150 William Street Rm 10-Q3  
New York, NY 10038

Additionally, an electronic file copy in PDF format must be sent copy to:

Denise Borak  
**[denise.borak@acs.nyc.gov](mailto:denise.borak@acs.nyc.gov)**

For questions about these instructions, please contact Ms. Denise Borak at (212) 676-8880.

## **F VENDOR INFORMATION EXCHANGE SYSTEM (VENDEX)**

Vendex scores evaluate the fiscal performance of EarlyLearn programs based on financial statements. Other valuable information is ascertained from CPA audits, which take into consideration whether these programs are compliant with internal controls for financial reporting, in accordance with the OMB Single Audit guidelines.

On a yearly basis, ACS Programs division requests the fiscal ratings of the EarlyLearn programs for contract registration purposes. Also, on an ad hoc basis, the Program Division also requests corrective action status on programs that have been identified as problematic in the past.



## **XIX. GOVERNANCE**

## **A EARLYLEARN GOVERNING BODY RESPONSIBILITIES**

Each EarlyLearn Agency shall have an active governing body which is responsible for setting the mission and strategic direction of the Agency as well as oversight of the finances, operations, and policies. The Governing Board: (a) ensures that its members have the requisite skills and experience to carry out their duties and that all members understand and fulfill their governance duties, acting for the benefit of the Agency and its public purpose; (b) is responsible for and ensures that the hiring, promotion and firing policies and practices for all board, staff and volunteer positions are fair and inclusive; (c) ensures that policies of the Agency (including but not limited to conflict of interest policy) are in writing, clearly articulated and officially adopted; (d) ensures that the Agency conducts all transactions and dealings with integrity and honesty; (e) ensures that the Agency promotes working relationships with board members, staff, volunteers, and program beneficiaries that are based on mutual respect, fairness and openness; (f) ensures that the resources of the Agency are responsibly and prudently managed; and, (g) ensures that the Agency has the capacity to carry out its programs effectively.

## **B HEAD START GOVERNING BODY RESPONSIBILITIES**

As part of their responsibilities, Head Start governing body and Policy Council members regularly review a wide variety of documents and reports, from personnel policies to federal directives. The key to effective program governance is the right structure, the right people, and the right practices. The Head Start leader's role is to ensure that the governance and management entities are working collaboratively to achieve positive outcomes for children, families, and their respective communities. Section 642(d)(2) of the Head Start Act of 2007 lists the documents and reports that must be regularly reviewed by the governing body and Policy Council.

## **C HEAD START GOVERNING BODY COMPOSITION REQUIREMENTS:**

### **Section 642 (c)(1)(b)**

The governing body shall be composed as follows:

- Not less than one (1) member shall have a background and expertise in fiscal management or accounting.
- Not less than one (1) member shall have a background and expertise in early childhood education and development.
- Not less than one (1) member shall be a licensed attorney familiar with issues that come before the governing body.
- Additional members shall reflect the community to be served and include parents of children who are currently or were formerly enrolled in Head Start programs, and selected for their expertise in education, business administration, or community affairs.

### **Head Start Policy Council Requirements - Composition and Selection**

- The policy council shall be elected by the parents of children who are currently enrolled in the Head Start program of the Head Start agency.
- The policy council shall be composed of Parents of children who are currently enrolled in the Head Start program of the Head Start agency (including any Agency), who shall constitute a majority of the members of the policy council; and
- Members at large of the community served by the Head Start agency (including any Agency), who may include parents of children who were formerly enrolled in the Head Start program of the agency.

### **D HEAD START CONDUCT OF RESPONSIBILITIES**

Each Head Start agency shall ensure the sharing of accurate and regular information for use by the governing body and the policy council, about program planning, policies, and Head Start agency operations, including:

- a. monthly financial statements, including credit card expenditures;
- b. monthly program information summaries;
- c. program enrollment reports, including attendance reports for children whose care is partially subsidized by another public agency;
- d. monthly reports of meals and snacks provided through programs of the Department of Agriculture;
- e. the financial audit;
- f. the annual self-assessment, including any findings related to such assessment;
- g. the community-wide strategic planning and needs assessment of the Head Start agency, including any applicable updates;
- h. communication and guidance from the Secretary; and
- i. the program information reports.

Section 644(a) (2) of the Head Start Act of 2007 requires Head Start programs to produce annual reports that contain the following information:

1. The total amount of public and private funds received and the amount from each source;
2. An explanation of budgetary expenditures and proposed budget for the fiscal year;
3. The total number of children and families served, the average monthly enrollment (as a percentage of funded enrollment), and the percentage of eligible children served;
4. The results of the most recent review by the Secretary and the financial audit;
5. The percentage of enrolled children that received medical and dental exams;
6. Information about parent involvement activities;

7. The agency's efforts to prepare children for kindergarten; and
8. Any other information required by the Secretary.

Head Start leaders are charged with the task of ensuring effective Head Start Program Governance. Head Start Program Governance, a unique and complex system, is designed to be inclusive of the local community, of which parents are an integral part. The key to effective program governance is the right structure, the right people, and the right practices. The Head Start leader's role is to ensure that the governance and management entities are working collaboratively to achieve positive outcomes for children, families, and their respective communities. The Program Governance system in essence entails:

- Composing a governing body;
- Establishing a clear understanding of the roles and responsibilities of the three entities within the system (governing body, Policy Council and management staff), and
- Continuously strengthening the Program Governance system in order to achieve desired outcomes for children and families in the communities served.

Head Start leaders need to ensure that their programs meet the requirements of the Head Start Act 2007 with regards to their governing body and Policy Council: the composition, roles and responsibilities, and the conduct of responsibilities of both of these important entities.

## **E SELF ASSESSMENT**

The annual fiscal Self-Assessment is a method of measuring agency compliance with Head Start Performance Standards. Self-Assessment promotes continuous improvement of internal controls and reporting systems. Each Head Start Agency will utilize an internal methodology in completing the annual fiscal Self-Assessment.



## **XX. RETENTION OF RECORDS**

Pursuant to Appendix A, Article 5, Section 5.02 of the EarlyLearn contract, Agencies are required to retain all books, records, and other documents pertaining to the EarlyLearn NYC contract for six (6) years after the final payment or expiration or termination of the contract. Organizations should have policies in place that clearly state the length of time that financial records of the organization must be kept. This will apply both to physical written records (ledgers, checks receipts, etc.) and to electronic records if the treasurer is using a computer program to manage the finances of the agency. In addition, if any litigation, claim, or audit concerning an EarlyLearn contract has commenced before the expiration of the six-period, the records must be retained until the completion of such litigation, claim, or audit.



## **XXI. APPENDICES**

## APPENDIX A: AUDIT ATTESTATION

Date

Marcia Gilliard, Executive Director  
Finance/Audit Division  
Administration for Children's Services  
150 William Street, Rm 10-Q3  
New York, NY 10038

Dear Ms. Gilliard;

The (Agency) attests that we have received less than \$500,000 in Federal funds and are therefore not required to complete a Single Audit. The schedules submitted have been audited and the required testing has been done to ensure that the expenditures are chargeable to ACS contract(s):

- Schedule 1 – Statement of Revenues and Expenditures Budgeted & Actual – Consolidated
- Schedule 2 – Statement of Head Start Revenues and Expenditures Budget and Actual
- Schedule 3 – Schedule of Fixed Assets Inventory
- Schedule 4 – Schedule of Quantitative Programs Results
- Schedule 5 – Schedule of Pension Contributions to the Cultural Institutions Retirement System (CIRS)

Signature

Print Name

**APPENDIX B: VENDEX - FISCAL RATING GUIDE TEMPLATE**

**NEW YORK CITY ADMINISTRATION FOR CHILDREN'S  
SERVICES  
OFFICE OF CONTRACT AUDIT  
FINANCIAL STATEMENT AUDIT REPORT REVIEW ANALYSIS  
RATING GUIDE JUSTIFICATION**

AGENCY: \_\_\_\_\_  
 CPA FIRM: \_\_\_\_\_  
 FY ENDED: \_\_\_\_\_  
 PROGRAM: \_\_\_\_\_

	<u>Maximum</u>	<u>Score Awarded</u>
<b>SECTION 1: REPORTS/ FINDINGS</b>	<b>60%</b>	
A INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	35%	
Adverse opinion or disclaimer = 0%		
Qualified opinion = 25% or less		
B MANAGEMENT LETTER REPORTING ON COMPLIANCE AND INTERNAL CONTROL MATTERS	25%	
<b>SECTION 2: FOLLOW-UP ON PRIOR YEARS FINDINGS</b>	10%	
Analysis of findings (i.e. material, reportable, non-material)		
<b>SECTION 3: NOTES TO FINANCIAL STATEMENTS</b>	10%	
Analysis		
<b>SECTION 4: RATIOS</b>	20%	
5% per item		
<b>TOTAL</b>		<b>0%</b>

**EXCELLENT** = 90% – 100%    **GOOD** = 80% – 89%    **FAIR** = 70% – 79%    **POOR** = 60% - 69%

_____ Preparer's Signature	_____ Print Name	_____ Date
_____ Reviewer's Signature	_____ Print name	_____ Date

NEW YORK CITY ADMINISTRATION FOR CHILDREN'S SERVICES  
OFFICE OF CONTRACT AUDIT  
**FINANCIAL STATEMENT**AUDIT REPORT REVIEW ANALYSIS

AGENCY: 0  
CPA FIRM: 0  
FY ENDED:  
PROGRAM: Foster Care

**SECTION 1: REPORTS/FINDINGS**

A INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

**ATTACH A COPY OF THE AUDITOR'S OPINION.**

1 Is the independent auditor's opinion on the financial statement unqualified?  YES  NO

If no, indicate the nature of the auditor's opinion and explain why it was given:

- \_\_\_\_\_
- \_\_\_\_\_

B **MANAGEMENT LETTER**

1 Does the report indicate that a Management letter was issued to report on other matters concerning the compliance and Internal control?  YES  NO

If "Yes", attach a copy of the management letter and highlight The findings.

NEW YORK CITY ADMINISTRATION FOR CHILDREN'S SERVICES  
OFFICE OF CONTRACT AUDIT  
FINANCIAL STATEMENT AUDIT REPORT REVIEW ANALYSIS

AGENCY: \_\_\_\_\_

SECTION 4: RATIOS (Analysis of Statement of Financial Position-Balance Sheet)

**A LIQUIDITY RATIOS**

1 QUICK RATIO (1:1)

Cash \_\_\_\_\_  
Grants Receivable \_\_\_\_\_  
Marketable Securities \_\_\_\_\_  
  
TOTAL: \_\_\_\_\_

Divided by:

CURRENT LIABILITIES:

Accounts Payable \_\_\_\_\_  
Accrued Payroll \_\_\_\_\_  
Deferred Revenue \_\_\_\_\_  
Due to funding source \_\_\_\_\_  
TOTAL: \_\_\_\_\_

**QUICK RATIO:** \_\_\_\_\_

2 CURRENT RATIO (1.5:1)

CURRENT ASSETS:

Cash \_\_\_\_\_  
Accounts Receivable \_\_\_\_\_  
Marketable Securities \_\_\_\_\_  
Prepaid Expenses \_\_\_\_\_  
TOTAL: \_\_\_\_\_

Divided by:

CURRENT LIABILITIES

TOTAL: \_\_\_\_\_

**CURRENT RATIO:** \_\_\_\_\_

NEW YORK CITY ADMINISTRATION FOR CHILDREN'S SERVICES  
 OFFICE OF CONTRACT AUDIT  
 FINANCIAL STATEMENT AUDIT REPORT REVIEW ANALYSIS

AGENCY: \_\_\_\_\_

**B FINANCIAL RISK RATIOS**

**1 Total Liabilities/Net Assets (Fund Balance)**

Is there a large increase in the total liabilities/ net assets ratio as compared to the prior year (large increases indicate a high financial risk)?  YES  NO

	PRIOR YEAR	CURRENT YEAR
TOTAL LIABILITIES	_____	_____
Divided by:		
NET ASSETS	_____	_____
Equal:		
TOTAL LIABILITIES		
NET ASSETS:	<u>    XX    </u>	<u>    XX    </u>

\*IF TOTAL LIABILITIES/NET ASSETS RATIO INCREASED BY MORE THAN 10% POINTS SHOULD BE DEDUCTED, BASED ON AUDITOR ANALYSIS.

2 **Net Assets (Fund Balance):**  YES  NO  
 Positive (or zero) Amount  
 (Negative Amount) \_\_\_\_\_

**CURRENT RATIO:**

\_\_\_\_\_  
 Signature Print Name Date

## APPENDIX C: UNIFORM GUIDANCE HIGHLIGHTS

### ACS Head Start Uniform Guidance Highlights

#### *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*

On December 26, 2013, the Federal Office of Management and Budget (OMB) published its comprehensive overhaul of federal grant administrative, cost accounting, and audit policies in the Federal Register- Title 2, Code of Federal Regulations. The final guidance is referred to as “*Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*” or Uniform Guidance. Uniform Guidance significantly reforms federal grant-making to focus resources on improving performance and outcomes with the intent to reduce administrative burdens for grant applicants and recipients and reduce the risk of waste, fraud and abuse.

Uniform Guidance became effective on December 26, 2014. Existing, new and incrementally-funded awards issued on or after December 26, 2014 will be subject to the Uniform Guidance. Audit Requirements will apply to audits of fiscal years beginning on or after December 26, 2014.

Following are highlights<sup>12</sup> of some of the changes.

#### **Supersession of Regulations**

The following OMB guidance documents and regulations under Title 2 of the Code of Federal Regulations are superseded in regulation **2 CFR Part 200**. Health and Human Services (HHS) has codified grant management regulations in **45 CFR Part §75** superseding regulations at **45 CFR Parts §74 and §92**.

<b>2 CFR Part 200 Replaces</b>	<b>45 CFR Part §75 Replaces</b>
Audit Circulars for Awards Received	Cost Principles
A-102 & A-89	2 CFR 215
A-87	2 CFR 220
A-133 & A-50	2 CFR 225
Subawards to universities	2 CFR 230

<sup>2</sup>Uniform Administrative Requirements, Cost Principles, and Audit Requirements: Frequently Asked Questions (FAQs): <http://eclkc.ohs.acf.hhs.gov/hslc/tta-system/operations/mang-sys/fiscal-mang/webinars/uniform-requirements-faq.html>. March, 2015

Rinker, Belinda. Office of Head Start: NHSA Navigating Fiscal Landscape, 2015

A-110	HHS Grants Administration Requirements
A-21	45 CFR Part 74
Subawards to non-profits	45 CFR Part 92
A-110	
A-122	

**Note:** The new fiscal regulations do not supersede the Head Start Act and Program Performance Standards. The fiscal requirements in the Head Start Act continue to apply, such as the 15 percent administrative cost limitation, 20 percent nonfederal match requirement, fiscal reporting to the governing body and Policy Council, and Executive Level II compensation limits.

### **Audit Threshold**

The regulation has increased the single audit threshold from \$500,000 to \$750,000. Agencies receiving at least \$750,000 in federal funding from all sources (including Head Start, Early Head Start and Early Head Start-Child Care Partnership awards) are subject to the single audit requirement for fiscal years beginning after December 26, 2014.

### **Key Definitions**

- **Agency** refers to a state, local government, Indian tribe, institution of higher education, or nonprofit organization that carries out a federal award as a recipient or sub-recipient.
- **Sub-award** is an award provided by a pass-through entity for the sub-recipient to carry out part of the federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. Guidance for determining whether an entity receiving funds should be characterized as a sub-recipient or a contractor is found at **§75.351**.
- A **"recipient"** is an entity that receives a federal award directly from a federal awarding agency to carry out an activity under a federal program. It usually refers to, but is not limited to, Agencies. The term recipient does not include sub-recipients. What we think of as the **"grantee"** is the recipient of the federal award.
- A **"sub-recipient"** is the Agency that receives a sub-award from a pass-through entity to carry out part of a federal program. Under the Head Start Program Performance Standards, "Agency" would fall within the definition of sub-recipient under Part 75.

**"Pass-through entity"** refers to an Agency that provides a sub-award to a sub-recipient to carry out part of a federal program. Both the recipient and the sub-recipient fall within the definition of Agency.

### **Should vs. Must**

The word "must" is used throughout Part 200 to indicate requirements. The word "should" is used to indicate best practices or recommended approaches that Agencies need to be aware of, but are not necessarily required to comply with.

### **Internal Controls**

For Federal awards, Agencies must:

- Establish and maintain effective internal controls
- Comply with Federal statutes, regulations, & terms and conditions
- Evaluate and monitor compliance
- Take prompt action on audit findings
- Safeguard protected personally identifiable information

Two new requirements strengthen oversight:

- Conflict of interest - The Federal awarding agency must establish conflict of interest policies for its Federal awards. The Agency must disclose in writing any potential conflict of interest to the Federal awarding agency (or pass-through entity) in accordance with applicable Federal awarding agency policy.
- Mandatory disclosures - Agencies (and applicants) must disclose all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award.

### **Fiscal Policies and Procedures**

All Agencies will need to review and make at least some changes in their fiscal policies and procedures to assure that they are fully compliant with the new regulations. For example, the Uniform Guidance and Part 75 address employee health and welfare costs:

#### **§200.437/§75.437 Employee health and welfare costs**

(a) Costs incurred in accordance with the Agency's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable.

The language previously read:

#### **Employee morale, health, and welfare costs**

The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the nonprofit organization's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable.

An organization now needs a "documented policy" in order to pay health and welfare costs with federal funds. Costs that would previously have been described in **fiscal policies and procedures as *employee morale costs* are no longer allowable.**

### **Indirect Costs and Cost Allocation**

Grantees and delegates are not required to obtain a negotiated indirect cost rate. Grantees and delegates that have never had a negotiated indirect cost rate have three options for dealing with indirect costs:

- (1) Indirect Cost Agreement: Negotiate an indirect cost rate agreement with the cognizant agency for indirect costs (Cost Allocation Services, or CAS), as outlined in **§75.414**;

- (2) De Minimis Rate: Any Agency that has never received a negotiated indirect cost rate, except for a governmental department or agency unit that receives more than \$35 million in direct federal funding, may elect to charge a de minimis rate of 10 percent of modified total direct costs (MTDC), which may be used indefinitely.
- (3) Direct Allocation: This method is acceptable, provided each joint cost is prorated using a base which accurately measures the benefits provided to each federal award or other activity. The bases must be established in accordance with reasonable criteria and be supported by current data. For an example using nonprofit organizations, see **Appendix IV to Part 75(B)(1-5)**.

Uniform Guidance and Part 75 provide more information and options than grantees had in the past to support differentiating between direct and indirect costs.

### **Personnel Activity Reports**

The Uniform Guidance makes record-keeping easier, making it clear that personnel costs can be documented in a variety of ways.

**§75.430 Compensation - personal services -** Outlines the standards for documentation of personnel expenses. Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed.

Time records must be kept for non-exempt workers and volunteers as detailed below:

- Non-exempt workers: In accordance with Department of Labor regulations implementing the *Fair Labor Standards Act*, charges for the salaries and wages of non-exempt employees must also be supported by records indicating the total number of hours worked each day.
- Volunteers: Salaries and wages of employees used in meeting cost sharing or matching requirements on federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from federal awards.

For Agencies where the records do not meet the standards described in this section, the federal government may require personnel activity reports, including prescribed certifications, or equivalent documentation that support the records as required in this section. The need for some sort of effective record-keeping system is clear. While the term "personnel activity reports" doesn't feature prominently in the new regulations, personnel record-keeping remains an important aspect of fiscal management.

### **Allowable Costs**

Agencies may charge to Federal awards only allowable costs incurred during the period of performance.

In the area of real property, the items of cost no longer recognize use allowance as an allowable cost (See **§75.436 Depreciation**). However, in **§75.436(d)(5)**, there is information on a limited option to convert from use allowance to the depreciation method. **§75.436(e)** now requires that:

- Charges for depreciation be supported by adequate property records
- Physical inventories be taken at least once every two years

- Adequate depreciation records showing the amount of depreciation taken each period be maintained

### **Proposal Costs**

Proposal costs must meet the basic cost principle requirement of reasonableness. They need to be characterized as indirect Facilities & Administration costs and be within the scope of the negotiated indirect cost rate, *de minimis* rate, or cost allocation method used by the grantee and allocated consistently with other indirect F&A costs.

### **Fundraising Costs**

The language in the new regulation is clear that organized fundraising remains unallowable. Neither the Administration for Children and Families (ACF) nor OHS has given prior written approval for fundraising for the purpose of meeting federal program objectives. Consequently, all forms of fundraising both organized and for the purpose of meeting match requirements, are unallowable.

### **Real Property Reporting, Requests and Procurement**

#### **§200.329 Reporting on real property.**

The federal awarding agency or pass-through entity must require Agencies to submit reports at least annually on the status of real property in which the federal government retains an interest, unless the federal interest in the real property extends 15 years or longer. The awarding agency can allow multi-year frequencies for reporting where the federal interest extends 15 years or longer, but ACF has opted to require annual real property reporting using **Standard Form (SF) 429 and Attachment A**, as indicated in **ACF-IM-HS-15-01**, for all grantees.

**SF-429** has two functions, (1) to report and (2) to request permission for certain actions. The cover page and Attachment A are used for reporting. The cover page and Attachment B are used to request funds to engage in a facilities activity.

**§75.436 Depreciation (e)** Charges for depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed.

Disposition, as well as refinancing, encumbrance, and subordination, is requested using the cover page and **Attachment C of SF-429**. Disposition options are found in **§75.318 Real property**.

Prior written approval is required for purchase or sale of equipment, defined as 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 Agency for financial statement purposes, or \$5,000. Uniform Guidance at **§75.439** addresses equipment and other capital expenditures.

### **Equipment**

**§75.320 Equipment** Inventory requirements in the Uniform Guidance are the same as the previous requirements for Part 92 grantees. Inventory requirements are found at **§75.320(d), and (e)** covers disposition of equipment.

## **Procurement**

For procurement standards in **2 CFR 200.317-200.326**, Agencies previously subject to OMB Circular A-110 may continue to comply with the procurement standards in previous OMB guidance (superseded by this part as described in **2 CFR 200.104**) for one additional fiscal year after this part goes into effect. Procurement is discussed in the Uniform Guidance at **§200.316** through **§200.317**, and in **Part 75 at §75.326** through **§75.335**.

The Agency must use one of the 5 methods of procurement:

- (1) Micro-purchases for acquisition of supplies or services if aggregate amount does not exceed \$3,000 [New method]. Micro-purchase may be awarded without soliciting competitive quotations if the Agency considers the price to be reasonable
- (2) Small purchase procedures
- (3) Sealed bids (formal advertising)
- (4) Competitive proposals
- (5) Noncompetitive proposals – revised to clarify that solicitation of a proposal from only one source may be used only when one or more of the following 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 this method in response to a written request from the Agency
  - After solicitation of a number of sources, competition is determined inadequate

## **Micro Purchases**

Purchases of supplies or services under \$3,000 are treated as “micro-purchases.” The purchase orders may be awarded without soliciting any competitive quotations if the Agency considers the costs to be reasonable. The Agency must, to the extent practicable, distribute these purchases equitable among qualified suppliers. For example, a purchase of computer paper in the amount of \$2,000 can be treated as “a micro-purchase.” No rate competitive quotations are necessary for the purchase. A cost or price analysis is not required. However, in accordance with the Agency’s written policies, which may include strategic sourcing or bulk purchase arrangements as described in section 200.318, the Agency must consider whether to make the purchase from any one of a number of office supply stores. Such policies may dictate the purchase of computer paper to rotate among qualified suppliers if they offer the same rates.

## **Small Purchases**

Purchases under the simplified acquisition threshold are purchases for goods or services meeting the small purchase threshold (currently at \$150,000). Therefore, all purchases between \$3,000 and \$150,000 can use the “small purchase procedures” stated in section 200.320 (b) which describes the procedures as “relatively simple and informal.” It states that “price or rate quotations must be obtained from an adequate number of qualified sources.” It leaves the discretion of the Agency’s written policy to determine the “adequate” number of qualified sources (i.e., any number greater than one) and the methods or methods of obtaining the price or rate quotations (e.g., it can be in writing, orally, vendor price list on website, or generated via online search engine). Section 200.323 also excludes the small purchases from any requirements for cost or price analysis. For example, a purchase order for chlorine supplies in the amount

\$10,000 can be treated as a small purchase order. This purchase order requires a rate quote from at least two sources, which can be obtained in writing from two suppliers or research done on a public websites. A cost or price analysis is not required. In addition, if the chlorine is of special quality that is offered by only one company or only one company can deliver in the time frame required for the project, the purchase order can be made under the sole source purchase provision in section 200.320 (f).

### **Sealed Bids**

This method is preferred for construction. For purchases over the simplified acquisition threshold (currently at \$150,000), the more prescriptive methods of either sealed bids (if the Agency has very specific parameters for the purchase) or competitive proposals apply.

### **Competitive Proposals**

Based on the Federal standard established in 45 CFR §75.329, all procurement transactions, regardless of amount, must be conducted in a manner that provides, to the maximum extent practical, open and free competition. This means that, even if it seems like a "good deal," Agencies cannot make the purchase until other vendors also are given consideration.

Also, to eliminate unfair advantage, Agencies that develop or draft sub-recipient applications or contract specifications or requirements (or statements of work, invitations for bids or requests for proposals) must be excluded from the competition for that procurement.

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

Solicitations for bids should clearly state all the requirements the vendor must fulfill in order for the bid or offer to be evaluated by the Agency.

The procurement should be given to the vendor whose bid or offer is responsive to the solicitation, and is the most advantageous to the Agency (considering price, quality, and other applicable factors). Any and all bids or offers may be rejected when it is in the Agency's interest to do so. This means that Head Start Agencies do not have to accept the lowest bid received because other factors, such as quality of the product or service record of the vendor, also may be considered by the Agency in making the decision.

### **Sole Source**

Frequently, researchers need to acquire items from a particular source for scientific reasons. This constitutes a valid reason for procurement by noncompetitive proposals. This method of procurement is available for procurements of any dollar amount, provided it complies with the general procurement standards set out in 200.318, including documentation requirements in 200.318.

# APPENDIX D: ACS HS-01 GRANT REPORTING FORM

NYC ACS Head Start Grant Reporting Form ACS-HS-01 Version 1

Grant Month:		1	2	3	4	5	6	7	8	9	10	11	12					
PY02		Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	1st 6-mos	2nd 6-mos	Total PY02	FY15	FY16
One	HS Funded Personnel													\$0	\$0	\$0	\$0	\$0
	HS Facility													\$0	\$0	\$0	\$0	\$0
	HS Training													\$0	\$0	\$0	\$0	\$0
	HS OTPS													\$0	\$0	\$0	\$0	\$0
	HS Indirect Cost (by Rate)													\$0	\$0	\$0	\$0	\$0
	<b>TOTAL HS FUNDED EXPENSE</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Two	UPK NFS													\$0	\$0	\$0	\$0	\$0
	Other NFS													\$0	\$0	\$0	\$0	\$0
	<b>Total Non-Federal Share</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Three	<b>TOTAL HS PROGRAM COSTS</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Four	HS Funded Admin Expense													\$0	\$0	\$0	\$0	\$0
	NFS Admin Expense													\$0	\$0	\$0	\$0	\$0
	<b>TOTAL ADMIN EXPENSE</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	ADMIN Percent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Five	CACFP Expense													\$0	\$0	\$0	\$0	\$0
Six	Monthly Credit Card Expenditures													\$0	\$0	\$0	\$0	\$0

Reporting Schedule	PY02
February 1 thru July 15 report due January 22nd	1/22/2016
February 1 thru January 31, 2106 report due March 15th	3/15/2016

6-mo Expense Reporting	0.0%	0.0%	0.0%
6-mo NFS Reporting	0.0%	0.0%	0.0%
6-mo 15% Administrative Cap Reporting	0.0%	0.0%	0.0%

**NYC ACS Head Start Financial Reporting Attestation (CFO or equivalent)**

I hereby certify that the financial information presented in this ACS Head Start Expense Report on behalf of our organization, represents to the best of my knowledge and belief, correct information and is in compliance with the intent of Head Start requirements and program objectives.

Organization: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

# APPENDIX E: LINE ITEM BUDGET TEMPLATE

## FISCAL YEAR 2016 LINE ITEM BUDGET TEMPLATE For Training Purposes

### CONTRACTOR

ITE NAME  
ITE ADDRESS  
BOROUGH/ZIP:  
DOE SITE ID:  
ACS PROGRAM ID:  
PROGRAM SETTING:  
ITY LEASED/OWNED:

ACS CONTRACTOR ID

EarlyLearn Budget Operational Period: July 1, 2015 - June 30, 2016

GROUP CENTER	BUDGET	SEATS	CLASSROOMS	GROUP CENTER PRESCHOOL ALLOCATION			FAMILY CHILD CARE NETWORK CAPACITY		
				UPK	Non-4PK		GROUP	FAMILY	
Infant	\$0	0	0	Dual Preschool	9	8	Infant	0	0
Toddler	\$0	0	0	Head Start Preschool	19	16	Toddler	0	0
Preschool	\$996,438	80	0	Child Care Preschool	16	12	Preschool	0	0
<b>TOTAL</b>	<b>\$996,438</b>	<b>80</b>	<b>0</b>	<b>TOTAL</b>	<b>44</b>	<b>36</b>	<b>TOTAL</b>	<b>0</b>	<b>0</b>

A	B	C	D	E	F	G	H	I	J	K	L	M	N
ACS-FUNDED												PARENT FEES	
FUNDING DISTRIBUTION	\$996,438	\$29,748	\$0	\$1,026,186	\$477,763.99	\$51,243.94	\$377,753.59	\$89,676.89	\$0.00	\$0.00	(\$29,747.57)	\$25,608.00	\$452,155.99
BUDGET CATEGORIES	FY2016 ACS Contract Budget	FY2016 Wage Adjustment	FY2016 Over Contract	COMBINED FY2016 Budget	CHILD CARE	CHILD CARE UPK	HEAD START	HEAD START UPK	CITY FUNDS (Head Start)	COMMUNITY DEVELOPMENT	UNALLOCATED	PARENT FEE DUE ALLOCATION	CHILD CARE NET PARENT FEES
INSTRUCTIONAL STAFF				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
SUPPORT STAFF				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TICA				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UNEMPLOYMENT INSURANCE				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PENSION				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WELFARE FUND				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
HEALTH INSURANCE				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WORKERS COMP				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
SUBSTITUTE STAFF				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL PS & FRINGE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
RENT				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TAXES				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WATER/SEWER				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ZONING & PERMITS				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
INSURANCE				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CUSTODIAL SERVICES				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ALARM				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MAINTENANCE & REPAIR				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UTILITIES				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TELECOMMUNICATIONS				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL FACILITY	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FAMILY CHILD CARE STIPEND				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
INSTRUCTIONAL/ENHANCEMENT SUPPLIES				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OFFICE / JANITORIAL SUPPLIES				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OFFICE EQUIPMENT / FURNITURE				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
INSTRUCTIONAL EQUIPMENT / FURNITURE				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
POSTAGE				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ADVERTISING				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
INSTRUCTIONAL FIELD TRIPS				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TRAINING / PROFESSIONAL DEVELOPMENT				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TRANSPORTATION				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FOOD (CACFP ONLY)				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NON-FOOD RELATED COSTS (CACFP ONLY)				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WIDET				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PARENT SERVICES / FAMILY INVOLVEMENT				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PROGRAMMATIC/ENHANCEMENT CONSULTANTS				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ADMINISTRATIVE/ENHANCEMENT CONSULTANTS				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL OTIS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
GRAND TOTAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FUNDING BALANCE (Over Budget/Wage Adjustment)	(\$996,438.40)	(\$29,747.57)	\$0.00	(\$1,026,185.97)	(\$477,763.99)	(\$51,243.94)	(\$377,753.59)	(\$89,676.89)	(\$0.00)	(\$0.00)	\$29,747.57	(\$25,608.00)	(\$452,155.99)

FACILITY ALLOCATION \$65,185.00  
REQUIRED STIPEND ALLOCATION \$0.00