



Gregg Bishop
Commissioner

Xenon Walcott
Interim Deputy
Commissioner
Workforce Development

110 William Street
8th Floor
New York, NY 10038

+1 212 513 6300 tel

www.nyc.gov/sbs

Department of Small Business Services

Fiscal Manual

Table of Contents

Table of Contents.....	2
Introduction and Overview	4
Most Commonly Used Acronyms.....	6
Glossary.....	7
GENERAL COST PRINCIPLES.....	10
1.1 Cost Allowability	10
1.2 Cost Allocation	10
THE PROJECT BUDGET	13
2.1 Cost Categorization/Classification	14
2.2 Indirect Costs	17
2.3 Other Than Personnel Services	18
MODIFYING THE PROJECT BUDGET.....	32
3.1 Project Budget Modification Guidelines	32
3.2 Contract Modification.....	35
MONTHLY FINANCIAL REPORTS AND REIMBURSEMENT.....	36
4.1 Monthly Fiscal Requirements	36
4.2 Payment/Reimbursement	38
Chapter 5: CONTRACT CLOSE OUT.....	40
5.1 Contract Term	40
5.2 Submission of Final MFRs and G/Ls	40
5.3 Close Out Letter and Financial Recap Form	40
5.4 Refunds Due	41



5.5 Advances and Start-up Costs41

5.6 Close Out Procedures for Terminated Contractors42

5.7 VENDEX Evaluation42

Chapter 6: AUDITS AND MONITORING43

6.1 Contract Audit Requirements and Monitoring.....43

6.2 Circular A-133 Requirement for Audit Finding & Resolution Steps.....51

Appendices59

Appendix A: List of Allowable Costs.....59

Appendix B: List of Unallowable Costs.....63

Appendix C: Cost Allocation Plan.....67

Appendix D: Project Budget Cost Categories.....81

Appendix E: Monthly Financial Report82

Appendix F: Budget Modification Summary83

Appendix G: Inventory List Template84

Appendix H: Contacts..... **Error! Bookmark not defined.**

Appendix I: References85

Introduction and Overview

The Department of Small Business Services has produced this manual for contractors 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 Contractors SBS' standards and requirements for proper fiscal management. It provides Contractors with fiscal and administrative information as well as procedures and forms, which are intended to assist Contractors in the management of their contracts

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

- During contract negotiations, which usually occur immediately after a contract has been awarded, as new Project Budgets are being prepared
- Any time changes are needed to a Project Budget
- The first time a contractor is submitting a Monthly Financial Report, or whenever there are any special 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 that is not being extended or renewed

The 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 rules governing how the various parts of the budget should be constructed.

- 3. Modifying the Project Budget:** This section articulates how SBS expects contractors to create and manage their budgets over the life of the contract.
- 4. Monthly Financial Reports and Reimbursement:** This section describes the documentation that SBS expects on a monthly basis to accurately and promptly reimburse contractors 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. Contract Close-Out:** This section describes the processes and procedures to be undertaken by SBS and the contractor at the completion of the contract to reconcile all funds and facilitate a fair and accurate VENDEX rating.
- 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. Contractors are encouraged to seek clarification or elaboration of this material from their program management representatives at SBS (Center Operations Managers for Workforce1 Career Centers and the Program Manager for NYC Business Solutions Centers), who will route such inquiries through the appropriate internal unit.

This manual as prepared is consistent with the Workforce Investment Act (WIA) as amended in 1998 and the USDOL/WIA Final Regulations as published on Friday August 11 2000. The manual will be amended as necessary for consistency with applicable law, and regulation and policy.

Most Commonly Used Acronyms

Acronym	Title
ADT	Adult Worker
BDD	Business Development Division
CAP	Cost Allocation Plan
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
MFR	Monthly Financial Report
OMB	New York City Office of Management and Budget
OTPS	Other than Personnel Service
PIP	Payee Information Portal
PB	Project Budget
PS	Personnel Services
QSA	Quality of Services Agreement
SBS	NYC Department of Small Business Services
TA	Technical Advisory
TAG	Technical Assistance Guide
WDD	Workforce Development Division
WIA	Workforce Investment Act

Glossary

Advances - funds allocated to a contractor 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 subcontractors.

Contractors: organizations, entities or individuals who enter into a direct contract with SBS for the provision of services in accordance with a signed agreement (contract).

Consultants: individuals or businesses retained by Contractors 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.

Monthly Financial Report (MFR): lists the actual expenses for the previous month according to the applicable cost categories.

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

Personnel 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.

Personnel 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 Contractor: Where a contractor/subcontractor relationship exists, the Prime Contractor 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 contractors are prime recipients.

Project Budget: A series of individual budget schedules, each covering a cost item, which provides an indication of how the Contractor 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 the 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 Centers	Center Operations Manager
Workforce1 Sector Centers	Center Operations 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 contractor at the beginning of the contract

Subcontractors: 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 contractor. 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 contractor, as specified in the contract between the prime contractor and SBS

Sub-recipients: refer to section 6.1.5 Circular A-133 Audit Requirements for Subcontractors.



VENDEX System: pursuant to the Procurement Policy Board (PPB) Rules and the New York City Charter, the City may award contracts only to responsible contractors. The PPB Rules define a responsible contractor as a contractor 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 -- VENDEX -- containing information for every city contract and very specific information about every prospective contractor for awards over \$100,000, and for contractors (including subcontractors) doing more than \$100,000 in cumulative annual business with the City. All contractors are required to be enrolled in VENDEX and keep their information up to date in it. Each year, SBS is required to evaluate the contractor's performance for the purpose of assessing the contractor'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 Contractor for a minimum of six (6) years.

Chapter 1 GENERAL COST PRINCIPLES

The Workforce Investment Act (WIA) Regulations, Federal OMB Cost Circulars, NYSDOL Regulations, and NYC Procurement Rules all provide guidelines and constraints for the use of funding available for 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).

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 Small Business Services 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 the 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 seldom a 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 Contractor 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:

- Contractors cannot be reimbursed for any costs incurred until the Contract Budget is approved and the Contract is registered in the City's fiscal system.
- Approval for specific budget lines or items will be withheld (lines frozen) pending submission, review and approval of required supporting documentation and/or justifications.
- SBS may withdraw approval (freeze/withhold or reduce by modification) from specific lines and/or items in the Contract 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. 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 should be sent to fiscal_management@sbs.nyc.gov. Signed paper copies of the budgets should be addressed to:

WDD Fiscal Management Team (for Workforce 1 Career Centers and Sector Centers) or to **NYC Business Solutions** (for NYC Business Solutions Centers)
and sent to

110 William Street, **8th Floor**, New York, NY 10038.

2.1 Cost Categorization/Classification

Many federal and state funding sources, and in particular WIA 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 Investment Act (WIA) Regulations, Federal OMB Cost Circulars, NYSDOL Regulations, and NYC PPB Rules 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 contractors who receive Federal Employment Training and Administration (ETA) funds. This cap is applicable to all Workforce Development and Business Development contractors who receive WIA funding. The maximum reimbursable salary is commensurate with the Federal Executive Level II pay scale, which, as of March 2011, is \$179,700. 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 PS budgets of multiple contracts if the cost of the staff member may be readily allocated to each of the benefiting contracts, and the Vendor 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 Personnel 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 Personnel Services Allocation schedule breaks down the cost allocation of the staff members' salaries across all contracts managed by the Contractor.

The rules 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.
- Contractors are allowed to budget for a bonus pool which is less than or equal to 5% of the total Personnel 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 Personnel 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 Personnel 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. Contractors 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 contractors 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 wage and fringe 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 Fiscal 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. Contractors 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.

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

Contractors 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 the SBS Fiscal & Audit department. 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:

- Tuition Purchase
- On the Job Training (OJT)
- Fee for Profit

- Contracted Costs

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

Contractors' 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 Personnel 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 contractors 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 A-133 audits (not-for-profit entities) or other company-wide audits (for-profit entities) are to be budgeted herein. All audit fees are an administrative OTPS cost. All contractors 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's



contracts total \$10million, then SBS is responsible for reimbursing 50% of the total cost of the annual audit.

2.3.2 Bonding and Insurance

Contracts awarded by the NYC Department of Small Business Services require Bonding Coverage and General Liability Insurance Coverage, as specified in Small Business Services Contract. All required insurance must be maintained in effect for the entire contract term and Contractors must provide continuous proof of the required coverage during the contract term.

Bonding

SBS requires all contractors 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 (\$1,000,000) DOLLARS per occurrence to protect Small Business Services and 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 New York City Department of Small Business Services and the City of New York as parties insured there under, 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 contractors provide at least two executed insurance policies to SBS for agreement as to form prior to the effective date of the contract.



Whenever possible, the effective dates of insurance policies should match the dates of the SBS contract. Contractors with other government funded contracts must allocate the cost of Fidelity Security Bonds and 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. Required documentation from the insurance company includes the policy number, dates of effectiveness, value and cost of the policy and invoice showing expiration date of the policy.

Do not budget under the Bonding and Insurance line the cost of policies such as workers Compensation, Disability Insurance, health and Welfare, Pension Plan and Unemployment Insurance. These are part of the employee fringe benefit package, and budgeted under Fringe Benefits.

Other

Contractors 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 contractors 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
- Subcontracts for training
- Job Placement services

For all subcontracts, Contractors are required to submit a Subcontractor Agreement Form, which specifies the procurement requirements for entering into a subcontract agreement. Subcontract Agreements are governed by the terms of the contract between SBS and the prime contractor and will be transmitted to the NYC Comptroller. Subcontracts are required to have a Preliminary



and Final SBS approval by both the SBS program management 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 Contract and New York City Procurement Policy Board Rules. Subcontractor Agreement 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 Personnel Services.

If a major program component, as determined by an SBS Program Representative, is to be subcontracted, the subcontractor may be deemed a sub-recipient and as such is subject to the same rules applied to the prime contract for detailed budgeting, cost allowability, cost allocation and cost categorization. Sub-recipients 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 sub-recipient arrangement should be avoided. For subcontractor costs, the responsibility of proper cost allocation and categorization rests with the Contractor. For sub-recipients, this responsibility rests with both the Contractor and the sub-recipient.

Consultants providing Professional Services should be categorized as independent contractors. Consultants usually consider themselves self-employed, maintain their own service and financial records 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 for six (6) years. 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's 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, contractors 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 Small Business Services 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.

Contractors 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. Contractors should note that reimbursements cannot be made until the Budget Modification is approved. Contractors must absorb 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. Contractors 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 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 Contractors 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, Contractors 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, Contractors 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) rests with this 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 the agency 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 reviewed by SBS’ 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.”

As an alternative to the above language, the Contractor is advised to ensure that the lease contains language permitting assignment to another corporation. 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.

Contractors 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

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

Contractors 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 contractors may have staff, who may be categorized as “Shared Direct”, seated at a location other than the primary location stipulated in the contract. Contractors 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 head 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 PS costs (Personnel Wages plus applicable Fringe). Only For Profit entities may seek funding on this line. SBS does not provide Program Income at this time.

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 was, etc.)
- Tools and supplies necessary for the cleaning of the premises: (e.g., mops, brooms, dusters, etc.).
- Small equipment and supplies needed for minor repairs on the premises: (e.g., nails screws, light bulbs, etc.).
- Minor repairs by outside contractors, such as plumbers, etc., provided the cost does not exceed \$250. More expensive repairs must be budgeted under contract services.

If the landlord provides any of these services as a function 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, contractors 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 Contractors 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.

Contractors should give participants Metrocards for allowable travel on public transportation. The disbursement of cash is strictly prohibited. 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, text) or the equipment used for reproduction. Copy machines are budgeted under the Equipment Rental or Equipment Purchase 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 advertizing purchases as well as electronic ads on Facebook, Craig's List 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 does not approve budget lines for program income, as defined in WIA.

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 State. 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 Manager 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.

Contractors 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 make a survey of the premises and make recommendations for appropriate security measures. Also, Contractors may register all equipment (description, brand name, model number) with the 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:

- Desk top 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, i.e., 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 transport.

2.3.19 Telephone

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: Contractors 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: Contractors 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 Monthly Financial Reports (see Chapter 4) for approval prior to reimbursement.

2.3.19 Utilities

Utility costs include electricity, gas, water and heating. Telephone 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. Contractors 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. Should the contractor determine that expenses in a certain budget line are exceeding the amount that was Originally budgeted, they may move budgeted funding from one budget line to another by requesting a budget modification. The rules 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 an 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. Contractors 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 VENDEX.

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 contractors, 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 Personnel 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 Personnel services costs
- New positions

The following rules must be followed to initiate and obtain approval of a Personnel 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, Contractors are strongly encouraged to speak with the appropriate SBS Program Representative and obtain agreement on the reason/rationale for the modification.
2. Once verbal agreement is obtained, the contractor must complete the SBS Personnel 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 an SBS Program Manger (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 Personnel 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 schedule modification is to be submitted along with a cover letter providing clear explanation/justification of requested changes. In the case of filling vacancies or creating new positions, Contractors must also complete a Purchase Request Form.

The schedule modification must conform to the rules 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's Finance 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 Personnel 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 rules 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 Personnel 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 the WDD Fiscal Management team or NYC Business Solutions program management unit, a revised OTPS schedule and budget modification summary form with a letter of justification that clearly indicates why these changes are needed to support contract services. It is highly recommended that Contractors have discussions with their respective SBS program management 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's Finance Unit for review and approval of funds, per the rules 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. Contractors 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, Contractors 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

4.1.1 Required Forms

Both the Monthly Financial Report (MFR) and the General Ledger (G/L) must be submitted every month (see section 4.1.3 for deadline) for the repayment of the previous month's expenses. The MFR recognizes the total actual expenses for the month according to the applicable cost categories. The MFR data must be consistent with the contractor's accounting records (G/L). The contractors 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 and the G/L the contractor must resubmit the MFR and G/L with a Reconciliation Form explaining the nature of and reason for the difference. They are to be submitted to WDD Fiscal Management or NYC Business Solutions program management.

Final MFRs and G/Ls are required at the end of every budget period (for multi-term/multi-year contracts) and also at the end of the contract term. Final MFRs should be so marked, signed by a legal representative, and submitted on contractor letterhead. Contractors should note that the submission of a Final MFR denotes that no further expenses will be submitted against the respective contract budget. It is highly recommended that final budget modifications are in tandem with Final MFRs, if necessary. The deadline for submission of a Final MFR depends on whether the report covers a budget term or a contract term (see sections 4.1.3 and 5.2 below)

Electronic submissions of MFRs and GLs via email are accepted and it is highly recommended that contractors submit electronic copies prior to submitting signed paper copies. Please note that electronic submissions do not substitute signed paper submissions. Costs incurred will only be reimbursed if signed paper copies of MFRs and G/Ls are submitted.

4.1.2 Contingent Forms

Reconciliation Form- This form should accompany the MFR and G/L at the time of submission, in the case of a discrepancy between the two. See **Appendix E**.

4.1.3 Deadlines

The MFR with original signatures and the G/L, along with any applicable contingent forms must be submitted to SBS no later than the tenth business day of the following month (unless the contract specifies otherwise).

In circumstances where this is not possible, the contractor must request permission, in writing, from the Agency prior to the MFR due date. Monthly Financial Reports and General Ledgers received after the due date are considered late and may have a negative impact on the contractor's VENDEX performance rating. Signed paper copies are required in order to receive payment and should be addressed to the **WDD Fiscal Management Team** at 110 William Street, **8th Floor**, New York, NY 10038 for **Workforce1 Career Center** contracts. Paper copies should be submitted to **NYC Business Solutions Program Management** at 110 William Street, **7th Floor**, New York, NY 10038 for **NYC Business Solutions Career Center** contracts. Electronic copies are sufficient to begin the analysis of financial reports and therefore should be forwarded by email to Fiscal_Management@sbs.nyc.gov as far in advance of the due date as possible. Please note that the electronic copies of Monthly Financial Reports and General Ledgers do not substitute for or replace the requirement to submit signed paper copies of the documents.

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 Management representative. If expenses, individual or in sum, exceed \$2,500 and is funded with City Tax Levy additional approval is required by an SBS Executive Director or senior manager.. If expenses, individual or in sum, are WIA funded and exceed \$5000, additional approval by the New York State Department of Labor. Allow ample time for approval before the purchase is to be made. If the expense(s) is (are) not approved prior to purchasing, the contractor may not be reimbursed. Upon approval and purchase, copies of applicable invoices must be submitted with the MFR 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 the Agency 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 MFRs and G/Ls are received and an SBS internal review identifies acceptable and reimbursable expenses, contractors can expect to receive payment on those expenses within **15-20 business days**, either by check or electronic funds transfer (EFT). In some circumstances, SBS may authorize reimbursement of a portion of the reported expenses for any given month. In such cases, SBS will communicate with the Contractor on the held amounts.

4.2.2 Payment Issuance Notification

The Contractor will be notified automatically by e-mail when the request for payment is processed by SBS. The payment should arrive approximately 6-8 days from the receipt of this e-mail. It is the Contractor’s responsibility to provide the contact name and email address for the person who should be receiving these emails to the SBS Fiscal and Audit unit’s Accounts Payable Supervisor. See **Appendix G** for contact information.

4.2.3 Electronic Funds Transfer vs. Check Issuance

All contractors 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 contractor, 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 Payee Information Portal will provide information about each and every payment. EFT is easier and more secure, as there is no chance for the check to be lost in the mail or delayed. If that the contractor 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 contractor is permitted only one EFT account. Enrollment forms can be found on the New York City Finance website under the ‘Other Services’ [link](#).



4.2.4 Questions on reimbursements

Contractors are strongly encouraged to visit the Payment Information Portal (PIP) to check on the status of reimbursements released by SBS. If after reviewing the information on the PIP clarity is still needed, please email questions to fiscal_management@sbs.nyc.gov.

Chapter 5 CONTRACT CLOSE-OUT

5.1 Contract Term

The Contractor must perform all contracted services and receive all goods and services from its contractors and subcontractors 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. Reimbursement of these expenses is subject to approval by the Contractor's SBS Program Representative.

5.2 Submission of Final MFRs and G/Ls

A final MFR and G/L must be submitted to SBS **no later than 30 days** after the end date of the contract term. Final MFRs and G/Ls should be so marked, signed by a fiscal representative with legally binding authority, and submitted on the contractor's letterhead. Contractors should be aware that submission of a final MFR 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 MFRs have been processed, the appropriate SBS Program Management 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 Contractor, once the final MFR and G/L have been received. It is extremely important that the Contractor verify its expenditures and payments against the Financial Recap Form.

The Close Out Letter will inform the organization 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 but has not been received for Workforce1 Career Center Contracts, notify the WDD Fiscal Management team immediately by [sending](#) an email to fiscal_management@sbs.nyc.gov. Upon receipt, a Fiscal Manager will respond promptly to address the matter. For payment/reimbursements not received associated with NYC Business Solutions Center contracts, contact NYC Business Solutions Program Management.

5.4 Refunds Due

Any balance of funds issued by SBS and not accounted for by an approved MFR becomes a refund due to SBS. Contractors 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 and/or G/L is/are not submitted in response to the Close-out Letter, the Contractor will be referred to the SBS’ Legal Department for collection. The Contractor may also receive an adverse rating on their VENDEX report, which could have a negative impact upon the Contractor’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 contractor 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 Contractor 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 contractor. 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 contractor at the beginning of the contract, as mutually agreed by SBS and the Contractor 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 submission. If subsequent MFRs do not allow for complete recoument, the balance will become a refund due to SBS.

5.6 Close-Out Procedures for Terminated Contractors

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

- The Contractor shall submit MFRs 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 Contractor 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 Contractor shall comply with SBS’ policy on disposition of equipment (See Inventory Management policy).

5.7 Vendex Evaluation

SBS will conduct on-going assessments of Contractor’s fiscal performance on an annual basis. This assessment will be rated and reported on the City of New York’s VENDEX System. The Financial portion of each VENDEX rating is based upon a Contractor’s record of timeliness and accuracy when submitting MFRs and G/Ls as well as their responsiveness to SBS correspondence and requests for action. In addition, an evaluation of the Contractors performance with respect to annual SBS fiscal audits will be considered.

Chapter 6 Chapter 6: AUDITS AND MONITORING

6.1 Contract Audit Requirements and Monitoring

6.1.1 General Requirements

Contractual agreements with Small Business Services require that the Contractor complies with applicable laws, regulations and Agency policies, and provide an annual audit to SBS.

The SBS Fiscal and Audit Unit will periodically perform fiscal monitoring reviews to determine whether Contractors' books and records were properly maintained to accurately reflect allowable expenditures and to verify the adequacy of the Contractor's internal controls.

All Contractors, both for-profit and non-profit, who receive federal funding and expend \$500,000 or more annually, must have an audit performed in accordance with Federal OMB Circular A-133. Contractors who receive non-federal funding must have a program-specific audit performed by an independent entity. The A-133 audit will suffice for contractors who receive both types of funding.

Non-profit Contractors expending less than \$500,000 but over \$25,000 of federal funds annually, must have an independent entity conduct a program audit in accordance with government audit standards, for each program.

For-Profit (commercial) contractors expending \$25,000 or more annually (federal or non-federal) but less than \$500,000 may have an independent entity conduct either a program specific or entity-wide audit to satisfy SBS' contractual audit requirements. Although Federal OMB Circular A-133 does not set forth audit requirements for commercial entities, For-Profit entities must submit audit reports in accordance with Generally Accepted Accounting Principles (GAAP) and Small Business Services' guidelines.

For-Profit and Non-Profit organizations with annual expenditures of less than \$25,000 in federal or non-federal funds are not subject to an audit. However their records should be up-to-date and available at all times for review.

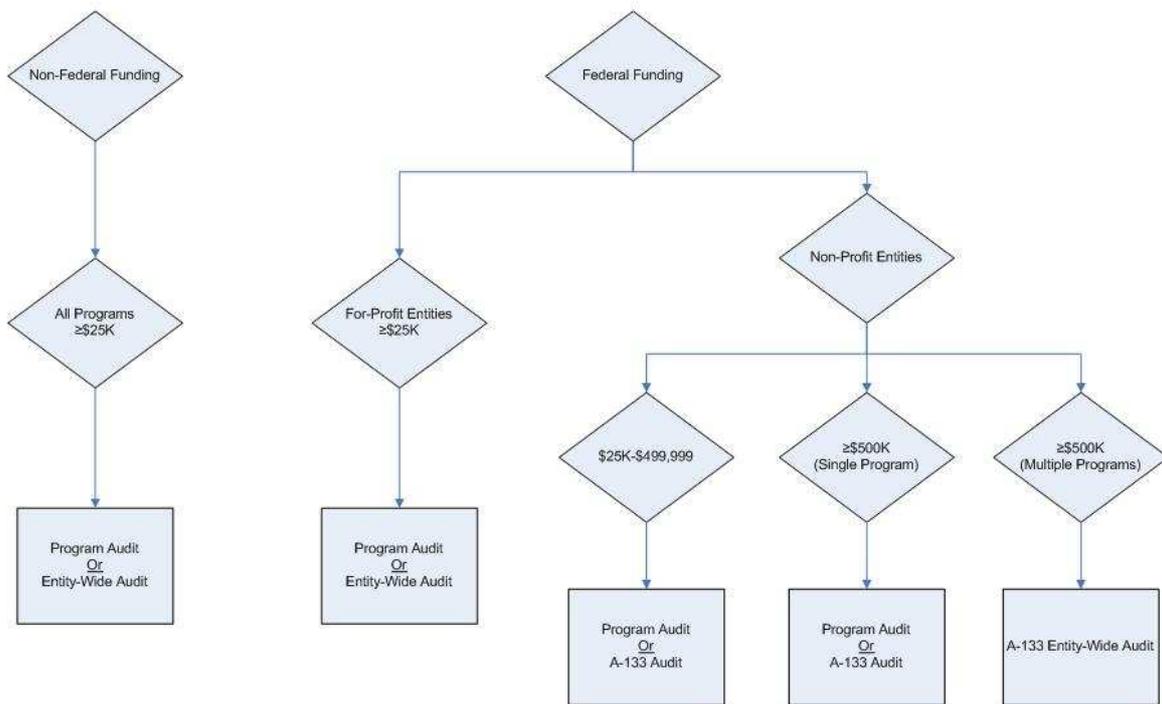
In addition to verifying compliance with Federal OMB Circular A-133 and SBS' Fiscal manual, SBS will conduct its own program audits to verify compliance and review supporting documentation provided to substantiate costs submitted by the Contractor.

The chart below is a general guide to audit requirements



Audit Requirements

NYC Dept. of Small Business Services



Updated 11/16/07

Program audit, For-Profit entity audits and Non-Profit entity-wide A-133 audits must be completed within nine months after the end of the entity's fiscal year and submitted to the SBS Fiscal and Audit Unit within the earlier of 30 days after the audit report date or nine months after the end of the contractor's fiscal year. In the event that a Contractor fails to provide the necessary audit as required by Federal OMB Circular A-133 or SBS within this time period, the following actions will be taken:

1. SBS Fiscal and Audit will inform contractors 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
3. Reporting adversely on the organization's VENDEX.

Contractors must comply with SBS' audit requirements when they engage independent auditors. In addition, further guidance is provided within Federal OMB Circular A-133.

Audit costs are allowed contract expenses and may be budgeted directly in the Other OTPS cost category. SBS will only accept that portion of audit costs properly allocated to the program. Organizations that wish to conduct an A-133 or similar audit, but do not meet the required expenditure threshold to budget for this cost, cannot expend WIA (or any federal funding) to pay for such audit cost.

6.1.2 Non-Profit Audit Requirements

Small Business Services and Federal OMB Circular A-133 require specific inclusion of reports, schedules and statements. These requirements are as follows:

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 OMB Circular A 133.
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 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 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 Small Business Services 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 Small Business Services programs (contracts), segregated by the program which funded acquisitions.
10. Data Collection Forms "SF-SAC".
11. Program specific audits when permissible may exclude the requirements set forth in items 1 – 10, which are entity-wide, or which relate specifically to funding sources not received by the entity being audited.

6.1.3 For-Profit Commercial Audit Requirements

SBS and Federal guidelines require the following:

- For-Profit (commercial) contractors receiving \$25,000 or more annually (federal or non-federal) may have either a program specific or entity-wide audit. Although Federal OMB Circular A-133 does not set forth audit requirements for commercial entities, For-Profit entities must submit audit reports in accordance with Generally Accepted Accounting Principles (GAAP) and Department of Small Business Services' guidelines. Entity-wide

audits, if provided, must meet the requirements set forth in items 1– 10 for non-profit entities in section 6.1.2.

6.1.4 Subcontractors Audit Requirements

OMB Circular A-133 established certain rules and procedures in reference to the relation between contractors and subcontractors audit requirements. SBS contractors are responsible and liable as the prime recipient to monitor their sub-recipient “where applicable” during the grant period as required by OMB circular A-133 as indicated below.

Small Business Services will proceed with the necessary follow up in our periodic “yearly” Fiscal monitoring visit to our contractors, to ensure that their sub-recipient provided the necessary audits as described in circular A-133. Small Business Services will also provide technical assistance to sub contractors, if needed.

6.1.5 Circular A-133 Audit Requirements for Subcontractors

OMB Circular A-133 identified who is considered sub-recipients and also established certain procedures in reference to contractors and sub contractors as follows:

1. Sub-recipient is an entity that received federal assistance passed through from a prime recipient or another sub-recipient to carry out or administer a program.
2. A not-for-profit may be recipient, sub-recipient and/or contractor. The awards received as a prime recipient or sub-recipient would be subject to audit. In our case, SBS is the pass through agency, contractor is the recipient, and subcontractors are the sub-recipients.
3. The not for profit organization is responsible to submit all reports to each federal agency that provide direct federal funds (SBS). Also sub-recipients “subcontractors” must distribute copies of report to all prime recipients that provide them federal funds (contractors).
4. The prime recipient is ultimately responsible for all federal awards passed through to sub recipients. Prime recipients should monitor sub-recipients during the grant period to ensure compliance with applicable federal requirements and achievement of performance goals.

5. The prime recipients' auditor responsibilities are to determine whether:
 - The prime recipients system for monitoring sub-recipients and obtaining and acting on sub-recipient audit reports is adequate.
 - The sub-recipient has complied with A-133 audit requirements as applicable and sub-recipient audit reports are current.
 - Sub-recipient questioned costs or compliance findings which may be material or otherwise require an adjustment of the prime recipient records are properly reflected by the prime recipient.
6. The prime recipient required to ensure that sub-recipients which expend \$500,000 or more in federal awards meet applicable audit requirements. Possible consequences for lack of sub-recipient audits are modifications to the prime recipient's audit reports, disallowed costs, or other adverse action by federal agencies.
7. As an alternative, when prime recipient is unable to obtain an audit for a sub-recipient, it is required to expand the prime recipient's audit to include testing of sub-recipient records and there would be a compliance finding for lack of sub-recipient audit.

6.1.5 Engagement of Independent Auditors

Contractors enter into contractual agreement to procure professional services (audit services) shall take the following steps:

1. Make information on forth-coming opportunities available and arrange time frames for 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 subcontracting opportunities.
4. Encourage contracting with consortium of small audit firms, when a contract is too large for an individual small audit firm.
5. Competitive proposal must be solicited when soliciting CPAs for audits. Soliciting must be made from the New York City comptroller's list of approved firms.

6. CPAs should be engaged within 60 days of the start of the program or 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/ women business enterprises should be given the maximum practical opportunity to participate in the performance of audits.
8. Agencies must act promptly upon receipt of audit reports to resolve questioned costs, promote implementation of recommendations, and/or initiate sanctions.

Audits costs are allowable contract budget items. The costs may be considered a direct cost or an allocated indirect cost. Department of Small Business Services 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 A-133 expenditure threshold and therefore not required to have A-133 audit but nonetheless wish to have one, cannot expending WIA (or any federal) funding to pay for such audit cost.

An audit made in accordance with circular A-133 and Generally Accepted Accounting Principles must be conducted by a qualified independent auditor who meets government auditing standards. In accordance with Government auditing standards, the 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 qualitative as well as 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. In 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 than in similar type audits in the private sector because of 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 contractors are in compliance with circular A-133 guideline, and to ensure the effectiveness of the process. These tools are developed to be implemented during SBS' fiscal monitoring visit as part of the fiscal monitoring periodic evaluation of the contractor's compliance of generally accepted accounting principles, and federal, state, and city rules and regulations as follows:

1. Ensure that SBS contract budget includes services to be performed by subcontractors.
2. Ensure that the services are already provided as subcontractors and received the necessary payments through a review of the proper documentation furnished by our contractors.
3. Ensure that SBS contractors established the necessary procedures to monitor their sub-recipients to whom they provide \$25,000 or more in federal awards.
4. Ensure and advise the organization of their responsibilities to obtain the necessary audit (s) from their sub-recipient on a yearly basis.
5. Ensure that the contractor follow up the necessary corrective action with their sub-recipients audit findings and have proper resolution implemented and approved by them.
6. Ensure that SBS contractors have the proper records, files and documents for sub-recipients audit(s).
7. SBS will follow up with the contractors for any issues disclosed in our fiscal monitoring related to sub-recipients audit(s).

6.1.7 Contract Final Payment

Small Business Services reserves the right to withhold up to the full amount of the final payment on any contract, until a final CPA audit, A-133 or Program Audit is submitted to the SBS Audit team.

The SBS Audit team will analyze the expenses recognized by the CPA firm for each program. Final close out reconciliation for each program will determine the final liability due to the contractor or SBS. The Accounts Payable Unit will processes final payment and deduct any additional disallowed cost recognized in the CPA audit report or in SBS' monitoring reports or any liability due to SBS for existing or prior year contract (s).

In the event, the final CPA report or SBS monitoring report recognized a liability due to SBS, the Audit Unit in conjunction with the 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 contractors 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
110 William Street
7th Floor
New York, New York 10038

6.2 Circular A-133 Requirement for Audit Finding & Resolution Steps

Circular A-133 stated that questioned cost means 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 SBS not reflect the actions as prudent person would take in the 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 auditor choose to be excluded from the compliance report. Auditor should report them in writing to the not-for-profit. The organization should forward all separate communications of compliance findings to SBS. 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

Small Business Services is responsible for audit resolution and evaluation of audit findings along with the contractor's corrective action plan. Management decision is made within six months of receipt of the audit report whether if additional actions necessary to resolve the findings. SBS reserves to take sanctions if organizations fail to provide necessary documentation requested during the audit or fail to take corrective action. Sanctions such as disallowed costs or withholding or suspending awards are SBS' choice when proper corrective action on audit findings is not made in a timely manner.

6.2.3 Audit Finding Follow-up

1. General: The contractor is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee 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 need 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 central clearing house.
 - 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 reports. The corrective action plan must include the anticipated completion date. If the audit does not agree with the audit findings or believes that corrective action is not required, then the corrective action plan shall include an explanation 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 auditee (contractor) has not completed 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 federal awards it makes to sub-recipient.

6.2.5 Time Requirements

1. Small Business Services is responsible for making the management decision after evaluating the findings and deciding to accept the contractors response with no further action depending on the findings if material or immaterial.
2. In the event that corrective action is necessary, 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 CPA firm.
3. The contractor's response must include the corrective action plan to correct the remaining finding if any.
4. 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 contractor for the remaining outstanding issues.
5. Contractor failed 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. The 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 the program division to do the necessary follow up.
7. Contractors are entitled to appeal CPA findings and provide the necessary evidence and information to support their claim within thirty days from the date the original letter was sent to them from Fiscal and Audit Unit. Small Business Services will make the decision based on the contractor's response. The remaining prior procedures indicated above apply if SBS disagree with the contractor's explanation.

6.2.6 Type of Corrective Action Resolution Based on the Findings

1. QUESTIONED COST "Monetary Q.C."

- Over budget run required to be paid back or modified through budget modification.
- Unreasonable costs do not relate to the contracts are disallowed and must be paid back to SBS.
- Undocumented cost considered disallowable cost if contractor did not submit the necessary documents.
- Costs not in the contract budget are disallowed and should 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 requirements and guidelines including "Circular A-133".
- 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 Contractors' Failure to Provide the Necessary Required Audit

SBS through a very effective internal control system, currently have a capacity to detect contractors who failed to provide the necessary audit as required by circular A-133 and SBS guidelines as follows:

1. The SBS Fiscal and Audit unit will inform contractors within thirty (30) days after the deadline to provide the necessary audit within ten days (10) days.
2. List of contractors who failed to provide the audit within the period stated in our letter will be forward within ten (10) days to SBS' General Council to proceed with legal or other action needed.
3. The SBS Fiscal and Audit unit will follow up with the General Council'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 VENDEX.
4. General Council will inform Fiscal and Audit Unit with the action they have taken.

6.2.8 Contractor's Liability Collection Procedures

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

- The total unresolved questioned cost disclosed in the independent audit report "CPA" or SBS monitoring report for SBS programs.
- The total excess of cash received by contractors over the total expenditures reported in the CPA audit report or SBS monitoring reports after reconciled with CAMFRS and close-out financial report for the contract involved.

The Fiscal and Audit unit normally informs the contractors with final decision in regard 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 considered final.

- The Fiscal and Audit unit determines the aggregate amount subject for reimbursement by the contractor within six (6) months after the CPA audit report is received or after the SBS monitoring report is issued.
- The auditor informs contractors of the final decision in regard to the disallowed cost and request contractors to reimburse the necessary amount within fifteen (15) days.
- If contractor failed to respond within the fifteen day period, Fiscal and Audit unit is authorized then to freeze equal amount from funds due to the contractor for the same program or any other program
- If contractor continue not to respond for another fifteen (15) days period, Fiscal and Audit Unit recoups the disallowed cost and close the case.
- If contractor is no longer in current SBS portfolio and no funds are due to the contractor at any program or remaining funds due the contractor are not sufficient to recover the disallowed cost, Fiscal and Audit unit will inform SBS' General Council Office 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.
- The General Council office will inform Fiscal and Audit unit with the necessary steps that have been taken in that regard.
- The Fiscal and Audit unit will keep a separate file for contractors no longer in our portfolio with outstanding disallowed cost for future reference.

6.2.9 Audits Internal Control Procedures

The 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 OMB circular A-133/SBS guidelines and requirements, and the necessary corrective actions for findings disclosed in the audit are implemented and accepted by audit professional staff. The following are the steps that were taken in that regard:

1. The auditor review 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 “A-133/Program audit”.
 - D. Processed date for the audit analysis, “expenditures, revenue, excess of cash/expense, and Q.C. if any”.
 - E. Dates for initial corrective action and final determination based on contractor’s response.
2. The auditor filing system includes separate file for each program, with the following information.
- A. Copy of the budget for the program
 - B. Copy of the CPA 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

The revised Office Management and Budget (OMB) circular A-133, Audits of Institutions of Higher Education and other non-profit institutions, issued in June 27, 2003, effective for fiscal periods ending on or after June 30, 2004, required the following:

- 1. General recipients that expend \$500,000 or more Federal Funds per year must have either a program specific or single audit performed in accordance with revised circular A-133 and must submit copies of the audit report to the clearing house in addition to the copy normally sent to the Federal Agency that provides direct Federal Funds.
- 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 circular A-133, financial statements and a schedule of expenditures of federal awards, a summary schedule of prior audit findings, the auditor’s report, and a corrective action plan are included.



- B. In accordance with a program specific audit guide for program audit, also must submit a copy of any certification and audit report that is required by the audit guide to the clearing house as well.

The audit report copy should be submitted by recipient and sub-recipients to the central clearing house designated by Office Management and Budget, at the following address.

Federal Audit – Clearing House
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 the OMB Circular. If a cost is currently not mentioned on the list, it is up to SBS's discretion to consider it an allowable cost.

- 1. Advertising:** the only allowable advertising costs are those associate with
 - a. Recruitment of personnel
 - b. Procurement of goods
 - c. Disposal of surplus materials
 - d. Expansion of service delivery (new services as well as greater outreach to participants)
- 2. Bonding costs**
- 3. Communication costs**
- 4. Compensation for personnel 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 2.2.
 - d. Fringe benefits in the form of social security, employee insurance, workman's compensation insurance, etc. are allowable provided they are distributed in accordance with chargeable salaries and wages.
- 5. Employee morale, health and welfare costs**
- 6. Equipment and other capital expenditures:** Personal property with a useful life of more than 1 year costing \$5,000 or more per unit.

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

7. General purpose equipment: Depreciation allowable as indirect costs.

8. Insurance and indemnification

9. Labor relations costs

10. Maintenance and repair costs

11. Materials and supplies

12. Meeting, conferences: allowable provided they do not involve the cost of food and drink and other entertainment costs

13. Membership, subscriptions and professional activity costs

14. Organization costs: (incorporation fees, attorneys, accountants etc. in connection with establishment or reorganization of organization) – allowable

15. Overtime, premium pay: allowable as direct costs with prior approval.

16. Page charges in professional journals: (e-mail publications) – allowable

17. Participant support costs: allowable as direct costs with prior approval OMB A-122

18. Security costs

19. Professional Service costs: allowable when reasonable in relation to 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 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.

20. Public information service costs: (pamphlets, new releases and other forms of disseminating information)

- a. Allowable as direct costs, if educational
- b. Otherwise, allowable as indirect costs.

21. Publication and printing costs:

- a. Allowable as direct costs, if educational
- b. Otherwise, allowable as indirect costs.

22. Rearrangement and alteration costs: allowable with prior approval.

23. Reconversion costs: (restoration or rehabilitation cost) - allowable with prior approval.

24. Recruiting costs

25. Rental costs: allowable within certain limitations. (see OMB circular A 122, paragraph 43)

26. Royalties and other costs for user of patents and copyrights: allowable.

27. Severance Pay: allowable to the extent required by :

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

28. Taxes: allowable unless exemptions from taxes are available by virtue of the Contractor being a registered not-for-profit organization.

29. Termination costs: (costs in connection with termination of 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

30. Training and education costs

31. Travel costs:

- a. Airline travel allowable except first-class.

Appendix B: List of Unallowable Costs

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

1. **Audit Cost:** A non-Federal entity, which has expended less than \$300,000 of Federal awards (*\$500,000 for fiscal years ending after December 31, 2003*) per year is exempt from the A-133 audit requirement and shall not charge the cost of an A -133 or similar entity-wide audit. However this does not prohibit an entity from charging Federal awards for the cost of limited scope audits to monitor its sub recipients. Program specific audits or entity wide audits are also permitted.
2. **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.
3. **Costs of fines and penalties:** 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.
4. **Donations and Contributions:** Contributions or donations, including cash, property, and services, made by the organization, regardless of the recipient, are unallowable.
5. **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 sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.
6. **Memberships, subscriptions, and professional activity costs:** Costs of membership in any country club or social or dining club or organization are unallowable.
7. **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 the conditions described in subparagraph B.3 of Attachment A.

- 8. 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.
- 9. Alcoholic beverages:** Costs of alcoholic beverages are unallowable.
- 10. 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 benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees.
- 11. 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 (commonly known as "a golden parachute" payment) 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.
- 12. 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.
- d. Insurance policies offering protection against debts established by the Federal Government:

13. Lobbying costs: Costs associated with the lobbying activities are unallowable.

14. 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.

15. Criminal, civil or administrative proceeding Cost:

- a. Costs incurred in connection with any criminal, civil or administrative proceeding (including filing of a false certification) commenced by the Federal Government, or a State, local or foreign government, 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 by the organization (including its agents and employees), and
 - ii. Results in a criminal proceeding, a conviction, and other disposition listed in OMB Circular A 122 (Paragraph 10).
- b. Costs of legal, accounting, and consultant services, and related costs, incurred in connection with defense against Federal Government claims or appeals, antitrust suits, or the prosecution of claims or appeals against the Federal Government or in connection with patent infringement litigation, are unallowable unless otherwise provided for in the sponsored awards., are unallowable.
- c. Costs incurred by the organization in connection with the defense of suits brought by its employees or ex-employees under section 2 of the Major Fraud Act of 1988 (Pub. L. 100-700), including the cost of all relief necessary to make such employee whole, where the organization was found liable or settled, are unallowable.

16. 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.

- 17. 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 is unallowable.
- 18. Organizational Costs:** Organizational costs in connection with establishment or reorganization of an organization are unallowable except with prior approval of the awarding agency.
- 19. 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.
- 20. Contribution or donations:** Contributions or donations to educational or training institutions, including the donation of facilities or other properties, and scholarships or fellowships, are unallowable.
- 21. 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 sponsored award when necessary for the performance of the sponsored award and approved by awarding agencies.
- 22. 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 c, d, and e of Circular A-122 under the Advertising and Public relations costs paragraph.
 - b. Costs of advertising and public relations designed solely to promote the non-profit organization. Costs of promotional items and memorabilia, including models, gifts, and souvenirs.

A considerable number of additional cost items are not allowable and they are specifically excluded from Small Business Services contracts by reference in contract language and by specific instruction or consideration in contract budget preparation.



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 WIA and TAA AER submission process:

AER	General Due Date
WIA	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 WIA funds. There are three key categories of expenditures reported in the monthly WIA 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 	
Personnel 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 WIA 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 WIA 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 WIA Accrual Claims Breakdown Report by Fiscal and Audit Unit. The performance based accruals are calculated separately, 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, Fiscal and Audit Unit estimates the Accruals using the following methodology:

Step	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	

A. Obligations

Obligations are the legal commitments made by the City to pay for future WIA activities, such as commitments made to sub-recipients 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 - WIA Regular		
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.	
Category 2 – WIA ARRA		
1. Non PS and Non ITA Costs	Determine the total contractual obligations of all ARRA contracts as of end of report month	\$E
2. PS	Determine program year to date PS Costs as of end of report month	\$F
3. ITA	Total Cash Expenditures + Accruals, per guidance provided by NYSDOL FOTA Representatives on April 28, 2010.	\$G
4. Obligations	Total Obligations = \$E + \$F + \$G	\$H

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 WIA 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 Section 627.435(a) of 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 WIA Program and other non-WIA 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: WIA Financial Management, Final Draft, January 1995*," "*The Workforce Investment Act Title I Matrix of Specific Cost and Category Allocation*," modified version of DOL draft December 8, 1999, including "*MOU Assessment Tool toward July 1st Implementation*." 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 Department of Small Business Services' 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-WIA 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 Personnel Service Costs and Shared Direct OTPS costs

Direct costs are those that can be identified specifically with a particular final cost objective, WIA or Non-WIA 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 personnel services costs are charged to WIA in a two-step process. First, the compensation of each staff time that devotes a percentage of their time to WIA related activities or non-WIA program are allocated to WIA and non-WIA 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 WIA program and other non WIA programs in the reporting month. Using the percentage of time each employee devotes to each WIA program such as Adult, Dislocated Workers and time spent on administrative functions, salaries of each shared direct WIA 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 WIA related programs. Second, the amount of salary allocated to each cost objective will be totaled.

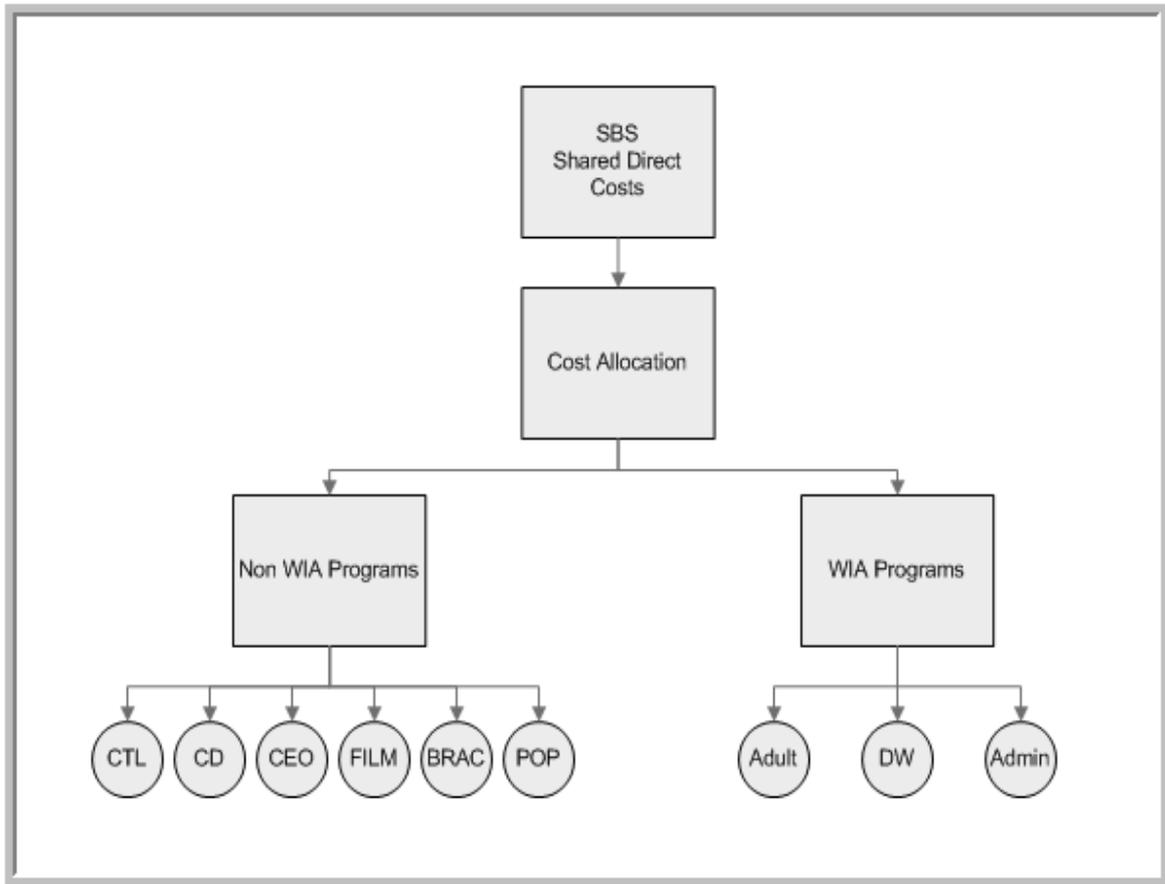
The shared direct personnel service costs will be allocated according to the following formula:

For example:

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

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

The below chart illustrates SBS Shared Direct Cost allocation:



Shared Direct OTPS costs that exclusively benefit all WIA programs cost categories will be charged to Adult, Dislocated Workers and WIA 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 WIA 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.

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

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 WIA and Non WIA 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 personnel costs associated with these units are allocated to final cost objectives in two step process. First these costs are allocated monthly into WIA, CEO and Non-WIA / CEO programs based on proportion of actual shared direct staff time dedicated to WIA, CEO and Non WIA / CEO programs. After the allocation, costs allocated to WIA will be charged to WIA Administration, Adult and Dislocated Workers based on actual shared direct staff time dedicated to each WIA program. Costs for Non-WIA / CEO will be charged to City Tax Levy based on total staff time spent on Non-WIA / CEO programs. Costs for CEO will be split into 50% CTL and 50% WIA 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 WIA indirect Adult personnel services can be allocated as follows:

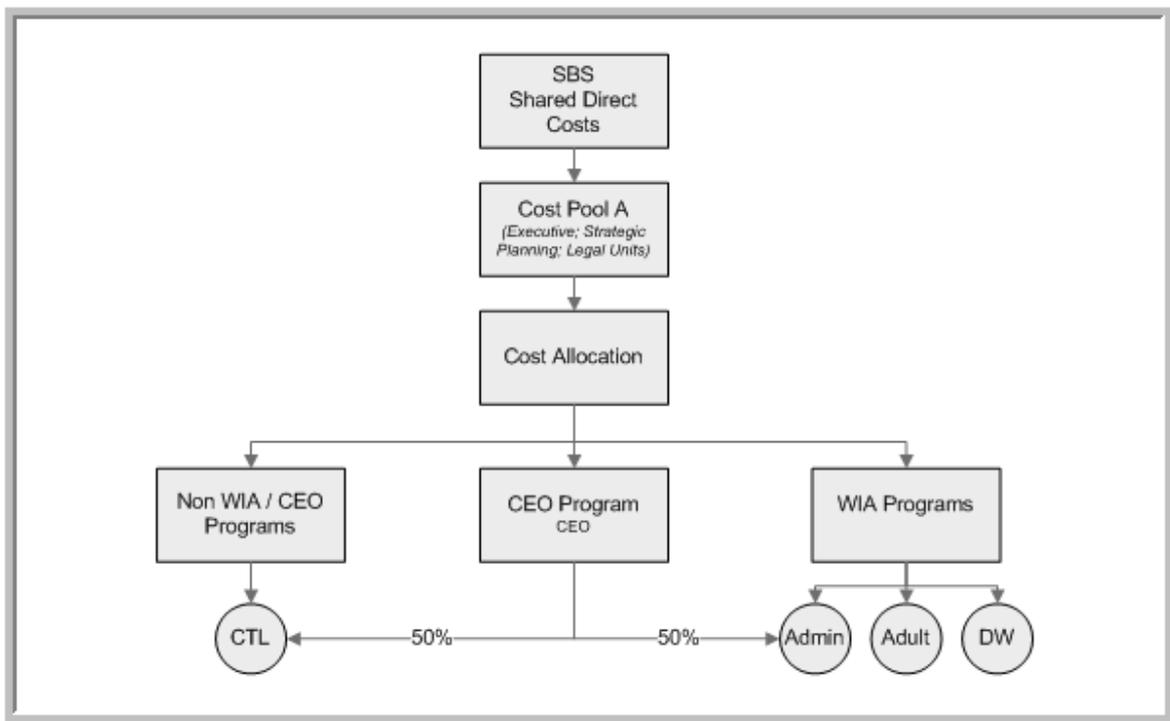
$$\text{WIA Adult} = \frac{\text{Total shared Direct WIA Adult PST}}{\text{Total Shared Direct PST for all SBS programs}} \times \text{Total indirect PS costs}$$

PST= Percentage of staff time

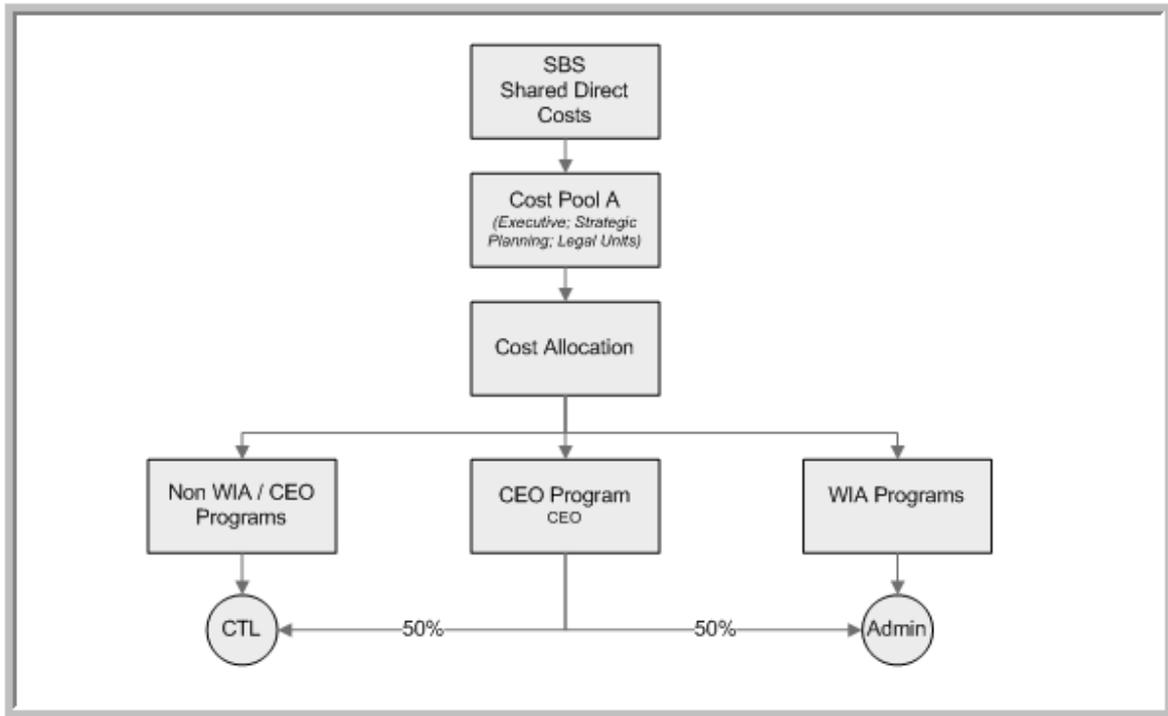
The WIA Adult costs are calculated by the above cost allocation methodology. Similarly, the cost allocable to Administration and Dislocated Workers can be calculated using the same formula.

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

- a. The chart below illustrates SBS Indirect Cost Allocation for Cost Pool A for Executive, Strategic Planning and Legal Units' staff:



- b. The chart below illustrates SBS Indirect Cost Allocation for Cost Pool B for Call Center, Human Resources, Procurement, and General Administrative Units' staff:



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:

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

PST= Percentage Staff Time

The WIA 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 WIA rent costs. For now, only the utility costs of the 8th floor are charged directly to WIA 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 WIA program. According to our SBS payroll analysis, the percentage of payroll charged to WIA versus non-WIA 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	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. # _____			
<u>TYPE OF PROJECT</u>			
<input type="checkbox"/> Dislocated Worker <input type="checkbox"/> Adult <input type="checkbox"/> Workforce1 <input type="checkbox"/> Business Solutions Center			
<u>TYPE OF MODIFICATION</u>			
<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
<u>ORIGINAL CONTRACT DATES</u>			
FROM	_____	TO	_____
<u>AMENDED CONTRACT DATES</u>			
FROM	_____	TO	_____
Project Budget Modification Rev. 2014.1.2017			
Page 1			



Appendix G: Inventory List Template

Vendor Name:		[YOUR BOROUGH] WORKFORCE1				
Vendor Address:		100 Nowhere Street, New York, NY				
Vendor Telephone #:		718-555-6666				
Inventory Manager:		John Smith				
Type of Asset	Product	ID Tag #	Serial #	Disposal date	Condition	Asset Location:
MONITOR	DELL M991	WIA1549	MX05C54447801160H17S	7/2/2009	GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA1548	MX05C54447801160HOVJ	7/2/2009	GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA1545	MX05C54447801160HOUH		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA1544	MX05C54447801160HOUJ		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA1543	MX05C54447801160H1OR		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA1542	MX05C54447801160H115		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA1541	MX05C54447801160H170		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA1540	MX05C54447801160H19T		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA1539	MX05C54447801160H1AO		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA1538	MX05C54447801160HOZN		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA1537	MX05C54447801160H1OA		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA2543	MX05C54447801160H1AZ		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA2546	MX05C54447801160HOB6		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA2549	MX05C5447801160HIBO		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA2552	MX05C54447801160GOL9		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA2556	MX05C54447801160HOVK		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA2560	MX05C54447801160HOUM		GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA2563	MX05C54447801160HOOP	7/2/2009	GOOD	RESOURCE ROOM
MONITOR	DELL M991	WIA1536	MX05C54447801160HOV3	7/2/2009	GOOD	RESOURCE ROOM



Appendix H: References

[48 CFR Part 31 for Profit Entities](https://www.acquisition.gov/far/html/Subpart%2031_1.html) (https://www.acquisition.gov/far/html/Subpart%2031_1.html)

[OMB Circulars](http://www.whitehouse.gov/omb/circulars_default/) (http://www.whitehouse.gov/omb/circulars_default/)

[OMB Circular A-87](http://www.whitehouse.gov/sites/default/files/omb/assets/agencyinformation_circulars_pdf/a87_2004.pdf)

(http://www.whitehouse.gov/sites/default/files/omb/assets/agencyinformation_circulars_pdf/a87_2004.pdf)

[OMB Circular A-122](http://www.whitehouse.gov/omb/circulars_a122_2004/#ac) (http://www.whitehouse.gov/omb/circulars_a122_2004/#ac)

[OMB Circular A-133](http://www.whitehouse.gov/omb/assets/a133/a133_revised_2007.pdf) (http://www.whitehouse.gov/omb/assets/a133/a133_revised_2007.pdf)

[US Department of Labor Financial Management Technical Assistance Guide \(July 2002\)](http://www.doleta.gov/grants/pdf/FinalTAG_August_02.pdf)

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