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Department of Small Business Services

Fiscal Manual

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Introduction and Overview

The Department of Small Business Services (SBS) has produced this manual for providers operating Workforce1 Career Centers and NYC Business Solutions Centers. It provides the fundamental concepts, rules, and guidelines for implementing and modifying the Project Budget and for maintaining cost principle compliance with Federal, State and City funding regulations.

Its purpose is to communicate to Providers SBS' standards and requirements for proper fiscal management. It provides Providers with fiscal and administrative information as well as procedures and forms, which are intended to assist Providers in the management of their contracts.

Providers and contract managers at SBS will find this document especially useful at a number of key junctures in the relationship between SBS and the Provider:

- As new Project Budgets are being prepared at the beginning of a new budget period or during contract negotiations
- Any time changes are needed to a Project Budget.
- The first time a Provider is submitting a Monthly Financial Report (MFR/SSD), or whenever there are any extraordinary issues with fiscal reporting.
- Any time that SBS conducts an audit, which could be during or after the contract has expired.
- During the close-out period of a contract

This manual is organized into six sections beyond the introduction:

1. **General Cost Principles:** This section articulates the concepts of allowable costs and cost allocation.
2. **The Project Budget:** This section describes the structure of the budget, also referred to as the Project Budget, and the basic procedures and requirements governing how the various parts of the budget should be constructed.
3. **Modifying the Project Budget:** This section sets forth how SBS expects providers to create and manage their budgets over the life of the contract.
4. **Expense Reporting and Reimbursement:** This section describes the documentation that SBS expects on a monthly basis to accurately and promptly reimburse providers for their expenses. It also communicates the expected turnaround for processing this documentation and the timing associated with the actual release of funds by SBS.
5. **Fiscal and Contract Close-Out:** This section describes the processes and procedures to be undertaken by SBS and the Provider at the completion of a Fiscal Year or contract year, to reconcile



all funds and facilitate a fair and accurate PASSPort performance evaluation.

6. **Audits:** This section provides transparency into SBS' expectations, policies and procedures for contract audits, which are regularly performed by the SBS Fiscal and Audit Unit to ensure compliance with SBS Fiscal policies and State and Federal fiscal guidelines.

Appendices/Reference Materials are included at the end of this manual, which contains additional materials to support budget preparation, lists of allowable and prohibited costs and a sample cost allocation plan. SBS will update these appendices on an ongoing basis, as needed.

Whenever possible, SBS has included the source of applicable regulations specified in this manual. The provision of reference material does not mean that the references apply in their entirety. Providers are encouraged to seek clarification or elaboration of this material from their SBS Program Representatives (Borough Managers for Workforce1 Career & Sector Centers and Program Managers for NYC Business Solutions Centers), who will route such inquiries through the appropriate internal unit.

This manual as prepared is consistent with the Workforce Innovation and Opportunity Act (WIOA) and the Federal Office of Management and Budget's (OMB) WIOA2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The manual will be amended as necessary for consistency with applicable laws, regulations and policies.

Most Commonly Used Acronyms

Acronym	Title
ADT	Adult Worker
CAP	Cost Allocation Plan
DBS	Division of Business Services
DEFO	Division of Economic and Financial Opportunity
DW	Dislocated Worker
EFT	Electronic Funds Transfer
FMA	Financial Management and Administration
GAAP	Generally Accepted Accounting Principles
G/L	General Ledger
HHS	Health and Human Services Accelerator System
MFR/SSD	Monthly Financial Report / Supplementary Support Document
OMB	New York City Office of Management and Budget



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OTPS	Other than Personal Services
PIP	Payee Information Portal
PB	Project Budget
PLR	Purchase/Lease Agreement
PS	Personal Services
SBS	NYC Department of Small Business Services
TA	Technical Advisory
TAG	Technical Assistance Guide
WDD	Workforce Development Division
WIOA	Workforce Innovation and Opportunity Act

Glossary

Advances: funds allocated to a Provider which are in addition to and apart from the Project Budget.

Budget Modification: the aggregate of changes made to a single budget schedule or multiple budget schedules in a specific budget.

Contracted Costs: the total cost of goods and/or services (other than rental of space and equipment) provided by subproviders.

Providers: organizations, entities or individuals who enter into a direct contract with SBS for the provision of services in accordance with a signed agreement (contract). A Provider may be classified as a Subrecipient based on Federal OMB Uniform Guidance determinations.

Consultants: individuals or businesses retained by Providers to provide non-program services, such as technical support, or certain types of training.

Cost Allocation: the process by which costs for providing goods and services are attributed to a cost category, various cost categories, or across contracts, in a manner reflective of the benefits each cost item provides to the category, categories or contract(s).

Cost Category: the cost area or cost type that defines or groups several individual cost items.

Facility Cost: a cost category that groups expenses associated with occupying and operating the physical building in which the contract services are provided.

Health and Human Services Accelerator System (HHS): a web-based system maintained by the City of New York for use by its human services Agencies to manage procurement and financial processes for providers delivering direct services

Monthly Financial Report (MFR/SSD): lists the actual expenses for the previous month according



to the applicable cost categories.

Other than Personal Service (OTPS) Costs: allowed costs of the contract budget other than wages and fringe benefits.

Personal Services (PS) Costs: costs associated with personnel whose salaries are wholly or partially funded with SBS funds and who perform work related to SBS contracts either directly or indirectly.

Personal Services Schedule: a Project Budget schedule that delineates the allowed salary and fringe benefit expenses, inclusive of approved raises and/or bonuses, which will be reimbursed under the contract terms.

Prime Provider: Where a provider/subprovider relationship exists, the Prime Provider is the entity with fund-disbursement authority.

Prime Recipient: With respect to SBS, a prime recipient is an individual or entity that receives funds directly from SBS. Therefore, SBS providers are prime recipients.

Project Budget: a series of individual budget schedules, each covering a cost item, which provides an indication of how the Provider anticipates funds will be spent during the contract period.

SBS' Fiscal Year: July 1 through June 30. *[Unless otherwise specified in this manual, "Fiscal Year" refers to SBS' Fiscal Year]*

SBS Program Representative: The primary contact person at SBS that assumes the program management function for a particular contract/program. This phrase is used repeatedly throughout this manual and could be different people depending on the funding source or the contract type. See table below:

NYC Business Solutions:	Program Manager
Workforce1 Career and Sector Centers:	Operations Manager
Workforce1 Training:	Program Manager
Workforce1 Training:	Implementation Manager

Schedule Modifications: a change to the amounts or allocations of one or more cost items in a specific schedule in a Project Budget.

Start-up Costs: a portion of a Project Budget that is disbursed to the provider at the beginning of the contract.



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Subproviders: independent entities retained to perform specific programmatic services or complete projects whose outcomes are covered by, or directly affect, the scope of services in the contract agreement between SBS and the prime provider. Examples include:

1. Individual trainers, or professional organizations, contracted to provide skill-building training to Center staff.
2. Organizations or individuals retained to operate satellite offices, which provide the same services as the prime provider, as specified in the contract between the prime provider and SBS.

Subrecipients: refer to 2 CFR Section 200.330 – Subrecipient and Provider Determinations.

PASSPort System: pursuant to the Procurement Policy Board (PPB) Rules and the New York City Charter, the City may award contracts only to responsible providers. The PPB Rules define a responsible provider as a provider who has the capability in all respects to perform in full the contract requirements, and the business integrity and reliability that will assure good faith performance. The City maintains a computerized data system -- PASSPort -- containing information for every city contract and very specific information about every prospective provider for awards over \$100,000, and for providers (including subproviders) doing more than \$100,000 in cumulative annual business with the City. All providers are required to be enrolled in PASSPort and keep their information up to date in it. Each year, SBS is required to evaluate the provider's performance for the purpose of assessing the provider's eligibility for any future contracts negotiated.

Vendors: Vendors are businesses retained to provide non-program services, such as cleaning, accounting, etc. Vendor agreements should be maintained on-file at the Provider's office for a minimum of six (6) years.

Chapter 1 GENERAL COST PRINCIPLES

The Workforce Innovation and Opportunity Act (WIOA) regulations, Federal OMB Uniform Guidance, NYSDOL regulations, and NYC Procurement Policy Board Rules all provide guidelines and constraints for the use of funding available for Department of Small Business Services' (SBS) contracts. These guidelines range from general principles of allowability and reasonableness to specific cost items which are allowed or not allowed. The budget for a SBS contract sets forth specific rules and guidelines to assure allowability of costs if the contract terms are followed.

1.1 Cost Allowability

In general for a cost to be allowable it must:

1. Be necessary and reasonable for the proper and efficient administration of contract requirements.
2. Be capable of being allocated to specific funding sources and/or funding categories to the extent of benefits received by the sources/categories.
3. Not be prohibited by any of the governing regulations for the funding source.
4. Be documentable in accordance with Generally Accepted Accounting Principles (GAAP).
5. Meals and incidentals allowed are provided by the U.S. General Services Administration (GSA)

For a more comprehensive list of allowable costs, see Chapter 2 and Appendix A, and for a list of unallowable costs, see Appendix B.

1.2 Cost Allocation

The costs for providing goods and services under a contract with SBS must be allocated in a manner consistent with the benefits each cost item provides to the contract. Many cost items, such as specific salaries may be 100% allocable to a specific contract because the services of the staff are exclusively provided for the benefit of the contract. Similarly OTPS itemized costs might be 100% allocable to a specific contract if the item or service is exclusively for that contract. A plan for allocating shared costs is required to support the distribution of those costs to the contract.

The Cost Allocation Plan is a document that identifies, accumulates, and distributes allowable shared costs under grants and contracts, and identifies the allocation methods for distributing costs. Every organization must complete a Cost Allocation Plan and submit it to your SBS Program Representative at the beginning of each budget period, along with the initial budget submission for that period.

When the services or functions of a staff member, or the use of an OTPS cost item (such as rent or rental equipment), is shared or split among several contracts, programs, or funding sources of cost categories, a methodology must be utilized to properly and equitably allocate that cost item. Hypothetically, if an instructor spends half the time teaching in one program and the other half in another program, you would allocate the salary (based on the time) 50/50 between the two programs. In this instance, you would be employing a **time-based or effort-based allocation methodology**. If a staff member performed enrollment for different programs and the enrollment functions were essentially the same (effectively each and every type of program enrollment required the same amount of time) then you might split your salary cost between the three programs in the same ratio of enrollments made for each program. In this case, you will be using the ratio of enrollments as a proxy for the time spent on the various enrollments. In this instance, you can use the ratio of enrollments as supporting documentation to provide an administratively practical measure of proper allocation.

In addition to allocating costs to contracts, programs or funding sources, there is a second level of cost allocation which requires assignment of cost items to cost categories. Cost categories describe the functional nature of allowable costs for a contract – for example, program staff salary/wages, facility rental, or insurance. A more complete list of cost categories is contained in Chapter 2.

It is essential that proper documentation be maintained to support the allocation of a cost to a contract, program, funding source and cost category. Certain funding sources disallow costs charged to certain cost categories. In addition, funding sources may impose maximum or minimum amounts for each cost category.

There are several methodologies that may be employed to support cost allocations, and it is best practice to construct a budget that employs a single methodology universally throughout. Acceptable methodologies share the following characteristics:

1. Documented in writing
2. Minimal distortion: meaning the methodology distributes or allocates costs as fairly and equitably as possible without distorting results. This requires that the methodology be as causally related as possible to, and measure as accurately as possible, the types of costs that are directly associated with benefits to the program.

3. Methodologies must have sufficient detail to be fair and equitable but simple enough to be efficient and not require inordinate effort to be supportable.

There are several cost allocation methodologies that are not, by Federal funding standards, acceptable. Methodologies which do the following are NOT acceptable:

1. Distort final results.
2. Do not represent actual effort or cost expended.
3. Are not used consistently over time.
4. Do not have an integral relationship to the types of costs being allocated.
5. Are based on availability of funds rather than benefits to the program or the actual costs associated with administering the program

This manual includes a sample Cost Allocation Plan (see Appendix C) for organizations that are not familiar with cost allocation procedures.

Consider the following suggestions when developing a Cost Allocation Plan:

- Keep It Simple - Use the simplest and least costly method possible, based on a measure of relative benefit received, that will produce an equitable allocation of programs and cost categories.
- Make It Replicable - The process you develop must be replicable at any time.
- Simplify the Organization Structure - Make the organizational structure no more complicated than necessary to allocate costs.
- Consider What Is Required - The required structure and capabilities of your accounting system must be considered in designing an operable and replicable cost allocation process.
- Make Changes Prudently - Changes in an organization's Cost Allocation Plan that result in a retroactive redistribution of costs are allowable where the change results in a more equitable distribution of costs. Such changes in an allocation methodology require prior approval from SBS and should be justified and well documented.

For additional cost allocation guidance, it may be helpful to refer to the documents referenced and hyperlinked in the “**References**” section.

Chapter 2 THE PROJECT BUDGET

To ensure that the Provider and SBS staff share the same clear understanding of the importance of the Project Budget and the process for its approval and implementation there are certain general administrative rules to be set forth:

- Providers cannot be reimbursed for any costs incurred until the Contract Budget is approved and the Contract is registered in the City's fiscal system.
- Providers may not be reimbursed for any costs not actually incurred or work not actually performed.
- Providers cannot be reimbursed for any costs incurred for specific budget lines or items pending submission, until the review and approval of required supporting documentation and/or justifications.
- SBS may withdraw approval of the Contract Budget and require modification of specific lines and/or items in the Project Budget with prior notice to the Contractor and in accordance with the terms of the contract.

The contract's Operating Plan (OP) provides considerable specificity for services to be provided through the contract (not applicable to non-WIOA contracts). The Project Budget is designed to meet the costs of providing these services, while adhering to the cost principles provided in Chapter 1.

The Project Budget is an indication of how the Contractor anticipates funds will be spent during the budget period, and should be as accurate as possible prior to submission. Project Budgets are due **at least 30 business days** prior to the start of the budget period to which they apply. Failure to submit project budgets within this time frame will likely delay the review process and subsequent reimbursements. Signed paper copies of project budgets are required for final approval, but SBS can begin reviewing the budgets in electronic form. **It is in the Contractor's best interest to submit electronic versions of important documents as soon as they are ready.** These can be emailed to Executive Director of Fiscal Management and signed paper copies of the budgets should be addressed to:

WDD Fiscal Management Team (for Workforce 1 Career Centers and Sector Centers)
1 Liberty Plaza, **11th Floor**, New York, NY 10006

NYC Business Solutions (for NYC Business Solutions Centers)
1 Liberty Plaza, **11th Floor**, New York, NY 10006

At least one budget must be created and submitted to SBS for each contract in HHS. Some contracts may require multiple budgets because of funding streams or individual program allocations. Regardless, the following descriptions define the life cycle of any budget:

1. Pending Submission – SBS has notified the Contractor of the budget allocation, but the budget has not yet been submitted.
2. Pending Approval – The Contractor has submitted the budget, and it is under review by SBS.
3. Returned for Revision – The budget has been returned to the Contractor for revision and resubmission.
4. Approved – SBS has approved the budget.
5. Active – The contract is registered with the City Comptroller and the Contractor may now submit an invoice or modify the budget.

2.1 Cost Categorization/Classification

Many Federal and State funding sources, and in particular WIOA have established cost categorizations with maximum or minimum limits on the amount of funding permitted to be spent within the categories. SBS may further impose Agency-specific cost category limitations in order to achieve compliance with grant funding limits, meet cost allowability criteria and maximize the investment of government funding. Agency-specific limitations may also be imposed as a result of fluctuations, or projected fluctuations, in funding amounts.

To prepare a contract budget you must be familiar with the applicable cost categories in the Project Budget, which is provided as **Appendix D**. Be reminded that allocation of costs to these categories frequently requires supporting cost allocation methodologies as well.

The Workforce Innovation and Opportunity Act (WIOA) regulations, Federal OMB Uniform Guidance, NYSDOL regulations, and all provide guidelines for the use of funding available for SBS contracts.

2.1.1 Salaries and Wages

In accordance with Public Law 109-234, the U.S. Department of Labor has put into effect, a cap on salaries and bonuses payable to individuals who are employed with organizations who receive Federal Employment Training and Administration (ETA) funds. This cap is applicable to Workforce Development and Business Services Providers who receive WIOA funding. The maximum reimbursable salary is commensurate with the Federal Executive Level II pay scale, which, as of January 2023 is \$212,100. This restriction on salary and salary/bonus reimbursement applies to annual salaries and equivalent hourly, weekly and monthly pay rates.

The [U.S. Department of Labor – Salary and Bonus Limitations advisory](#) is linked here for

convenience and is also located in the “References” section of this manual.

Personnel whose salaries are funded with SBS funds must perform work related to SBS contracts either directly or indirectly. Personnel may be allocated in three ways:

Direct: A staff member is direct if he/she is 100% allocated to a particular contract and is providing services directly to the population being served.

Shared Direct: A staff member can be shared among the direct Personal Services budgets of multiple contracts if the cost of the staff member may be readily allocated to each of the benefiting contracts, and the Contractor has an **SBS approved** methodology for assessing/measuring the time/effort spent by that staff member on each contract. The methodology must be sufficiently robust to pass internal and oversight fiscal audits.

Indirect: A staff member who provides support on multiple contracts and whose time/effort spent on each contract cannot be reasonably determined.

The Personal Services Wage/Fringe schedules of the Project Budget delineate the allowed salary and fringe benefit expenses which will be reimbursed under the contract terms. The line for each position represents the approved annual salary rate, and the portion of the staff member’s salary that is allocated to the contract. The Personal Services Allocation schedule breaks down the cost allocation of the staff members’ salaries across all contracts managed by the Contractor.

The procedures to be followed in preparing this portion of the budget are:

- Personnel cannot be allocated to both Direct and Indirect schedules on the same budget.
- For each position, there must be a job title and either the full name of the staff member or an indication of position vacancy.
- The budgeted amount of funding for each position line must equal to the portion of the approved salary that is being allocated to the contract.
- All anticipated salary increases must be allocated to the **Wages** budget schedule. Salary increases may be declined by SBS if they are deemed to be excessive or non-commensurate with the Contractor’s performance. Plans for structured salary increases or bonuses must be submitted to SBS before they take effect. For more information on budgeting for Salary increases, see “*Salary Increments*” section below.
- Providers are allowed to budget for a bonus pool which is less than or equal to 5% of the total Personal Cost (i.e. Wages and Fringe). Individual bonuses must not be included in the individually budgeted salaries on the Wages budget schedule, but should be included in the Bonuses budget line.
- When a vacant position is filled the Personal Services schedule must be modified to reflect the new employee’s name, and the appropriate amount required to cover salary for the balance of the contract term. **This amount cannot exceed the pro-rated amount**

budgeted for the balance of the contract term.

- All positions and/or incumbents shown on the Personal Services schedule at a rate of less than 100% of annual salary allocated to a specific contract must be supported by a full description of the methodology for this cost allocation and identification of cost allocation to other programs for the balance of the salary. Providers are reminded that an acceptable allocation methodology must provide a fair measure of cost generation or cost benefit and result in an equitable distribution of services rendered to respective programs. The cost allocation methodology/rationale must be submitted either as an attachment to the Project Budget or in the “Methodology” column of the PS Justification budget schedule.

2.1.2 Fringe Benefits

The purpose of the Fringe Rate, and the Fringe Rate Worksheet used to compute it, is to simplify the projection of contract fringe benefit costs. Fringe costs are calculated as a percentage of wage costs in the budget. Reimbursement of fringe costs during the term of the contract, however, is not based on the fringe rate, but on the actual expenditures, after rebates and other credits have been subtracted (“net of all credits”).

There are two options in preparing a request for the approval of a fringe rate:

Option 1: The proposed fringe rate is based on the Contractor’s wage and fringe costs for the previous year. Using this option, the fringe rate is computed by dividing the total fringe benefit expenditures by the wage/salary expenditures, as shown in the agency’s certified annual report/balance sheet, or audit. Option 1 is to be used by Providers whose projected fringe rate is the same as the fringe rate of the previous year. The annual report/balance sheet or audit statement plus an itemization of the fringe package must be attached to the Option 1 worksheet. If audited data is allocated herein, the methodology must be clearly explained and documented. For renewal contracts where audits are pending, the prior approved budget amount appropriately may be substituted.

Option 2: Under this option, the Contractor itemizes all fringe costs from the previous year, estimates any changes or additional costs attributed to rate increases, and submits documentation of the prior rates and copies of rate increase notices for those fringe benefits that are subject to a rate increase and other documentation to support other projected fringe expenses.

Both Options 1 and 2 require supporting documentation of the fringe costs of the agency’s prior fiscal year. The preferred document is a certified annual report, balance sheet or audit prepared for the agency by an external accountant. An in-house document that shows the wages and fringe benefit costs for the Contractor is less preferred but acceptable.

The fringe benefits charged to the contract represent the Contractor’s share of these benefits. They must not include withholding from staff salaries for FICA, workers’ compensation, health insurance and welfare or pension. By law, FICA (Social Security Tax), workers’ compensation, and unemployment insurance must be provided for all employees.

SBS may not reimburse fringe benefit costs that are determined to be inordinately costly or inconsistent with the guidelines in this manual.

2.1.3 Salary Increases (Raises and Bonuses)

General Salary Increases meaning collective bargaining increases or across-the-board increases are permissible, but will only be reimbursed if they are determined appropriate by an SBS Program Representative. Providers whose employees are subject to union agreements must submit the agreements to their SBS Program Representative for reimbursement approval. Contract budget authority for union agreement increases may be limited to OMB terms and is subject to funding availability. Contractor performance will be considered in granting approval for general increases.

Merit Increases are salary increases for individuals who perform exceptionally. City Council does not allow for bonuses for discretionary funded agreements. All funding is for the stated purpose of the resolution.

Promotions are defined as personnel moves to jobs of higher responsibility, possibly in a different area of an organization. Increases related to promotions are reimbursable either within an existing organizational structure with existing line descriptions or as a result of a re-organization with a revised structure and line descriptions. If a merit increase has been earned in conjunction with a promotion, the merit increase should be calculated against the pre-promotion salary. SBS reserves the right to approve/disapprove raises based on the recipients' current compensation level, funding levels and the organization's performance.

2.2 Indirect Costs

Providers are allowed reimbursement of indirect or administrative costs, and are strongly encouraged to apply for an approved Indirect Cost rate, by requesting an Indirect Cost application package from SBS' Fiscal and Audit Unit. The maximum value of the Indirect Cost line will not exceed the lesser amount of either 10% of the total annual budget, less the following budget lines:

- Bonus
- Client Transportation & Stipends
- Equipment > 5K

- Incentives
- Rent
- Sub-Contractors > 25K

Or the calculated Indirect cost rate as determined by a review of the Indirect Cost package.

Providers' Indirect Cost rates are subject to audit review. If, as a result of this review, it is determined that the actual rate is less than the approved Indirect Cost rate, the Contractor will be responsible for reimbursing SBS the difference plus all applicable interest earned.

2.3 Other Than Personal Services

The OTPS schedule of the Project Budget delineates the allowable costs other than wages and fringe benefits that are applicable to the contract. The planned OTPS cost items are to be appropriately budgeted as itemized lines with an additional line available for miscellaneous/other (generally non-pre-specified) OTPS. Costs budgeted under OTPS must be supported by cost allocation methodologies and are subject to audit review. (See Chapter 1 for guidance on acceptable cost allocation methodologies.)

For some OTPS cost categories, SBS has provided worksheets that must be used by the Providers in calculating the costs to be allocated to these categories. Worksheets are provided for the following cost categories:

- Facility Rental
- Bonding / Liability
- Fee For Profit
- Audit Costs
- Indirect Cost

2.3.1 Audit Fees

Costs to perform required Single Audits (non-profit entities) or other company-wide audits (for-profit entities) are to be budgeted herein. All audit fees are an administrative OTPS cost. All Providers are required to provide audits. The budgeted amount for the audit costs shall be proportionally consistent with SBS's portion of the total value of the contracts managed by the Contractor. For example, if a Contractor manages \$20 million worth of contracts, and SBS' contracts total \$10 million, then SBS is responsible for reimbursing 50% of the total cost of the annual audit.

2.3.2 Bonding and Insurance

Contracts awarded by SBS require Bonding Coverage (only applicable to construction and construction-related contracts) and General Liability Insurance Coverage, as specified in the SBS Contract. All required insurance must be maintained in effect for the entire contract term and Providers may be requested to provide continuous proof of the required coverage during the contract term.

2.3.2 Bonding

SBS requires all Providers to be bonded, to provide protection against loss of funds, as follows:

- Every agent or employee authorized by the Contractor or subcontractor to receive or deposit funds into program accounts, or to issue financial documents, checks or other instruments of payment for program costs, must be bonded to provide protection against loss.
- The bond must be issued by an insurer fully licensed by the New York State Superintendent of Insurance to transact fidelity bond business and shall provide that any payment made there under for any loss shall be payable to the NYC Department of Small Business Services.
- The amount of coverage shall be no less than 10% of the total contract value or any advance payment received during the contract year or the highest advance payment planned for the projected contract term, whichever is greatest.

General Liability

The Contractor shall carry general liability insurance in the sum of not less than One Million Dollars (\$1,000,000) per occurrence and \$2 million in the aggregate to protect the City of New York against any and all claims. The policy or policies for insurance shall be obtained from a company, or companies, duly licensed to do business in the State of New York and shall name the City of New York as an additional insured part, and shall provide that in the event of cancellation SBS shall be notified at least fifteen (15) days in advance. It is strongly recommended that Providers provide a copy of applicable insurance certificates to SBS prior to the effective date of the contract.

Whenever possible, the effective dates of insurance policies should match the dates of the SBS contract. Providers with other government funded contracts must allocate the cost of General Liability Insurance. However, proof of adequate coverage must be maintained.

Copies of both policies must be submitted as support for the contract, whether the cost is charged or not. Requirements as to the form of insurance certificates are set forth in the City's Appendix A Standard Contract Terms, including a certification by the insurance broker. Invoices for reimbursement for insurance costs must include the policy number, dates of effectiveness, amount coverage and cost of the policy.

When utilizing the SBS Budget Template, do not include in the budget the cost of policies such as Workers Compensation, Disability Benefits and Employer's Liability Insurance, Health and

Welfare, Pension Plan and Unemployment Insurance under the Insurance line. These are part of the employee fringe benefit package, and budgeted under Fringe Benefits.

Other

Providers receive funds in their budgets to cover the cost of Unemployment Insurance for participants while they are enrolled in work experience programs. Any additional insurance coverage/costs which otherwise are not prohibited (by funding source regulations) may be budgeted providing the New York City Department of Small Business Services is named as covered, and this contract budget is sufficient to cover the costs.

2.3.3 Contracted Costs

This cost category is exclusively reserved for costs associated with subcontract agreements. Subcontract agreements are required if the prime contractor intends to acquire goods and services, (other than rental of space and equipment) from separate Providers to the contract, and these goods and services are either covered by or directly impact the prime contractor's scope of services agreement with SBS. Contracted costs may include the following examples:

- Security or guard services
- Training services for Contractor staff
- Consultant services

For all subcontracts, Providers are required to submit a Subcontractor Approval Form, prior to engaging a subcontractor to perform work. Subcontract Agreements are required to be consistent with the terms of the contract between SBS and the prime contractor. Subcontracts are required to have preliminary and final SBS approvals by both the SBS Program Representative and the SBS Agency Chief Contracting Officer **BEFORE** a subcontractor can begin work. For each approved subcontract listed on the Budget, attach a signed, notarized Subcontract Agreement with the subcontractor's EIN number. Subcontractor selection is subject to the requirements of the SBS Contract. Subcontractor Approval Forms and cover letters are available from the WDD Fiscal Management team.

Part-time services of Contractor staff may not be charged as a Contracted Cost but should be budgeted as part-time staff under Personal Services.

If a major program component, as determined by an SBS Program Representative, is to be subcontracted, the subcontractor may be deemed a subrecipient and as such is subject to the same rules applied to the prime contract for detailed budgeting, cost allowability, cost allocation and cost categorization. Subrecipients are also subject to audit requirements. SBS must be consulted in advance, and written approval granted in advance, before any such subcontracting is entered into. Generally, the subrecipient arrangement should be avoided. For subcontractor costs, the responsibility of proper cost allocation and categorization rests with the Contractor. For subrecipients, this responsibility rests with both the Contractor and the subrecipient.

Consultants providing Professional Services should be categorized as independent Providers. Consultants usually consider themselves self-employed, maintain their own service and financial

records, provide their services to other customers and have a place of business separate from the Contractor's. For each Consultant listed, a signed, notarized Consultant Agreement is required. Consultants retained by a Contractor must enter into a written agreement, detailing the specific tasks to be performed. Consultant expenses will be allowed by SBS only for those services that cannot be performed by Contractor staff. If a Consultant's work would be characterized as employee work under the Internal Revenue Service's guidelines, such an individual should be hired as an employee. Consultant Agreements must be maintained by the Contractor in accordance with the SBS contract. Consultant invoices must be maintained by the Contractor with the following details: rate, hours, types of services and approval by the Contractor's Executive Director or his/her designee.

2.3.4 Equipment Purchase

Equipment Purchase includes all items that are not consumable, have a life span of more than one year, and are not considered supplies. This category includes items that are purchased on installment plans. Equipment purchases include, but are not limited to, the following examples:

- Alarm Systems
- Office Furniture & Equipment
- Classroom Furniture, Training Equipment
- Computers & Technology Hardware
- Air Conditioners (removable)
- Fax Machines
- Office Copiers

All equipment acquisition must be made in accordance with SBS' Inventory Policy, (available from your SBS Program Representative) and based on a cost benefit analysis to determine whether it is preferable to purchase or lease. In addition, equipment to be shared by multiple programs, contracts or funding sources must have the acquisition cost properly allocated equitably to each contract benefiting from the use of the equipment. The allocation methodology must be clearly explained and documented.

SBS reserves the right to institute a centralized purchasing system permitting designated equipment items to be ordered directly by SBS and charged to the Contractor or deducted from the authorized budget. Whenever feasible, Providers will be required to use equipment items available in storage by SBS in lieu of purchase. The Contractor is responsible for transporting the equipment to the appropriate site. Moving costs are reimbursable and should be budgeted as a separate line under the Other OTPS cost category.

All purchased equipment, or the depreciated dollar value of purchased equipment must be returned to SBS when the contract is terminated. Where acquisition costs were shared with another

source/other sources, the return is to be appropriately pro-rated. Equipment may also be purchased from SBS for the depreciated value upon the termination of the contract.

Providers wishing to purchase items not in the budget or items, whose costs are more than the budgeted amounts, must obtain prior approval from their SBS Program Representative. If approval is granted, the Contractor must submit a Budget Modification. Providers should note that reimbursements cannot be made until the Budget Modification is approved. Providers will not be reimbursed for the cost of any equipment purchase not authorized by SBS.

All items purchased for a specific contract must be used for that contract. Where a contract is terminated, the Contractor may request in writing to the appropriate SBS Program Representative, permission to transfer the equipment to another SBS funded program. This approval must be secured prior to any transfer. If this is done without SBS approval, Contractor may be held liable for the associated cost of said equipment.

2.3.5 Equipment Rental

The Equipment Rental budget item includes funding for items that are leased, leased/purchased, or rented on a long-term basis by the Contractor, for which there is a monthly rental plus service contracts for rented equipment. A lease/purchase agreement must specify the portion of the monthly rental that is to be applied toward the purchase price. A lease, lease/purchase, or rental agreement must include service costs. Providers should limit the lease, lease/purchase, or rental arrangement to the terms of the contract, and include in the lease or rental arrangement a clause which incorporates the following language:

It is agreed and understood between Name of Lessor and Name of Contractor that in the event the New York City agency which funds the program to be performed terminates its funding, this rental or lease arrangement will be considered null and void, both Lessor and Lessee will be released from any and all claims by the other party arising on or after the date of such termination. However, the City of New York or its designee shall have the option to continue the lease for the full term, subject to applicable law.

No lease or rental agreement may have a termination penalty clause at the expense of the contract. SBS permits Providers to use a rental, lease or lease/purchase arrangement for equipment items such as copy machines, postage meters, and water coolers. Rental agreements must provide insurance to cover loss through theft, fire, breakage, etc.

Service agreements for rented equipment are to be budgeted in the category of Equipment Rental, (However, service agreements to cover purchased equipment are budgeted under Equipment Purchases.)

Whenever feasible, Providers will be required to use equipment items in storage rather than rent or purchase equipment. In these cases, the items must be removed from the Equipment Rental and/or Equipment Purchases budget lines. The Contractor is responsible for transporting the equipment to the project premises. For items supplied by SBS, Providers will be allowed to enter into service

agreements for the maintenance of the equipment.

For lease purchase agreements, the Contractor must clearly indicate when title will vest and if costs are shared with another source, what equity (or percentage of value) is attributable to the contract.

2.3.6 Facility Cost

There are two options for charging the cost of the contract facility:

- To lease part or all of a rented facility. (See “Leases” section below).
- To operate the contract in a facility owned by the Contractor. (See Use Fees Section below).

Leases

Copies of all proposed leases and the name of the owner of the property, if different from the lessor, must be submitted to the appropriate SBS Program Representative. The Contractor must also submit copies of any lease currently in effect for the same premises. If copies have been provided under a prior contract with SBS and there have been no changes, then a letter stating that no changes have occurred and specifically referencing prior submission should be substituted for re-submission of documents. All leases are subject to review by SBS’ Office of General Counsel.

Rentals must be justified as fair market at the time of lease commencement. Security deposits must not be included in the budget.

To protect the Contractor, SBS recommends that each lease contain an “escape” clause using the following recommended language:

“It is agreed and understood between the Landlord and the Tenant that in the event the City agency which funds the programs to be conducted on the premises by the Tenant terminates its funding, this lease will be considered null and void and the Tenant shall be released from any and all claims by the Landlord commencing with the date of such termination.”

Additionally, the Contractor is advised to ensure that the lease contains language permitting assignment to another entity or to the City. If the lease does not contain an “escape” clause, and SBS terminates funding before the expiration of the lease, neither SBS nor its funding source will assume responsibility for rental costs during the remainder of the lease term. In cases where a current lease does not contain an “escape” clause, the Contractor should try to negotiate one.

Providers must submit a clearly marked floor plan for all rented space, including information on actual square footage of the space.

If the project is to be conducted in a facility currently leased by the Contractor, but not used entirely for the operation of this project, the Contractor must submit floor plans showing the layout of the area to be occupied by the project and the actual square footage. The cost of common space shared

by this contract cannot be solely supported by the contract. An appropriate and acceptable cost allocation methodology must be demonstrated. The terms of the shared space arrangements must be specified in the lease or sub-lease agreement, or detailed in a support memorandum from the sponsoring agency.

Similarly, the Contractor is permitted to budget for space occupied by personnel allocated to this contract who are not located at the project site, as long as a clearly defined cost allocation methodology is provided.

Use Fees

Providers may identify costs for the use of facilities through a use allowance method or a depreciation method; however a combination of the two methods is not permitted. The computation of use fees (for either method) must be based on the acquisition cost of the facilities, however it cannot include the acquisition cost of land or any assets donated or cost reimbursed by the Federal, State or City government, irrespective of where title to the assets originally or currently rest. Acquisition cost representations must be supported by documentation.

Depreciation Method: If the Depreciation Method is followed, adequate property records must be maintained and provided. The straight line method of depreciation must be used except where the relationship of this contract to the facilities provides an acceptable justification (which must be submitted for approval) for an alternative generally accepted depreciation method that will result in an equitable allocation of costs to the benefit of this contract. Separate descriptions of the depreciation method chosen and resulting computations must be provided.

Use Allowance Method: If the Use Allowance Method is followed, the allowance for use of building and improvements fixed to the building may not exceed two percent (2%) of acquisition costs. The use allowance for furnishing and decorations may not exceed six and two-thirds (6.67) percent of acquisition cost.

Generally, no depreciation or use allowance is permitted on facilities that would be considered fully depreciated. Exceptions may be permitted with consideration for the cost of the facility, the estimated useful life remaining at contract commencement, and the impact of any increased maintenance costs or decreased efficiency due to age and/or any other factors relevant to the use of the facility for this contract.

Some Providers may have staff, who may be categorized as “Shared Direct”, seated at a location other than the primary location stipulated in the contract. Providers are allowed to seek reimbursement for the rent paid for space occupied by staff members categorized as such, provided that an approved methodology is used to calculate the amount. Proportionate employee count or proportionate square-footage costs are acceptable methodologies.

2.3.7 Fee for Profit

Fee for Profit is capped at 10% of total of Personal Services (PS) costs (Personal Wages plus applicable Personal Fringes). Only for-profit entities may seek funding on this line. SBS generally does not provide for Program Income.

2.3.8 Maintenance and Repair

Maintenance and Repair is a category reserved for the following costs:

- Small, consumable, equipment and supply items necessary for the maintenance of health standards: (e.g., disinfectant, paper products, soaps, cleaners, floor wash, etc.)
- Small equipment and supplies needed for minor repairs on the premises: (e.g., nails, screws, light bulbs, etc.).
- Minor repairs by outside Providers, such as plumbers, etc., provided the cost does not exceed \$3,000. More expensive repairs must be budgeted under contract services.

If the landlord provides any of these services as a portion of the rent costs, the Contractor may not budget separately for Maintenance and Repair.

2.3.9 Participant Supplies

Participant Supplies are consumable items, or items that have a limited life span, to be provided to or used by participants while enrolled in the program. For example:

- Classroom supplies for workshops, such as pens, pencils, rulers, notebooks, etc.
- Training supplies as indicated in course outlines.

Prior to assigning any cost to this category, Providers must discuss the materials needed and quantities of each, with their SBS Program Representative. Cost categorization of participant supplies must be demonstrated by the use/purpose of the specific items and Providers must have sufficient controls in place to account for inventory and distribution of these supplies.

2.3.10 Participant Travel

Participant Travel covers the cost of travel for the following program activities:

- Travel between two training locations, but not travel to and from home to the training site.
- Business tours.

Providers may provide eligible participants with Metrocards for allowable travel on public transportation. The disbursement of cash is strictly prohibited except for stipends pursuant to WIOA eligibility requirements. All participant travel expenditures should be documented with a signed expense voucher that states the name of the participant, date, purpose and destination of the trip. Complete the Participant Travel Worksheet as supporting documentation for the budgeted cost item, as these expenses are auditable by the New York State Department of Labor.

2.3.11 Printing and Reproduction

Printing and Reproduction includes the cost of printing or reproducing materials, on or off the contractor's premises. It includes items such as:

- Copier paper and supplies, such as toner.
- Printing costs for letterhead-stationery and envelopes utilized for this contract, business cards, brochures, fliers and booklets. (Note that booklets created to aide in the instruction of, or for distribution to participants should be budgeted under Participant Supplies).

Printing and Reproduction does not include published materials (books, booklets, test) or the equipment used for reproduction. Copy machines are budgeted under the Equipment Rental or Equipment Purchase cost line. Cost categories of printing and reproduction expenses must be based on function/use of goods and services provided.

2.3.12 Advertising and Marketing

The Advertising and Marketing line should consist of the budgeted costs for advertising purchases as well as electronic ads on Facebook, Craigslist and other media. If a subcontracting relationship exists with another entity for the production of marketing materials, that subcontract should be budgeted under Contracted Costs and must follow the subcontracting procedures outlined in this manual.

2.3.13 Postage

Postage should cover the cost of mailings for program purposes only. It should not include the cost of postage meters. Meters are budgeted in the Equipment Rental category. The Contractor may use one of two methods for estimating postage for the purposes of creating the Project Budget:

1. If an outreach/marketing plan is already constructed, prepare an itemized schedule indicating the type of mailing (Job Development, Client Mailings, Placement Follow-Up, Program Administration, etc.), the average number of letters per mailing, the number of mailings, and the postage cost.
2. Alternatively, use outgoing correspondence volumes from prior years and/or similar contracts.

2.3.14 Program Income

SBS generally does not approve budget lines for program income, as defined in WIOA.

2.3.15 Renovation Costs

Except in extreme emergency cases, all renovation costs must be approved by an SBS Program Representative prior to execution of the work. Any renovation cost in excess of \$5,000 requires further approval by the NYSDOL. Plans should include a floor plan showing the work to be done, the job specifications, and an itemized cost estimate. Approval will be subject to the same conditions required of contracted costs. SBS will approve renovations only in cases where all of the following conditions apply:

- An extenuating circumstance, as determined by an SBS Program Representative, necessitated the renovation in order to continue to deliver services promptly, efficiently and effectively.
- Renovation is necessary to maintain a facility suitable for delivery of services.

If premises are in need of improvement and the landlord refuses to renovate, contact the appropriate SBS Program Representative and SBS will work to resolve the issue.

2.3.16 Security and Protection

The Contractor is responsible for safeguarding equipment purchased with SBS contract funds. This category should itemize those items of protective equipment needed to safeguard project equipment, supplies, facilities etc.

Providers must make provisions in the budget for protective measures to secure portable equipment and to prevent theft to the furthest extent possible. These measures may include:

- Dead-bolt locks for entrances and exits, also locks for offices, classrooms, storerooms and cabinets where supplies and equipment may be stored.
- Devices for bolting equipment to desks and tables.
- Special equipment locks or locking cables.
- Ongoing monthly payments for alarm systems.

The New York City Police Department can survey the premises and make recommendations for appropriate security measures. Also, Providers may register all equipment (description, brand name, model number) with their local police precinct.

2.3.17 Staff Supplies

Staff Supplies are consumable items with a limited life span that are used by contractor staff only (not participants) to carry out their contract related duties, including:

- Desktop supplies
- Clerical staff supplies
- Data analysis staff supplies
- Payroll staff supplies
- Accounting supplies
- File folder and filing supplies (for staff only)
- Computer supplies - flash memory, external memory (for staff only)

This category does not include items such as teacher’s manuals and test guides that are used for instructional or counseling purposes (these are Participant Supplies), payroll processing services or any item that is printed or reproduced (e.g., letterhead stationery).

2.3.18 Staff Travel

The Staff Travel budget line covers public transportation costs (bus and subway) for program-related travel. No funds may be budgeted for Staff Travel to and from work. All Staff Travel expenditures must be documented, using expense sheets, and/or petty cash vouchers for each trip or any other proper GAAP documentation. At this time, SBS does not reimburse Contractors for the use of private transportation.

2.3.19 Communications

Telephone, internet and cable service costs related to the SBS program are allowable for reimbursement. This includes bundled packages of internet, telephone, and/or cable. Costs should be pro-rated over the operating period.

Telephone systems may be purchased if the cost is substantially below the aggregate cost of the monthly service charges for the term of the contract. If this option is proposed, the Contractor must submit a purchase request for equipment and the cost of acquisition must be budgeted in the Equipment Purchase budget category.

If a new phone system is being purchased, two options are available to provide supporting data/documentation for the telephone line amount:

Option 1: Providers may use audit verified data from the most recent contract period, or in the case of a renewal contract a contractor may use the prior contract’s approved budget amount or may submit telephone invoices for the prior two months, clearly indicating which costs were allocable to the contract. In all cases where there is an allocation of the organization’s total telephone expense, the methodology for that allocation must be available for auditing purposes.

Option 2: Providers must submit the following information with the budget:

- Copies of three recent bills for existing phone service, and an estimate of monthly telephone costs (installation, monthly service charges, directory assistance, and additional message units) for new installation.
- If the Contractor has a switchboard, the Contractor must allocate telephone costs to the SBS contract with a clearly described and auditable methodology.

For all contract budgets, SBS limits telephone budgets to the basic telephone service needed to conduct program activities. Where possible, long distance telephone expenses should be

itemized and submitted along with the Monthly Financial Reports (see Chapter 4) for approval prior to reimbursement.

2.3.20 Utilities

Utility costs include electricity, gas, water and heating. Telephone, internet, and cable service costs are not included. There are two options to provide support for the amount budgeted for utility costs:

Option 1: If the landlord does not provide electricity or gas, the project may budget a flat rate of \$1.50 per square foot per year of the space (rented or used) for the contract.

Option 2: If a contract proposes utility costs that exceed \$1.50 per square foot per year, or if the landlord provides part or all of the utilities (electricity, gas water or fuel) as a separate item apart from rent, the Contractor must prepare a line-item utilities budget based on prior or projected expense. To do this, submit three bills from different seasons of the year as a basis for an “average” monthly electricity and gas bill. Proposed rate increases will be accepted if they are appropriately documented. Exclude from the budget the cost of security deposits.

If there are two or more meters on the premises, submit copies of both bills and a floor plan that clearly indicates the areas served by each meter.

If the meter covers a larger area than that allocated to the contract, only the portion of the cost representing usage by the contract may be included in the budget. The bill must be allocated, based on the square footage covered by the meter and the square feet occupied by the contract.

If utilities are provided by the landlord and covered by rent as specified in the lease, the utility cost is not to be included in this line. It is budgeted as part of the rental cost. Providers who plan to rent a new facility must submit an estimate of all utility costs for the term of the contract. Estimates may be obtained from the utility companies, water companies and/or fuel suppliers. SBS does not reimburse costs incurred for inspections or estimates.

Chapter 3 MODIFYING THE PROJECT BUDGET

Deviation from the initial budget determined by the contractor and the Agency is permitted, provided expenses do not exceed the total budget. The budget may be modified by:

- An increase in one area of the budget with a proportional decrease in another line item in the budget and no change to the contract value.
- Amending the contract with the value either increased or decreased at the discretion of SBS. The Contractor must adjust the budget accordingly to match the new contract amount. Amendments may be initiated by either SBS or the Contractor, but both parties will negotiate the costs thereof. Both parties must sign amendments.

Budget modifications cannot be initiated if there are outstanding invoices, outstanding payments or negative (decrease in the budget) amendments currently in progress on the contract.

The procedures and requirements set forth herein apply to modifications that do not increase the total budget of the contract.

3.1 Project Budget Modification Guidelines

Submitting for reimbursement in an expense category that is insufficiently funded without first requesting a budget modification will result in a partial payment or no payment at all. All budget modification requests must be approved **in writing** by a SBS Program Representative and the SBS Fiscal units (WDD Fiscal Management, SBS Budget and SBS Fiscal and Audit) to be valid. Internal approvals will be coordinated by either an SBS Program Manager, in the case of NYC Business Solutions contracts, or WDD Fiscal Management, in the case of Workforce1 and Sector Center contracts. Providers should retain a copy of the approved budget modification for future reference. Please note that frequent requests for budget modifications could negatively impact SBS' rating of the Contractor's fiscal performance in its annual performance evaluation.

Modifications should be initiated no more frequently than on a bi-annual (6-month) basis unless service program needs or cash flow needs warrant more frequent submissions.

The modification process, as established is intended to maintain contract compliance throughout the contract term, facilitate equitable cash flow to the Providers, avoid extensive questioned/disallowed costs and avoid a protracted contract close-out process.

SBS may initiate modifications consistent with contractor service requirements or revised expenditure plans, and SBS reserves the right to initiate modifications to remove accrued under-

spending from the budget. All such modifications will be initiated with prior notice and will be provided in writing.

3.1.1 Personal Service Schedule Modification Guidelines

All changes affecting the actual salary on a line in the Personnel Services schedule require SBS approval. This includes but is not limited to:

- Filling vacancies
- Promotions, merit increases, collective bargaining increases, cost of living increases
- The elimination, downgrading or reclassification of positions
- Reallocation of Personal Services costs
- New positions

The following rules must be followed to initiate and obtain approval of a Personal Services Schedule Modification. (**Note: Modifications are not effective until approval is provided by SBS in writing. Reimbursement will only be permitted against approved modifications.**)

1. Prior to submitting a written request for a budget modification, Providers are strongly encouraged to speak with their assigned Operations Manger and obtain agreement on the reason/rationale for the modification.
2. Once verbal agreement is obtained, the Provider must complete the SBS Personal Services Modification Request Form, along with the Budget Modification Summary Form and the appropriate modification schedule.
3. Once completed, the P.S. modification request form and the modification schedule must be submitted to either the WDD Fiscal Management team (Workforce1) or the SBS Program Manager (NYC Business Solutions) to begin the official approval process. SBS will respond to modification requests within 7 business days of receipt.
4. Except in cases where explicit approval is provided by an SBS Program Representative or WDD Fiscal Management Representative, the total amount budgeted for the Personal Services budget category may not be increased using funds from OTPS cost categories.
5. For increases required by union contracts, a copy of the collective bargaining agreement along with an explanation of its impact on specific positions must be submitted to SBS along with the proposed schedule modification.
6. For filling vacancies and new positions, awarding promotions and merit increases or eliminating, downgrading or re-classifying positions, a modification is to be submitted along with a cover letter providing clear explanation/justification of requested changes.

The modification must conform to the procedures above. The proposed increases reflected in the modification will not be reimbursable until the schedule modification is approved by SBS. Approval is contingent on available contract funding. The required documentation must be submitted to the appropriate SBS Program Representative for review, and is also subject to review and acceptance by SBS' Fiscal and Audit Unit and approval by the New York City Office of Management and Budget.

All reallocation of salary costs, which may result from new funding sources or contracts or loss of funding sources/contracts, must be reflected in a Personal Services Schedule Modification. Cost reimbursement will not be permitted against modifications until approval is granted. If necessary, modifications should be submitted on a semi-annual basis (once every 6 months) unless directed otherwise by SBS or particular actions or cash flow needs necessitate more frequent submissions.

3.1.2 OTPS Schedule Modification Guidelines

The following procedures must be followed to initiate and obtain approval of an OTPS Schedule Modification. (**Note: Modifications are not effective until approval is provided by SBS in writing. Reimbursement of costs incurred will only be permitted against approved modifications.**)

- 1) Indirect and/or Fee for Profit costs may be reduced and the available funding may be added to support OTPS costs that are directly budgeted to the contract.
- 2) The total OTPS schedule amount may be increased with a commensurate reduction in Personal Services.
- 3) Requests for modifications for Facilities Rental/Use Fees require submission of a revised worksheet and additional documentation if the modification reflects a change in the rental agreement, facility used, etc.
- 4) Modifications to the cost allocations for Equipment Purchase and Equipment Rental require additional justification and supporting documentation.
- 5) Changes to cost items in the Contracted Cost category require re-submission of the SBS Subcontractor Agreement Form as well as additional justification and supporting documentation for the proposed changes.
- 6) Changes affecting items/costs on the other OTPS lines require supporting documentation/justification for the proposed changes.

All budget changes affecting these lines must be effectuated by submission to SBS the budget modification worksheet and a letter of justification that clearly indicates why these changes are needed to support contract services. It is highly recommended that Providers have discussions with their respective SBS Program Representatives prior to submitting modifications. Upon review and acceptance, the WDD Fiscal Management Unit or the NYC Business Solutions Program Management Unit will forward these modifications to SBS' Fiscal and Audit Unit for review and approval of funds, per the procedures set forth herein. Cost reimbursement in accordance with these modifications will only be permitted after necessary reviews and a final approval has been granted by the appropriate SBS Program Representative. Providers will be notified of acceptance or rejection in writing.

3.2 Contract Modification

Contract modifications, also referred to as contract amendments, are only necessary if there is a change in funding for the contract or if other terms of the contract need to change. They are usually warranted if there is a specific need to expand the scope of services delivered, expand the scope of the program or if required by State or Federal oversight agencies. There are two types of modifications:

1. Modifications that involve a reallocation of existing monetary resources and thus, no adjustment in the total contract value.
2. Modifications that involve the addition of funds thereby increasing the total contract value.

Amendments may be initiated by either SBS or the Contractor, but both parties will negotiate the costs thereof. Both parties must sign amendments.

3.2.1 Allocation Memo

Contract amendments are always initiated by an Allocation Memo. This document is generated by the WDD Fiscal Unit or the NYC Business Solutions Program Management Unit and is addressed to the appropriate Deputy Commissioner at SBS. The purpose of this document is to fully describe the purpose and funding modifications, if any and seek official approval for the contract modification. Prior to submission to the Deputy Commissioner, Providers will have an opportunity to review the Allocation Memo to ensure that it reflects the agreed upon changes. No contract amendment will be processed without an approved Allocation Memo.

Chapter 4 MONTHLY FINANCIAL REPORTS AND REIMBURSEMENT

4.1 Monthly Fiscal Requirements

Providers are expected to maintain 100% compliance with expense reporting requirements to SBS. Expense reporting must be prepared on a cash basis. Reported expenses must include all supporting documents. Supporting documents must be accurate and complete. All expenses reported must be fully reconciled with the submitted General Ledger.

It is important for all providers to note that the review of financial program expense reports is thorough. If proper procedures are not followed or expenses are incurred which may not be appropriate or fully supported for your contracted activities, SBS will reject the expense not in compliance. Only expenses determined to be fully in compliance are reimbursable. Rejected expenses corrected by the Provider may be resubmitted as an adjustment to the original report month in the following expense reporting period. If a rejected expense is categorized as Disallowed, it cannot be reimbursed under any circumstances. Disallowed expenses are not within the scope of the contract nor allowable under applicable Federal, State and City funding guidelines. Providers will be notified of disallowed expenses determined by SBS review and the expense must be negatively adjusted out of the reported expenses.

4.1.1 Required Forms

SBS Workforce Development requires all providers to submit monthly expenses using the SBS prescribed Monthly Financial Report (MFR/SSD)/Supplementary Support Documentation (SSD) to detail expenditures for contract-related goods and services. These documents are uploaded to the document section of HHS and the amounts are entered by various categories. Based upon the information provided in the MFR/SSD / SSD and supporting documents, SBS determines the amount of funds to reimburse approved expenses. When reporting expenses, the MFR/SSD must be accompanied by the following support documents:

- General Ledger (G/L) - SBS requires a general ledger of program-related expenses be included in the Expense Report Package. The general ledger must be a complete record of program-related financial transactions for the program month. The general ledger must be prepared on a cash basis. Any adjustments or accruals must be clearly labeled and entered in the Adjustment and Accrual Worksheets.
- Program Monthly Payroll Worksheet – The total wage and fringe for full-time and part-time staff for the report month.
- Reconciliation Worksheet - The reconciliation form is provided by SBS to explain any differences between the MFR/SSD and the General Ledger such as those due to timing, accounting practices,

omitted items or errors.

- Adjustments Worksheet – Indicates corrections to a previously reported expense or actual cash expenses for previously reported accruals.
- Cumulative Accrual Worksheet –Used to report program expenses that have not yet been paid and cannot be reported as a cash expense for the report period.

The MFR/SSD, G/L and contingent forms are considered a “package” and must be submitted together and each form or worksheet must be consistent and fully support one another. The MFR/SSD recognizes the total actual cash expenses for the month according to the applicable cost categories. Expense reporting must be prepared on a cash basis. The MFR/SSD data must be consistent with the provider’s accounting records (G/L). The providers must maintain documentation to support the expenses reported and provide such information to SBS staff upon request. Should there be a discrepancy in the MFR/SSD and the G/L the provider must submit the MFR/SSD and G/L with a Reconciliation Form explaining the nature of and reason for the difference. These forms and supporting G/L are submitted as an invoice in HHS Financials.

4.1.2 Final Program Expenses Report

Final expenses are required to be reported at the end of each budget period, even if the final expenses are zero. SBS Workforce Development requires all providers to submit monthly expenses using the SBS prescribed Final Expense Report to detail expenditures for contract-related goods and services. Providers should note that the Final Expense Report identifies adjustments to previously reported expenses and denotes that no further expenses will be submitted against the respective contract budget. If a budget modification is required to address spending overruns, the modification must be submitted prior to or in tandem with the Final MFR/SSD. When reporting expenses, the Final Expense Report must be accompanied by the following support documents:

- Adjustment Worksheet – Provides expense information on adjustments to a prior expense report period including the cost category, a brief description of the item, the month to be adjusted, the original reported amount, and the adjusted amount.
- Reconciliation Form- This form should accompany the MFR/SSD and G/L at the time of submission, in the case of a discrepancy between the two. The reconciliation form must be a year-to-date reconciliation along with the year-to-date G/L.
- Program Monthly Payroll Worksheet – The total YTD wage and fringe for full-time and part-time staff for the report month.

4.1.3 Deadlines

Invoices for reimbursement of expenses incurred in providing services during the previous month must be submitted on a monthly basis, be complete with all supporting documentation, and are due no later than the 10th calendar day of the following month. When an invoice due date falls on a holiday or weekend, Providers must submit the invoice to SBS no later than the following business day. MFR/SSDs must be accurate and found acceptable by SBS. MFR/SSDs with substantial errors or omissions will be rejected by SBS and may have a negative impact on the provider's PASSPORT performance evaluation for timeliness of reporting.

The Final Expense Report must be submitted no later than 30 calendar days after the end of the budget period, unless oversight mandates an earlier submission. Late Final Expense Reports or Final Expense Reports may be deemed, in part or whole, non-reimbursable by SBS.

4.1.4 Restricted Purchases

Prior to any purchase of equipment or expenses associated with construction, renovation, or remodeling, approval must be obtained in writing from the appropriate SBS Program Representative. If expenses, individual or in sum, are WIOA funded and exceed \$5,000, additional approval by the New York State Department of Labor is required. Allow ample time for approval before the purchase is to be made. If the expense(s) is (are) not approved prior to purchasing, the Provider may not be reimbursed. Upon approval and purchase, copies of applicable invoices must be submitted with the MFR/SSD for the month in which the restricted purchase was paid. Any equipment purchase will be documented in the program inventory and must be surrendered to SBS upon close of the contract even if fully depreciated.

4.2 Payment/Reimbursement

4.2.1 Timeline

SBS adheres to the "Prompt Payment" section (Section 4-06) of the Procurement Policy Board Rules and Regulations. Once all applicable MFR/SSDs and G/Ls are received and an SBS internal review identifies acceptable and reimbursable expenses, Providers can expect to receive payment on those expenses within **15-20 business days**, either by check or electronic funds transfer (EFT). Partial expenses are not allowed. An invoice submission must be a complete for payments to be processed if there are any discrepancies the invoice will be returned for correction.

4.2.2 Payment Issuance

Payment status can be viewed directly from HHS Financials. If the approved payment has not been disbursed, its status will reflect that it is "Pending EFT" (pending electronic funds transfer). This information is updated nightly and is from New York City's financial management system, FMS.

4.2.3 Electronic Funds Transfer vs. Check Issuance

All Providers with City contracts with an aggregate value of over \$25,000 per year are required to enroll in the Vendor Payment Direct Deposit program. Direct deposit is accomplished via Electronic Funds Transfer (EFT) and allows the City to deposit your payment directly into a selected bank account instead of mailing a paper check. All payment information is transferred electronically to your bank from the City's Department of Finance. The City of New York now offers access to the Payee Information Portal (PIP), which permits the Provider, if enrolled in this program, to track up to three years of issued payments, as well as all scheduled payments. Direct deposits may reflect several invoices from one or more agencies, but the PIP will provide information about each and every payment. The City will charge \$3.50 per check issued to the contractor. EFT is easier and more secure, as there is no chance for the check to be lost in the mail or delayed. If the Provider currently has a contract with SBS or another agency of NYC and is enrolled in EFT, payments for services rendered to SBS will automatically be deposited to the same account unless a written request for check payment is received. At this time, each Provider is permitted only one EFT account. Enrollment forms can be found on the New York City Department of Finance's website under the 'Getting Paid' [link](#).

4.2.4 Questions on reimbursements

Providers are strongly encouraged to visit HHS and the PIP to check on the status of reimbursements released by SBS. If after reviewing the information on HHS and the PIP and clarity is still needed, please email questions to Executive Director of Fiscal Management.

Chapter 5 CONTRACT CLOSE-OUT

5.1 Contract Term

The Provider must perform all contracted services and receive all goods and services from its providers and subproviders by the last day of the contracted operating period. Any expenditure incurred after the last day of the contract period must be submitted with the Final MFR/SSD. Reimbursement of these expenses are subject to approval by the Provider's SBS Program Representative.

5.2 Submission of Final MFR/SSDs and G/Ls

A final MFR/SSD and G/L must be submitted to SBS **no later than 30 calendar days** after the end date of the contract term, unless oversight mandates an earlier submission. Final MFR/SSDs and G/Ls should be so marked, signed by a fiscal representative with legally binding authority, and submitted on the provider's letterhead. Providers should be aware that submission of a final MFR/SSD or G/L is a formal indication that no further expenses will be incurred in service of the contract.

NOTE: Failure to meet this deadline will significantly delay reimbursement of expenses.

5.3 Close-Out Letter and Financial Recap Form

When all MFR/SSDs have been processed, the appropriate SBS Program Representative will officially close-out the contract. A Close-out Letter and Financial Recap Form reflecting approved expenditures for each month and all payments issued from SBS will be mailed to the Provider, once the final MFR/SSD and G/L have been received. It is extremely important that the Provider verify its expenditures and payments against the Financial Recap Form.

The Close-Out Letter will inform the Provider of the amount owed to SBS, if applicable. A check must be issued to SBS within ten (10) days for the refund due amount. If the refund due amount is not received by that date, the organization will automatically be placed on Payment Hold for all future payments from SBS.

If a payment/reimbursement issued by SBS is reflected on the Financial Recap Form but has not been received for Workforce1 Career and Sector Center contracts, notify the WDD Fiscal Management team immediately by sending an email to the Executive Director. Upon receipt, a WDD Fiscal Manager will respond promptly to address the matter. For payment/reimbursements not received and are associated with NYC Business Solutions Center contracts, contact the NYC Business Solutions Program Management Unit.

5.4 Refunds Due

Any balance of funds issued by SBS and not accounted for by an approved MFR/SSD becomes a refund due to SBS. Providers will be notified of refunds due in writing, upon which time a check payable to “NYC Department of Small Business Services” should be issued and sent to SBS so that SBS receives the payment by the due date indicated in the notice. If a refund check or Final MFR/SSD and/or G/L is/are not submitted in response to the Close-out Letter, the Provider will be referred to the SBS’ General Counsel for collection. The Provider may also receive an adverse rating on their performance evaluations, which could have a negative impact upon the Provider’s ability to secure future funding with SBS or other New York City agencies. Further, SBS reserves the right to offset against another SBS contract for the amount of an unpaid refund due.

5.5 Advances and Start-up Costs

Funds allocated to a Provider which are in addition to and apart from the Project Budget are considered **Advances**. The installment amounts and time frame for repayment are agreed to in advance, by SBS and the Provider and are stipulated in the contract. Installments are recovered by reconciling with submitted expenses and are deducted prior to the release of reimbursements to the Provider. If advances are not recouped in full by the end of the contract period, the unexpended

funds are considered a refund due to SBS.

Start-up costs are a portion of a Project Budget that is disbursed to the Provider at the beginning of the contract, as mutually agreed by SBS and the Provider during contract negotiations. Start-up costs are recovered similarly to the methodology used to recoup advances. SBS will withhold a portion of the reported expenses and apply the withheld amount to the start-up cost. The withheld amount is not a pre-determined fixed installment and is usually between 30% and 50% of the total monthly expenditure reported, or approved portion thereof. In contrast to Advances, start-up costs must be expended within 90 calendar days from the start of the contract.

If start-up costs are not expended within this timeframe, the remaining balance will be recouped in full from the next MFR/SSD submission. If subsequent MFR/SSDs do not allow for complete recoupment, the balance will become a refund due to SBS.

5.6 Close-Out Procedures for Terminated Providers

Upon receipt of a termination notice and effective date of termination, the Provider shall comply with all applicable SBS contract close-out procedures, which include, but are not limited to the following:

- The Provider shall submit MFR/SSDs and G/Ls accounting for all expenditures incurred prior to termination date. In most cases, supporting documentation such as invoices or timesheets may be necessary before reimbursement can be released.
- If the Provider received an advance, any balance of funds not accounted for by an approved expenditure is to be refunded to SBS in accordance with the regulations stated the “Refunds Due” section above.
- The Provider shall comply with SBS’ policy on disposition of equipment (See Inventory Management policy).

5.7 Performance Evaluation

SBS will conduct on-going assessments of Provider’s fiscal performance on an annual basis. This assessment will be rated and reported on the City of New York’s PASSPort system. The financial portion of each performance evaluation is based upon a Provider’s record of timeliness and accuracy when submitting MFR/SSDs and G/Ls as well as their responsiveness to SBS correspondence and requests for action. In addition, an evaluation of the Provider’s performance with respect to annual SBS’ fiscal monitoring review audits will be considered.

Chapter 6 AUDITS AND MONITORING

6.1 Contract Audit Requirements and Monitoring

6.1.1 General Audit Requirements

Contractual agreements with SBS require that Providers comply with applicable laws, regulations and SBS policies, and provide an annual independent audit report to SBS.

Providers, both for-profit and non-profit, who expend \$750,000 or more annually in Federal awards must have a Single or Program-Specific Audit conducted in accordance with the audit requirements defined in Federal OMB Uniform Guidance. Providers who expend \$750,000 or more in non-Federal funding must submit to SBS its annual Certified Audited Financial Statements performed by an independent CPA firm or auditor. The Single Audit will suffice for Providers who receive both types of funding.

Providers, both for-profit and non-profit, who expend less than \$750,000 but over \$25,000 in Federal awards or non-Federal funding annually must submit to SBS its annual Certified Audited Financial Statements performed by an independent CPA firm or auditor.

All required audits must be submitted to SBS within thirty (30) days of the audit report date, or by nine (9) months after the end of the entity's fiscal year, whichever is sooner.

Providers, both for-profit and non-profit, who expend \$25,000 or less in Federal or non-Federal funding are not subject to an audit. However, their records should be up-to-date and available at all times for review. SBS conducts a desk audit when reviewing invoices.

In addition to verifying compliance with Federal OMB Uniform Guidance and SBS' Fiscal Manual, SBS' Fiscal and Audit Unit will perform periodic fiscal monitoring reviews and audits to determine whether Providers' books and records were properly maintained to accurately reflect the expenditures reported; to verify the adequacy of the Contractor's internal controls and whether the cost reimbursements were made in accordance with City, State, Federal and SBS guidelines.

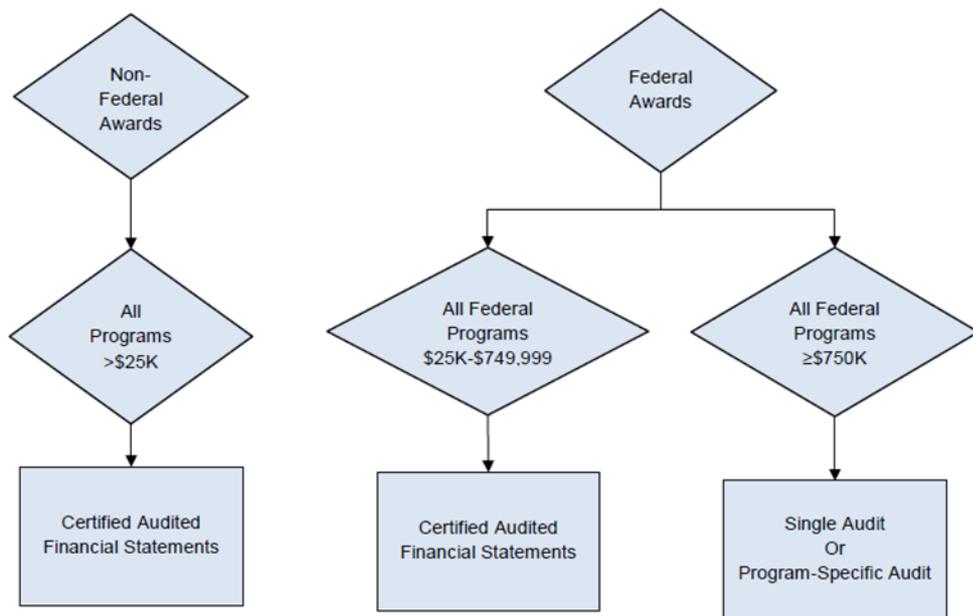
The chart below is a general guide to SBS' audit requirements.



careers
businesses
neighborhoods

AUDIT REQUIREMENTS

NYC Dept. of Small Business Services



Single Audits, Program-Specific Audits and annual Certified Financial Statements must be completed within nine months after the end of the entity's fiscal year and submitted to SBS' Fiscal and Audit Unit within the earlier of thirty (30) days after the audit report date or nine (9) months after the end of the entity's fiscal year. In the event that a Contractor fails to provide the necessary audit as required by Federal OMB Uniform Guidance or SBS within this time period, the following actions will be taken:

1. SBS' Fiscal and Audit Unit will inform the Contractor within thirty (30) days after the deadline to provide the necessary audit within ten (10) days.
2. Any Contractor who has failed to provide SBS' Fiscal and Audit Unit within the period stated, will be forwarded within ten (10) days to SBS' General Counsel to proceed with legal action, which may include:
 - a. Freezing all partial payments for current contracts and/or previous contracts, if any.
 - b. Reporting adversely on the organization's PASSPort.

Commercial for-profit entities must submit Single or Program-Specific Audits to SBS within thirty (30) days of the audit report date, or by nine (9) months after the end of the entity's fiscal year, whichever is sooner, for manual submission to DOL.

Providers must comply with SBS' audit requirements when they engage an independent CPA firm or auditor. In addition, further guidance is provided within Federal OMB Uniform Guidance.

Single and Program-Specific Audit costs are allowable contract expenses and may be budgeted directly in the OTPS cost category. SBS will only accept that portion of audit costs properly allocated to the program. The audit costs for organizations that wish to conduct a Single or Program-Specific Audit or similar audit, but do not meet the required expenditure are unallowable under WIOA (or any federal funding). However, the costs of a financial statement audit of a non-Federal entity that does not currently have a Federal award may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.

6.1.2 Single Audit Requirements

SBS and Federal OMB Uniform Guidance require specific inclusion of reports, schedules and statements. These requirements include but are not limited to:

1. The financial statements of and a report on the entity's financial statements (or the program's financial statements when applicable) which provides reasonable assurances that the statements are presented fairly in accordance with Generally Accepted Accounting Principles (GAAP) and Federal OMB Uniform Guidance.

2. A report on the entity's overall Internal Control Structure which provides reasonable assurance (in accordance with GAAP) that the entity has controls and is managing funds, and specifically, Federal and contract related funds in compliance with applicable laws, regulations, non-compliance with which would have material effect on the financial statements.
3. A report on the entity's compliance with laws and regulations, non-compliance with which would have a direct and material effect on the financial statements and on major and non-major programs. Specific reference to program funds included in the Federal Financial Assistance statement is required.
4. A report on the Federal Financial Assistance Statement providing reasonable assurances that the statement is presented fairly in accordance with GAAP.
5. Statements of the entity's assets and liabilities.
6. A Schedule of Revenue and Expenditures and change in balances. A separate schedule for expenditure should include: the contract number, program name, CFDA number, expenditure amount and period covered for each program.
7. A Schedule for each SBS program (contract) of the auditors' adjustments.
8. A Schedule of the current cumulative findings, questionable costs and status of prior year's findings.
9. A Schedule of the Fixed Assets Inventory related to SBS programs (contracts), segregated by the program which funded acquisitions.
10. Data Collection Forms "SF-SAC".

6.1.3 Subrecipient Audit Requirements

Federal OMB Uniform Guidance established certain rules and procedures in reference to the relation between Providers' and subrecipients' audit requirements. SBS Providers as a recipient of federal awards are responsible and liable to monitor their subrecipients where applicable during the grant period as required by Federal OMB Uniform Guidance and indicated below.

SBS will proceed with the necessary follow-up in our periodic audit/fiscal monitoring review visit to our Providers, to ensure that their subrecipient provided the necessary independent audits as described in Federal OMB Uniform Guidance. SBS will also provide technical assistance to subrecipients, if needed.

6.1.4 Uniform Guidance Audit Requirements for Subrecipients

Federal OMB Uniform Guidance identifies who is considered a subrecipient and also established certain procedures in reference to Providers and subrecipients as follows:

1. Subrecipient is a non-Federal entity that received Federal awards passed-through from a

prime recipient or another subrecipient to carry out or administer a program.

2. A non-Federal entity may be recipient, subrecipient and/or Contractor. The awards received as a prime recipient or subrecipient would be subject to audit. In our case, SBS is the pass-through entity and the Provider is the subrecipient (see DOL TEGL No. 15-16).
3. The non-Federal entity is responsible to submit all reports to each Federal agency that provide direct Federal awards. Also, subrecipients must distribute copies of report to all pass-through entities that provide them with federal awards.
4. The pass-through entity is ultimately responsible for all Federal awards passed through to subrecipients. Pass-through entities should monitor subrecipients during the grant period to ensure compliance with applicable Federal requirements and the achievement of required performance goals.
5. The pass-through entity's audit responsibilities are to determine whether:
 - The pass-through entity's system for monitoring subrecipients and obtaining and acting on subrecipient audit reports are adequate.
 - The subrecipient has complied with Federal OMB Uniform Guidance audit requirements as applicable and subrecipient audit reports are current.
 - Subrecipient questioned costs or compliance findings which may be material or otherwise require an adjustment to the prime recipient records are properly reflected by the prime recipient.
6. The pass-through entity is required to ensure that subrecipients which expend \$750,000 or more in Federal awards meet applicable federal audit requirements. Possible consequences for lack of subrecipient audits are modifications to the pass-through entity's audit reports, disallowed costs, or other adverse action by Federal agencies.
7. As an alternative, when pass-through entity is unable to obtain an audit for a subrecipient, it is required to expand the pass-through's audit to include testing of subrecipient records and there would be a compliance finding for the lack of a submitted subrecipient audit.

6.1.5 Engagement of Independent Auditors

Providers entering into contractual agreements to procure professional services (audit services) shall take the following steps:

1. Make information on forth-coming opportunities available and arrange time frames to encourage and facilitate participation by small audit firms.
2. Consider in the contract process whether firms competing for larger audits intend to subcontract with small audit firms.

3. Encourage contracting with small audit firms which have traditionally audited government programs, and in cases where this is not possible, assure that these firms are given consideration for audit contracting opportunities.
4. Encourage contracting with a consortium of small audit firms, when a contract is too large for an individual small audit firm.
5. Competitive proposals must be solicited when engaging an independent CPA firm or auditor.
6. The independent CPA firm or auditor should be engaged within 60 days of the start of the program year or fiscal year. Contracts may be executed for up to three years. However, the same firm should not conduct audits for more than four consecutive years.
7. Small firms and minority and women-owned business enterprises (MWBE) should be given the maximum practical opportunity to participate in the performance of audits.

Single and Program-Specific Audit costs are allowable contract budget items. The costs may be considered a direct cost or an allocated indirect cost. SBS will reimburse only a percentage of the audit fees if the audit includes other programs from other funding sources. Organizations which do not meet the OMB Uniform Guidance expenditure threshold and therefore not required to have Single or Program-Specific Audit but nonetheless wish to have one, cannot expending WIOA (or any Federal) funding to pay for such audit cost. However, the costs of a financial statement audit of a non-Federal entity that does not currently have a Federal award may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.

An audit made in accordance with Federal OMB Uniform Guidance and Generally Accepted Accounting Principles must be conducted by a qualified independent CPA firm or auditor in accordance with government auditing standards. The independent CPA firm or auditor should consider materiality and/or significance in planning the audit, selecting the methodology, designing the audit tests and procedures as well as in deciding whether a matter requires disclosure in an audit report. One of the criteria to be considered in determined materiality includes the monetary value of the item. However, materiality and significance often depend on both qualitative and quantitative factors. Qualitative factors include, but are not limited to the cumulative effects and impact of immaterial items, the objective of the work undertaken and the use of the reported information by the users of the information. Decisions of these criteria are based on the auditor's professional judgment. For government audits, the materiality level and/or threshold of acceptable risk may be lower than in similar type audits in the private sector because of the public accountability of the entity, the various legal and regulatory requirements and the visibility and sensitivity of government program activities and functions.

6.1.6 SBS' Follow-up Procedures

SBS established certain procedures and measurements designed to ensure that Providers are in compliance with Federal OMB Uniform Guidance, and to ensure the effectiveness of the process. These tools are developed to be implemented during SBS' fiscal monitoring visits as part of the fiscal monitoring periodic evaluation of the Contractor's compliance of generally accepted

accounting principles, Federal, State, and Local rules and regulations as follows:

1. Ensure that the SBS contract budget includes services to be performed by subProviders.
2. Ensure that the services are already provided as subProviders and received the necessary payments through a review of the proper documentation furnished by our Providers.
3. Ensure the Contractor has established the necessary procedures to monitor their subrecipients to whom they provide more than \$25,000 in Federal awards.
4. Ensure and advise the Contractor of their responsibilities to obtain the necessary audit(s) from their subrecipient on a yearly basis.
5. Ensure that the Contractor is following-up on the necessary corrective action with their subrecipients' audit findings and have proper resolution implemented and approved by them.
6. Ensure that the Contractor has the proper records, files and documents for subrecipients' audit.
7. SBS will follow-up with the Providers for any issues disclosed in our audit/fiscal monitoring reviews related to subrecipients' audit(s).

6.1.7 Contract Final Payment

SBS reserves the right to withhold up to the full amount of the final payment on any contract, until an independent audit report, Single or Program-Specific Audit report is submitted to SBS' Fiscal and Audit Unit.

SBS' Fiscal and Audit Unit will analyze the expenses recognized by the independent CPA firm or auditor for each program. Final close-out reconciliation for each program will determine the final liability due to the Contractor or SBS. SBS' Accounts Payable Unit will process final payment and deduct any additional disallowed cost recognized in the CPA audit report or in SBS' audit/fiscal monitoring review reports or any liability due to SBS for existing or prior year contract(s).

In the event, the independent audit report or SBS fiscal monitoring review report recognized a liability due to SBS, SBS' Fiscal and Audit Unit in conjunction with SBS' Accounts Payable Unit will proceed with the necessary steps to recoup any outstanding liability.

6.1.8 Catalog of Federal Domestic Assistance Numbers (CFDA) and Confirmations

Auditors or Providers are to obtain the requisite CFDA numbers and confirmation of revenue from SBS by requesting this information, per auditor format, in writing from:

Fiscal Director
NYC Department of Small Business Services
One Liberty Plaza, 11th Floor
New York, New York 10006

6.2 Uniform Guidance Requirements for Audit Finding & Resolution Steps

OMB Federal Uniform Guidance states that a questioned cost is a cost that is questioned by the auditor because of an audit finding:

- Which resulted from a possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds.
- Where the costs, at the time of the audit are not supported by adequate documentation.
- Where the costs incurred appear unreasonable and does not reflect the actions that a reasonable, prudent person would take in the same circumstances.

6.2.1 Audit Finding

MATERIAL COMPLIANCE FINDING should be presented in their proper perspective by relating the extent of non-compliance to the number of cases examined, dollar amount tested, and the size of the universe.

NON-MATERIAL COMPLIANCE FINDINGS are low risk of public or political sensitivity. A quantitative factor indicating a non-material compliance finding is the cost or reporting and recovering exceeding the monetary value of the finding, non-material findings the auditor chooses to be excluded from the compliance report. Auditor should report them in writing to the organization. The organization should forward all separate communications of compliance findings to SBS' Fiscal and Audit Unit. Because the auditor's judgment is exercised in determining whether a finding is non-material, forwarding the separate communications allows SBS to review whether items reported as non-material require additional follow-up action.

AUDIT FINDINGS RESOLUTION

SBS is responsible for audit resolutions and the evaluation of audit findings along with the Contractor's corrective action plan. Management's decision is made within six (6) months of receipt of the audit report to determine whether additional actions necessary to resolve the findings. SBS reserves to take sanctions if the organization fails to provide necessary documentation requested during the audit or fail to take corrective action. Sanctions such as disallowing costs or withholding or suspending awards are SBS' options when proper corrective action to an audit finding is not made in a timely manner.

6.2.2 Audit Finding Follow-up

1. General: The Contractor is responsible for following-up and establishing corrective actions that address the audit findings. As part of this responsibility, the auditee (Contractor) shall prepare a summary schedule of prior audit findings. The Contractor shall also prepare a corrective action plan for current year audit findings.
2. Summary schedule of prior audit findings should include:
 - When audit findings were fully corrected, the summary schedule should only list the audit findings and state that corrective action was taken.
 - When audit findings were not corrected or were only partially corrected, the summary schedule shall describe the planned corrected action as well as any partial corrective action taken.
 - When corrective action taken is significantly different from corrective action previously reported, the summary schedule shall provide an explanation.
 - When the Contractor believes the audit findings are no longer valid or do not warrant further action, the reason for this position shall be described in the summary schedule as follows:
 - Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse.
 - The Federal agency or pass-through entity (SBS) is not currently following-up with the auditee (Contractor) on the audit findings.
 - Management decision was not issued.

6.2.3 Corrective Action Plan

At the completion of the audit, the auditee (Contractor) shall prepare a corrective action plan to address each finding included in the current year auditor's report. The corrective action plan must include the anticipated completion date. If the auditee does not agree with the audit findings or believes the corrective action is not required, then the corrective action plan shall include explanations or specific reasons.

6.2.4 Management Decision "Federal Agency"

The management decision shall clearly state whether or not the audit finding is sustained. The reasons for the decision and the expected auditee (Contractor) action to repay disallowed costs, make financial adjustments, or take other action. If the Contractor has not completed a required corrective action, a timetable for follow-up should be given. The pass-through entity (SBS) shall be responsible for making the management decision for audit findings that relate to any Federal award it makes to subrecipients.

6.2.5 Time Requirements

1. SBS is responsible for making the management decision after evaluating the findings and deciding to accept the Contractor's response with no further action depending on the findings whether material or immaterial.
2. In the event that corrective action is necessary, SBS' Fiscal and Audit Unit shall send the Contractor a letter within six months from the date the audit was received requesting a response within fifteen (15) to thirty (30) days depending on the level, quality, and quantity of the findings raised by the independent CPA firm or auditor.
3. The Contractor's response must include the corrective action plan to correct the remaining findings, if any.
4. SBS' Fiscal and Audit Unit shall evaluate the Contractor's response and make a decision both to close the case totally or partially and follow-up with the Contractor on any remaining outstanding issues.
5. Providers who fail to respond in the period indicated in our original letter, their funds will be frozen or deducted from existing contracts without further notice until they respond and implement the necessary corrective action.

6. SBS' Fiscal and Audit Unit will transfer any compliance and programmatic findings issues including copies of the pages of the audit referring to the issues to SBS' Program Division to do the necessary follow-up.
7. Providers are entitled to appeal audit findings and provide the necessary evidence and information to support their claim within thirty (30) days from the date the original letter was sent to them from SBS' Fiscal and Audit Unit. SBS will make the decision based on the Contractor's response. The remaining prior procedures indicated above apply if SBS disagrees with the Contractor's explanation.

6.2.6 Type of Corrective Action Resolution Based on the Findings

1. QUESTIONED COST "Monetary Questioned Cost"

- Budgets with cost overruns are required to be paid back or modified through a budget modification.
- Unreasonable costs that do not relate to the contracts are disallowed and must be paid back to SBS.
- Undocumented cost is considered disallowable if the Contractor did not submit the necessary documents and must be paid back to SBS.
- Costs not in the contract budget are disallowed and must be paid back to SBS.

2. COMPLIANCE FINDINGS

For all other compliance findings which are considered to be violation of:

- Generally accepted accounting principles.
- Federal, State, Local requirements and guidelines including Uniform Guidance.
- SBS requirements and guidelines.

These findings may be treated differently than monetary questioned costs as stated above. The procedure for corrective action will apply.

6.2.7 Providers' Failure to Provide the Necessary Required Audit

SBS through an effective internal control system, currently has the capacity to detect Providers who failed to provide the necessary audit as required by OMB Uniform Guidance and SBS guidelines as follows:

1. SBS' Fiscal and Audit Unit will inform Providers within thirty (30) days after the deadline to provide the necessary audit within ten days (10) days.
2. List of Providers who failed to provide the audit within the period stated in our letter will be forward to SBS' General Counsel to proceed with legal or other action needed.
3. SBS' Fiscal and Audit Unit will follow-up with the SBS' General Counsel's action and may include the following:
 - Freeze all or partial payments for current contracts and/or previous contracts, if any.
 - Report the organization name to PASSPort.
4. SBS General Counsel will inform SBS' Fiscal and Audit Unit with the action they have taken.

6.2.8 Contractor's Liability Collection Procedures

SBS Providers are liable to reimburse any cost previously charged to one or more programs and determined later by SBS to be a disallowed cost and subject for collection such as:

- The total unresolved questioned cost disclosed in an independent auditor's report or SBS' audit/fiscal monitoring review reports for SBS programs.
- The total excess of cash received by Providers over the total expenditures reported in the independent auditor's report or SBS' audit/fiscal monitoring review reports after reconciled with SBS records and the close-out financial report for the contract involved.

SBS' Fiscal and Audit Unit typically informs the Providers with its final decision with regards to the aggregate amount due to SBS within thirty (30) days after a determination is made, based on the final analysis. The following are the necessary steps adopted to ensure the collection of the liability due and to be considered final.

- SBS' Fiscal and Audit Unit determines the aggregate amount subject for reimbursement by the Contractor within six (6) months after the independent auditor's report is received or after SBS' fiscal monitoring review report is issued.
- The auditor informs Providers of the final decision with regards to the disallowed cost and request Providers to reimburse the necessary amount within fifteen (15) days.
- If the Contractor fails to respond within the fifteen-day period, SBS' Fiscal and Audit Unit is then authorized to freeze an equal amount from funds due to the Contractor for the same program or any other program.
- If Contractor is no longer in SBS' current portfolio and no funds are due to the Contractor from any program or remaining funds due the Contractor are not sufficient to recover the disallowed cost, SBS' Fiscal and Audit Unit will inform SBS' General Counsel within thirty (30) days with the audit information and copies of the necessary documents to proceed with the necessary collection effort to recover the funds due to SBS.
- SBS' General Counsel will inform SBS' Fiscal and Audit Unit with the necessary steps that have been taken in that regard.
- SBS' Fiscal and Audit Unit will keep a separate file for Providers that are no longer in SBS' portfolio with any outstanding disallowed costs for future reference.

6.2.9 Audits Internal Control Procedures

SBS' Fiscal and Audit Unit establishes the necessary internal control procedures to ensure that the proper audits are received in a timely manner, in compliance with Federal OMB Uniform Guidance and SBS guidelines and requirements, and the necessary corrective actions for findings disclosed in an audit report are implemented and accepted by audit professional staff. The following are the steps that were taken in that regard:

1. The auditor develops a universal tracking system "Audit Status Report" providing the following information:
 - A. Contractor name, program type, and period.
 - B. Audit firm engaged to complete the audit.

- C. Audit due date, date received, date completed, and type of audit “Single/Program Audit”.
 - D. Processed date for the audit analysis, “expenditures, revenue, excess of cash/expense, and Questioned Costs, if any”.
 - E. Dates for initial corrective action and final determination based on Contractor’s response.
2. The auditor filing system includes a separate file for each program, with the following information.
- A. Copy of the budget for the program.
 - B. Copy of the independent CPA firm or auditor’s audit report.
 - C. Copy of the audit analysis sheet, “expense, revenue, liability due, compliance issues, and summary of findings.”
 - D. Copy of corrective action and Contractor’s correspondence for outstanding audit issues and final determination.

6.2.10 Audit Report Distribution

Federal OMB Uniform Guidance was implemented in December 2014. The Uniform Guidance is a government-wide framework for grants management which synthesizes and supersedes guidance from earlier OMB circulars. Effective for fiscal periods ending on or after December 26, 2014, Federal OMB Uniform Guidance requires the following:

1. A non-Federal entity that expends \$750,000 or more during the non-Federal entity’s fiscal year in Federal awards must have either a Single or Program-Specific Audit conducted for that year in accordance with the audit requirements as defined in Federal OMB Uniform Guidance. The non-Federal entity must submit a copy of the audit report to the Federal Audit Clearinghouse (FAC). Commercial for-profit entities must submit Single or Program-Specific Audits to SBS within thirty (30) days of the audit report date, or by nine months after the end of the auditee’s accounting year, whichever is sooner, for manual submission to DOL.
2. The reporting package generally includes a certificate prepared by the auditee stating that an audit was completed in accordance with either A or B.
 - A. In accordance with OMB Uniform Guidance, financial statements and a schedule of expenditures of Federal awards, a summary schedule of prior audit findings, the auditor’s report, and corrective action plans, if any, are included.

- B. In accordance with a Program-Specific Audit guide for program audits, also must submit a copy of any certification and audit report that is required by the audit guide to the FAC as well.

The audit report copy should be submitted by the non-Federal entity to the Federal Audit Clearinghouse designated by the Federal Office Management and Budget, at the following web address: <https://harvester.census.gov/facweb/>.

Federal Audit Clearinghouse
Bureau of the Census
1201 East 10th Street
Jeffersonville, Indiana 47132

Appendices

Appendix A: List of Allowable Costs

This list of Allowable Costs is subject to revision based on OMB Uniform Guidance. If a cost is currently not mentioned on the list, **it is up to SBS' discretion to consider it an allowable cost.**

1. Advertising: Allowable advertising costs are those associated with:

- a. Recruitment of personnel
- b. Procurement of goods
- c. Disposal of scrap or surplus materials
- d. Program outreach and other specific purposes necessary to meet the requirements of the award or contract.

2. Bonding costs

3. Communication costs

4. Compensation - personal services:

- a. Includes salaries, wages, directors' and executive committee fees, incentive awards, fringe benefits, pension plan costs, location allowances and cost of living differentials.
- b. Allowable provided they are reasonable.
- c. Must be allocated to either direct or indirect in accordance with the rules set forth in Section 2.1 of this manual.

5. Compensation - fringe benefits:

- a. In the form of social security, employee insurance, workers' compensation insurance, etc. are allowable provided they are distributed in accordance with chargeable salaries and wages.

6. Employee morale, health and welfare costs

7. Equipment and other capital expenditures: Personal property with a useful life of more than one (1) year costing \$5,000 or more per unit.

- a. Special purpose equipment - usable only for research, medical, scientific or technical activities - allowable as a direct cost with prior approval of items costing over \$5,000.

8. **General purpose equipment:** Depreciation allowable as indirect costs.
9. **Insurance and indemnification**
10. **Labor relations costs**
11. **Maintenance and repair costs**
12. **Materials and supplies costs, including costs of computing devices**
13. **Meetings and conferences:** Allowable provided they do not involve the cost of any entertainment costs.
14. **Membership, subscriptions and professional activity costs**
15. **Overtime, premium pay:** Allowable as direct costs with prior approval.
16. **Participant support costs:** Allowable as direct costs with prior approval.
17. **Security costs**
18. **Professional service costs:** Allowable when reasonable in relation to the services and not contingent upon recovery from government. In determining allowability, certain factors are relevant:
 - a. Nature and scope of service in relation to service required.
 - b. Necessity of contracting for service vs. organization's own capability.
 - c. Past patterns.
 - d. Impact of government awards.
 - e. Does proportion of government work to total organization work, justify the incurring cost?
 - f. Can service be performed more economically by hiring employee?
 - g. Qualifications of individual performing service.
 - h. Adequacy of contractual agreement.
 - i. Retainer fees must be supported by evidence of services available.

19. Publication and printing costs:

- a. Publication and printing costs for electronic and print media, including distributions, promotion, and general handling are allowable. Page charges in professional journals (e-mail publications) are allowable.
- b. If costs are not identifiable with a particular cost objective, allowable as indirect costs.

20. Rearrangement and reconversion costs: Ordinary and normal rearrangement and alteration of facilities and restoration or rehabilitation cost of facilities to approximately the same condition existing are allowable with prior approval.

21. Recruiting costs

22. Rental costs of real property and equipment: Allowable within certain limitations.

23. Royalties and other costs for user of patents and copyrights

24. Severance pay: Allowable to the extent required by:

- a. Law
- b. Employer-employee agreement
- c. Established policy
- d. Circumstances of individual's employment

25. Taxes: Allowable unless exemptions from taxes are available by virtue of the Contractor being a registered non-profit organization.

26. Termination costs: (costs in connection with termination of an award):

- a. For common items reasonably usable on organization's other work.
- b. Cost continuing after termination - allowable only if expenses are necessary for closing the contract.
- c. Loss of value of special tooling, etc.
- d. Rental costs (unexpired leases)
- e. Settlement expenses – generally allowable

27. Training and education costs

28. Transportation costs: Costs incurred for freight, express, cartage, postage and other transportation services relating either to goods purchases, in process, or delivered, are allowable.

29. Travel costs: Expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business are allowable provided travel is considered reasonable and made in accordance with per diem rates set by the General Service Administration (GSA), awarding agency guidelines and the non-Federal entity's written travel reimbursement policies. Prior SBS approval is required for travel costs.

- a. Commercial air travel is allowable provided it is the least expensive unrestricted accommodations class.

Appendix B: List of Unallowable Costs

List of Unallowable Cost is subject to revision based on OMB Uniform Guidance. If a cost is currently not mentioned on the list, **it is up to SBS' discretion to consider it an unallowable cost.**

1. **Advertising and public relations costs:** Unallowable advertising and public relations costs include the following:
 - a. All advertising and public relations costs other than as specified in subparagraphs (b) and (d) of 2 CFR §200.421.
 - b. Costs of meetings, conventions, convocations, or other events related to other activities of the entity. Costs of advertising and public relations designed solely to promote the non-Federal entity. Costs of promotional items and memorabilia, including models, gifts, and souvenirs.
2. **Alcoholic beverages:** Costs of alcoholic beverages are unallowable.
3. **Audit cost:** A non-Federal entity, which has expended less than \$750,000 of Federal awards (*effective for fiscal years beginning on or after December 26, 2014*) per year is exempt from the Single Audit requirement and shall not charge the cost of a Single Audit or similar entity-wide audit. However, this does not prohibit an entity from charging Federal awards for the cost of limited scope audits (at the discretion of SBS) to monitor its subrecipients. The costs of a financial statement audit of a non-Federal entity that does not currently have a Federal award may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.
4. **Bad debt expense:** Bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs, are unallowable.
5. **Capital expenditures:** Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency. Also, capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.
6. **Contingency provisions:** Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable.

7. Contributions and donations: Costs of contributions and donations, including cash, property, and services, from the non-Federal entity to other entities are unallowable. Also, donations to educational or training institutions, including the donation of facilities or other properties, and scholarships or fellowships are unallowable.

8. Costs of insurance:

- a. Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents additional compensation. The costs of such insurance when the organization is named as beneficiary are unallowable.
- b. Costs of insurance with respect to any costs incurred to correct defects in the organization's materials or workmanship are unallowable.
- c. Actual losses which could have been covered by permissible insurance (through the purchase of insurance or a self-insurance program) are unallowable unless expressly provided for in the award.

9. Costs of the organization's pension plan & severance pay:

- a. Costs of the organization's pension plan which are incurred in accordance with the established policies of the organization are allowable. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assignable are unallowable.
- b. Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (Pub. L. 93-406) are allowable. Late payment charges on such premiums are unallowable.
- c. Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are unallowable.
- d. Costs incurred in certain severance pay packages which are in an amount in excess of the normal severance pay paid by the organization to an employee upon termination of employment and are paid to the employee contingent upon a change in management control over, or ownership of, the organization's assets are unallowable.

10. Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement:

- a. Costs incurred in connection with any criminal, civil or administrative proceeding (including filing of a false certification) commenced by the Federal Government, a state, local or foreign government, against the entity are not allowable if the proceeding:
 - i. Relates to a violation of, or failure to comply with, a Federal, State, Local or foreign statute or regulation or the terms and conditions of the Federal award.
 - ii. (including its agents and employees), and results in a criminal proceeding, a conviction, and other dispositions.

11. Entertainment cost: Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sporting events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

12. Fines, penalties, damages and other settlements: Costs of fines and penalties resulting from violations of, or failure of the organization to comply with Federal, State, and Local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency.

13. Fund raising and investment management costs:

- a. Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.
- b. Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.
- c. Fund raising and investment activities shall be allocated an appropriate share of indirect costs under certain conditions.

14. Goods or services for personal use: Costs of goods or services for personal use of the organization's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

15. Housing and personal living expenses: Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent, etc.), housing allowances and personal living expenses for/of the organization's officers are unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees. These costs are allowable as direct costs to the sponsored award when necessary for the performance of the sponsored award and approved by awarding agencies.

- 16. Interest cost:** Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-profit organization's own funds, however represented, are unallowable. Also, interest attributable to fully depreciated assets are unallowable.
- 17. Lobbying costs:** Costs associated with the lobbying activities are unallowable.
- 18. Losses on other awards or contracts:** Any excess of costs over income under any other award or contract of any nature is unallowable.
- 19. Memberships, subscriptions, and professional activity costs:** Costs of membership in any country club or social or dining club or organization are unallowable.
- 20. Organization costs:** Costs such as incorporation fees, brokers' fees, fees to promoters, organizers, or management consultants, attorneys, accountants, or investment counselor whether or not employees of the non-Federal entity in connection with establishment or reorganization of an organization are unallowable except with prior approval of the awarding agency.
- 21. Organization-furnished automobiles:** That portion of the cost of organization-furnished automobiles that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefits or indirect costs regardless of whether the cost is reported as taxable income to the employees.
- 22. Selling and marketing:** Costs of selling and marketing any products or services of the non-profit organization are unallowable unless they are required by the program and explicitly approved by an SBS Program Representative and/or the Agency's marketing team.

A considerable number of additional cost items are not allowable, and they are specifically excluded from SBS contracts by reference in the contract provisions and by specific instruction or consideration during the contract budget preparation phase.

Appendix C: Cost Allocation Plan

The following is the template that SBS uses. The contractor's Cost Allocation Plan should provide similar information to the Agency regarding allocation of costs to different cost categories and methodology for arriving at the actual cost amounts.



General Policies and Procedures

Subject	Policies and Procedures for Cost Allocation and Production of Accrued Expenditures Report (AER)
Effective From	April 28, 2010
Version	1.1
Notes	Version 1.2 is now in progress; new updates on Cost Allocation and ITA Accruals Methodology will be available upon completion of version 1.2.

Overview

- A. The AER reporting function falls under the purview of the Revenue Team which is part of the larger Budget and Grant Management Unit. The Revenue Team is responsible for preparing accurate AER on timely basis, demonstrating compliance with the Federal and State requirements for cost allocation and production of the monthly AER.
- B. This document summarizes the policy, procedures and guidelines adopted in program year 2008 in meeting the above-mentioned requirements.

Reporting Schedule

The following table shows the general due dates pertaining to the WIOA and TAA AER submission process:

AER	General Due Date
WIOA	20 th of each month
TAA	10 th of each month

Expenditure Categories and Data Sources

Revenue Team is to ensure that only allowable expenditures are charged to WIOA funds. There are three key categories of expenditures reported in the monthly WIOA AER. The following table summarizes the three key expenditure categories and their associated data sources:

Expenditure Category	Data Sources	
	Report	System
OTPS – Contract	<ul style="list-style-type: none"> • Payment Voucher • Ledger Report • CWA-EXSMDL-001 Reconciliation of Documents to Budget Balances Report 	PBMFR / FMS Info Advantage
OTPS – Non Contract / Administrative	<ul style="list-style-type: none"> • CWA-EXPSMA-001 • Total Obligations Commitments • Available Balance by UA 	FMS Info Advantage

	<p>Control Category Report</p> <ul style="list-style-type: none"> • CWA-EXSMDL-001 Reconciliation of Documents to Budget Balances Report 	
Personal Services	<ul style="list-style-type: none"> • Payroll Report and FA99 Report 	PMS / FMS Info Advantage

File Locations

All AER reporting files are maintained on the M:\Revenue_Management\AER\Reports folder on SBS' M drive. Detail forms are maintained in each month's folder.

Procedures for Production of the monthly AER

The production of the WIOA monthly AER has been standardized through a number of MS Excel spreadsheets. To the extent possible, the team ensures that the production process is simple, routine and easy to maintain. The steps of the current process are outlined below:

Monthly Cash Expenditures

After the end of each month, the respective Revenue Team members will determine, obtain, analyze, and verify data of allowable expenditures to be charged to WIOA funds from the respective data sources. Differences caused by refunds or journal entries for P-CARD transactions are noted. Journal entries for budget alignment purpose will be disregarded.

Using the Cost Allocation Methodologies outlined in Section V – Procedures for Cost Allocation of this document, the respective members will determine and record expenditures to the correct funding sources according to funding source guidelines. For OTPS – Contract category, the responsible team member will refer to the PBMFR as the source to determine the cost allocations by funding sources.

Recording of Monthly Cash Expenditures into Cash Detail Spreadsheet

This form is the basic building block of the monthly report process. It captures the claim data of each month from FMS Info Advantage report and organizes it into a daily cash disbursement form by program type and funding stream. It provides the summary detail for MSDCT reporting.

Program data by funding stream from the daily transaction sheet is input along with cost allocation data by funding stream. This form also allows for the expensing of advances and advances to be calculated into the claim.

The spreadsheet also provides training expenditures summary by ITA Funded Training, Contract Funded Training, and Customized Training; and grouped by Regular and ARRA categories for AER reporting purpose. OJT category will be included in due course.

Accruals

Accrual information is derived from two sources. The first is for non-ITA expenses or the agency’s straight forward contracts where expenses are paid on a regular basis. The accrual for these programs are provided from that months summary cash report thru a given date and are added to the monthly WIOA Accrual Claims Breakdown Report by SBS’ Fiscal and Audit Unit. The performance based accruals are calculated separately, SBS’ Fiscal and Audit Unit calculates the performance data based on information provided by the Quality Assurance & Evaluation Unit of SBS on the number of claims received in but not yet verified.

The ITA accrual is calculated based on information provided by Quality Assurance & Evaluation Unit. Effective 7/1/2008, using the provided information, and per guidance provided by NYSDOL FOTA Representative, SBS’ Fiscal and Audit Unit estimates the Accruals using the following methodology:

Step	SBS’ Fiscal and Audit Unit calculates the following	Amount
1	Total issuance in [report month] * 30%	\$A
2	Total issuance in [report month minus 1 month] * 70%	\$B
3	Total issuance in [report month minus 2 months] * 90%	\$C
4	Total invoiced for vouchers issued in [< report month minus 2 months] * 100%	\$D
5	Total paid as of end of the [report month]	\$E
6	Total Accruals as of end of [report month] = \$A + \$B + \$C + \$D - \$E	\$F

A. Obligations

Obligations are the legal commitments made by the City to pay for future WIOA activities, such as commitments made to subrecipients and vendors. The total reportable obligations to the State should include the cumulative sum of all accrued expenditures and the sum of the un-liquidated obligations. SBS calculates the obligations based on the following categories, sub-categories and methodologies:

Step	Methodology	Amount
Category 1 - WIOA		
1. Non PS and Non ITA Costs	Determine the total obligations of current fiscal year in FMS as of end of report month Notes: Total Obligations (i.e. Encumbrances + Expenses) in FMS includes both the line items and performance based milestones of each contract of the current fiscal year.	\$A
2. PS	Determine current fiscal year PS Costs as of end of report month	\$B
3. ITA	Determine ITA obligations: <ul style="list-style-type: none"> • [Report Month] and immediate prior 2 months within the same fiscal year, obligations = 90% of total ITA issuance • Months prior to the immediate prior 2 months but are within the same fiscal year, obligations = actual invoiced amount of milestone 1 and 2. 	\$C

4. Obligations	Total Obligations = \$A + \$B + \$C	\$D
5. Program Year	SBS determines and distributes \$D to the applicable PY in the AER based on FIFO.	

B. Accrued Expenditure Report (AER)

The Accrued Expenditure Report allows the agency to determine which pot of funds will be claiming against. In some circumstances the agency will not want to claim against supplemental allocations until the current year is fully claimed. It is the AER that also allows for the journaling of claims between funding streams. The AER adds the accruals to the claiming process. The accruals are picked up off of the WIOA Accrual Claims Breakdown Report. Obligations are based methodologies described in the Obligations section. For Administration costs, the expended plus accrued equals the obligation. Administration obligations only come due as expenses are incurred. SBS policy is not to obligate PS until expended.

SBS reports the ITA Funded Training, Contract Funded Training, and Customized Training expenditures in the memo entry section of the Adult and Dislocated Workers funding stream. OJT category will be included in due course.

C. Monthly Statement of Daily Cash Transactions (MSDCT)

This form is a summary of the monthly daily cash transactions. After completing this form, the monthly ending balance is calculated. It is important to input the cash received and the cash disbursements for each month. It should be noted that cash received is for claims from prior month.

D. Monthly Summary Cash Report (MSCR)

This report combines the AER with the daily cash report. Cash as it is received is reported by funding stream and disbursements being claimed are also reported by funding stream. It is important that the beginning and ending cash balances match those reported on the Daily Summary of Cash Transactions along with the total claims matching.

Procedures for Cost Allocation

As required by the Regulation, Cost Principle and Allowable Cost, this Cost Allocation Plan is

designed to ensure the allowability of cost by assessing the extent to which each cost benefits the WIOA Program and other non-WIOA programs.

All Assignable direct cost will be directly charged to the benefiting cost objective. Only actual shared direct and indirect cost will be pooled. Cost will only be combined in a single pool when they share a similar causal relationship, or when a cost is immaterial and does not justify exceptional treatment.

As required by the "*USDOL Technical Assistance and Training Series: WIOA Financial Management*", and the OMB Uniform Guidelines, the allocation bases used in this plan provide very accurate approximations of the actual benefit to each final cost objective, without causing a burden disproportionate to results achieved. Efforts to create more detailed subgroups of indirect cost, with separate and unique allocation bases, would substantially increase costs, but would not improve accuracy.

Moreover, these cost pools, allocation bases, and procedures meet all the individual requirements established in the Technical Assistance Manual. Specifically, the allocation bases are consistent with the following criteria:

i. Minimal Distortion

The bases are causally related to the cost being allocated, allowing benefits to be measured as accurately as possible and ensuring an equitable distribution of costs

ii. General Acceptability

The bases are a measure of actual cost and benefit to specific cost objectives. Every month, managers will update functional job descriptions for all staff to reflect actual activity in the report month. The percentage of total time spent in each function and title will then be calculated based on actual activity. These rates will then be calculated based on actual activity. These rates will then be applied to actual payroll and indirect expense for the completed quarter.

iii. Timely Management Control

The Bases are completely within the control of SBS management. As a result, agency management will be able to ensure timely delivery of data required to allocate cost. The bases are also very consistent, yielding variances that should be small and easily managed and control.

iv. Consistency with Variations in Funding

The bases will accommodate and withstand changes in funding during the year and from year to year. By using percentage of staff time dedicated to individual programs, our bases naturally adjust to the establishment and termination of non-WIOA Programs. In such cases, time would be diluted or concentrated respectively. Such changes would not be arbitrary in any respect. They would be causally driven by the changes in staff activities that are reported

in the functional job descriptions and the actual percentage of staff time spent on each program.

v. Materiality of Costs Involved

The complexity of the bases is commensurate with the materiality of the costs to be allocated. The bases are sufficiently detailed to provide the most equitable and accurate allocation possible, while remaining simple enough to be efficient. All material costs are allocated by usage measures with strong causal relationships.

vi. Practicality and Cost of Using the Base

The bases are very practical because the data collected for cost allocation purposes is the same data that managers need to plan their staffing strategies. This consistency of information will also allow managers to more clearly recognize the fiscal implications of their management decisions.

The next section provides descriptions of the individual cost pools and allocation bases used in this plan, along with additional citations in support of these specific allocation bases.

A. SBS Shared Direct Personal Service Costs and Shared Direct OTPS costs

Direct costs are those that can be identified specifically with a particular final cost objective, WIOA or Non-WIOA program. For example compensations of employees for time devoted and identified to the performance of a specific SBS program are charged directly to that program. Similarly, OTPS costs specifically acquired or consumed by a program are directly charged.

Shared direct personal services costs are charged to WIOA in a two-step process. First, the compensation of each staff member that devotes a percentage of their time to WIOA related activities or non-WIOA program are allocated to WIOA and non-WIOA programs directly.

Based on information from individual job description, managers indicate the percentage of time that each staff person devoted to each title of the WIOA program and other non WIOA programs in the reporting month. Using the percentage of time each employee devotes to each WIOA program such as Adult, Dislocated Workers and time spent on administrative functions, salaries of each shared direct WIOA employee is allocated to their final cost objectives. Unit Managers will verify actual staff time spent on each program. Every month, SBS ensures the cost allocations match actual percentage of staff time spent on each program with the allocations.

First, the employee shared direct salary will be multiplied to each person's time allocation of WIOA related programs. Second, the amount of salary allocated to each cost objective will be totaled.

The shared direct personal service costs will be allocated according to the following formula:

For example:

Dislocated Workers = Percentage of time spent in DW x each employees shared direct salary

As illustrated in the above formula WIOA Dislocated workers cost for each staff is calculated. Similarly, the costs relating to WIOA Adult, and WIOA Administration is calculated in a similar manner.

Shared Direct OTPS costs that exclusively benefit all WIOA programs cost categories will be charged to Adult, Dislocated Workers and WIOA Administration as appropriate. These costs will be allocated to titles based on the proportion of actual direct staff time dedicated to the respective cost categories for each title and program. Direct personal services or direct OTPS costs that benefit only one SBS program or one WIOA program will be directly charged.

For Shared direct OTPS costs that exclusively benefit a particular cost category will be charged to one of two intermediary cost pools: Administration, or to Program as appropriate. These costs will then be allocated to titles based on the proportion of percentage of total program activity that is actually devoted to the program dedicated to the respective cost categories for each title.

For example, the costs of the providers at the one-stop-centers who provide both Adult and Dislocated programs will be charged to the program cost pool. The costs in this pool will then be charged to each program based on the percentage of total program activity that is actually devoted to the program. If 45% of all program activity benefits Dislocated Workers program, 45% of Program OTPS costs will be charged to Dislocated Workers Program.

Shared direct OTPS cost X $\frac{\text{Percentage of program activity in DW}}{\text{Program}}$ = Charge to DW

As illustrated by this example, this methodology applies to shared direct OTPS costs to programs based on the proportion of benefit that they receive.

Shared Direct Unit OTPS costs that benefit both WIOA and Non WIOA programs cost categories will be charged to respective cost categories as appropriate. These costs will be allocated to titles based on the proportion of actual direct unit staff time dedicated to the respective cost categories for each title and program.

B. SBS Indirect PS Costs: *Indirect costs are those incurred for the common or joint purpose benefiting more than one cost objective. To facilitate an equitable distribution of indirect expenses to the cost objective served, it may be necessary to establish a number of pools of indirect costs. The objective is to produce an equitable result in consideration of relative benefits derived.*

The Executive, Strategic Planning, Call Center, Human Resource, Procurement, and General Administrative Units of SBS support the operations of all the programs. The personal costs associated with these units are allocated to final cost objectives in two step process. First these costs are allocated monthly into WIOA, CEO and Non-WIOA / CEO programs based on proportion of actual shared direct staff time dedicated to WIOA, CEO and Non

WIOA / CEO programs. After the allocation, costs allocated to WIOA will be charged to WIOA Administration, Adult and Dislocated Workers based on actual shared direct staff time dedicated to each WIOA program. Costs for Non-WIOA / CEO will be charged to City Tax Levy based on total staff time spent on Non-WIOA / CEO programs. Costs for CEO will be split into 50% CTL and 50% WIOA Administration. Adjustments are made every month to the allocations to match actual percentage of staff time spent on each program with the allocations.

For example, the WIOA indirect Adult personal services can be allocated as follows:

$$\text{WIOA Adult} = \frac{\text{Total shared Direct WIOA Adult PST}}{\text{Total Shared Direct PST for all SBS programs}} \times \text{Total indirect PS costs}$$

PST= Percentage of staff time

The WIOA Adult costs are calculated by the above cost allocation methodology. Similarly, the cost allocable to Administration and Dislocated Workers can be calculated using the same formula.

The allocated personal service costs for the Call Center, Human Resources, Procurement, and General Administrative Units are not charged to WIOA program cost objectives. These costs are charged exclusively to WIOA Administration and other non-WIOA programs.

C. SBS Indirect OTPS Cost

Indirect OTPS costs, including items such as consumable supplies, copy machines, telephone and postage will be pooled to the indirect cost pool C. Rent, utilities, advertising, public relations and other economic development expenses will be pooled to indirect pool D. After allocating the costs to the intermediary cost pools, these costs will be allocated to final cost objectives in two step process.

Costs in pool C are incurred in each SBS program; they are initially allocated to the intermediary indirect cost pools. Allocations to the final cost objectives will be made based on the proportion of overall agency staff time dedicated to each benefiting program. Adjustments are made every month to the allocations to match actual percentage of staff time spent on each program with the allocations.

For example, the indirect costs in Pool C will be allocated according to the following formula:

$$\text{WIOA Admin cost} = \frac{\text{Total Direct WIOA Admin PST}}{\text{Total Direct PST all SBS programs}} \times \text{monthly costs in pool C}$$

PST= Percentage Staff Time

The WIOA administrative costs pertaining to cost pool C will be calculated by the above cost allocation methodology. Similarly, the cost allocable to Adult and Dislocated Workers can be calculated using the same formula.

Costs in pool E like rent and utilities are treated differently than other OTPS costs. For example, the rent for our main office is paid by Economic Development Corporation (EDC). SBS reimburses EDC 57 percent of the rent costs for floors 2, 7, and 8 as WIOA rent costs. For now, only the utility costs of the 8th floor are charged directly to WIOA Programs. The allocations of the rent and utility to the final cost objectives will be made based on the proportion of overall agency staff time dedicated to each WIOA program. According to our SBS payroll analysis, the percentage of payroll charged to WIOA versus non-WIOA exceeds 57 percent. At the end of the year, if our payroll analysis shows a different ratio than the above, the rent and utility charges will be adjusted accordingly.

Appendix D: Project Budget Cost Categories

		% of Total Budget
TOTAL PROJECT BUDGET		\$0.00
A	Personnel Services	\$0.00
	1 Wages	\$0.00
	2 Fringe Benefits	\$0.00
B	Other Than Personnel Services	\$0.00
	1 Indirect Cost	\$0.00
	2 Fee For Profit	\$0.00
	3 Contracted Cost	\$0.00
	4 OJT Reimbursement	\$0.00
	5 Tuition Purchase	\$0.00
	6 Facility Rental	\$0.00
	7 Bonding/Liability Insurance	\$0.00
	8 Audit Costs	\$0.00
	9 Other OTPS	\$0.00
	10 Participant Support	\$0.00

Appendix E: Monthly Financial Report

CITY OF NEW YORK DEPARTMENT OF SMALL BUSINESS SERVICES CONTRACT MONTHLY FINANCIAL REPORT										
NAME OF AGENCY PROJECT SPONSOR				TELEPHONE #			CONTRACT REGISTRATION #		TERM OF CONTRACT	
NAME OF PROJECT				FAX #			REPORT DATE SUBMISSION MONTH:		TYPE OF CONTRACT	
ADDRESS				FEDERAL ID. #			PERIOD ENDING: (CIRCLE ONE)			
COST CATEGORY Budget Item	APPROVED BUDGET	QUARTERLY	MONTH 1	MONTH 2	MONTH 3	CUMULATIVE		QUARTERLY	YEAR TO DATE	YEARLY
		EXPENDITURE PROJECTION	ACTUAL EXPENSE	ACTUAL EXPENSE	ACTUAL EXPENSE	MONTHLY ADJUSTMENT	MONTHLY UNPAID BILLS	CUMULATIVE EXPENDITURE	CUMULATIVE EXPENDITURE	BUDGET BALANCE
PROGRAM										
Wages										
Fringe Benefits										
Indirect Cost										
Fee for Profit										
Contracted Cost										
Tuition Purchase										
OJT Reimbursement										
Facility Rental										
Bonding & Liability Insurance										
Audit Costs										
Other OTPS Costs										
Participants Lunch & Carfare										
BUDGET TOTALS	\$0	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00	0.00	\$0.00
ATTACHMENT: AFFIDAVIT FOR TOTAL AMOUNT SPENT ON LUNCH AND CARFARE SIGNED BY FISCAL OFFICER AND EXECUTIVE DIRECTOR.				CERTIFICATION I HEREBY CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE INFORMATION CONTAINED IS CORRECT, THAT IT CORRESPONDS WITH THE BOOKS AND RECORDS OF THIS AGENCY, AND THAT THE EXPENDITURES REPORTED WERE MADE SOLELY FOR THE PURPOSES SPECIFIED IN THE CONTRACT FOR THIS PROJECT.				SIGNATURE OF FISCAL OFFICER		DATE
								SIGNATURE OF SR VP		DATE

Appendix F: Budget Modification Summary

NYC DEPARTMENT OF SMALL BUSINESS SERVICES PROJECT BUDGET MODIFICATION FORM			
CONTRACTOR: _____			
NAME OF PROJECT: _____			
ADDRESS: _____			
FEDERAL I.D. # _____			
PROJECT BUDGET I.D. # _____			
TYPE OF PROJECT			
<input type="checkbox"/> Dislocated Worker <input type="checkbox"/> Adult <input type="checkbox"/> Workforce1 <input type="checkbox"/> Business Solutions Center			
TYPE OF MODIFICATION			
<input type="checkbox"/> INTERNAL BUDGET REVISION		<input type="checkbox"/> BUDGET DECREASED	
<input type="checkbox"/> AMENDED CONTRACT BUDGET TERM		<input type="checkbox"/> BUDGET INCREASED	
CATEGORY	ORIGINAL BUDGET AMOUNT	MODIFIED BUDGET AMOUNT	REQUESTED CHANGE + OR -
PERSONNEL SERVICES (PS)			
WAGES			
FRINGE BENEFITS			
PS SUB TOTAL	\$0.00	\$0.00	\$0.00
OTHER THAN PERSONNEL SERVICES (OTPS)			
Indirect Cost			
Fee For Profit			
Contracted Cost			
OJT Reimbursement			
Tuition Purchase			
Facility Rental			
Bonding/Liability			
Audit Costs			
Other OTPS Cost			
Participants Support Payments			
OTPS SUB TOTAL	\$0.00	\$0.00	\$0.00
TOTAL PROJECT BUDGET	\$0.00	\$0.00	\$0.00
ORIGINAL CONTRACT DATES			
FROM	_____	TO	_____
AMENDED CONTRACT DATES			
FROM	_____	TO	_____
Project Budget Modification Form v. 2012.11.01 Page 1			

Appendix G: Inventory List Template

Vendor Name:		[YOUR BOROUGH] WORKFORCE1					
Vendor Address:		100 Nowhere Street, New					
Vendor		York, NY 718-555-6666					
Telephone #:		John Smith					
Type of	Product	ID Tag #	Serial #	Disposal	Conditio	Asset Location:	
MONITOR	DELL M991	WIOA15	MX05C54447801160H	7/2/2009	GOOD	RESOURCE	
MONITOR	DELL M991	WIOA15	MX05C54447801160H	7/2/2009	GOOD	RESOURCE	
MONITOR	DELL M991	WIOA15	MX05C54447801160H		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA15	MX05C54447801160H		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA15	MX05C54447801160H		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA15	MX05C54447801160H		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA15	MX05C54447801160H		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA15	MX05C54447801160H		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA15	MX05C54447801160H		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA15	MX05C54447801160H		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA25	MX05C54447801160H		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA25	MX05C54447801160H		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA25	MX05C5447801160HIB		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA25	MX05C54447801160G		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA25	MX05C54447801160H		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA25	MX05C54447801160H		GOOD	RESOURCE	
MONITOR	DELL M991	WIOA25	MX05C54447801160H	7/2/2009	GOOD	RESOURCE	
MONITOR	DELL M991	WIOA15	MX05C54447801160H	7/2/2009	GOOD	RESOURCE	
		36	OV3			ROOM	

Appendix H: References

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

(<https://www.doleta.gov/grants/UniformGuidance.cfm>)

(<https://www.federalregister.gov/documents/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>)

U.S. Department of Labor ETA TEGL 05-06 Limitations on Salary and Bonus Payments

(https://wdr.doleta.gov/directives/attach/TEGL/TEGL05-06_508.pdf)

Executive & Senior Level Employee Pay Tables (for Salary Cap Threshold)

(<https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/>)

U.S. Department of Labor Financial Management Technical Assistance Guide Parts I & II

(https://www.doleta.gov/grants/pdf/FinalTAG_August_02.pdf)

(https://www.doleta.gov/grants/pdf/TAG_PartII_July2011.pdf)

U.S. Department of Labor Training and Employment Guidance Letter WIOA NO. 15-16

(https://wdr.doleta.gov/directives/attach/TEGL/TEGL_15-16_Acc.pdf)

U.S. Department of Labor Uniform Guidance Quick Reference Sheet

(https://www.dol.gov/sites/dolgov/files/ETA/grants/pdfs/2017.11.14_DOL_UG_quickreference.pdf)