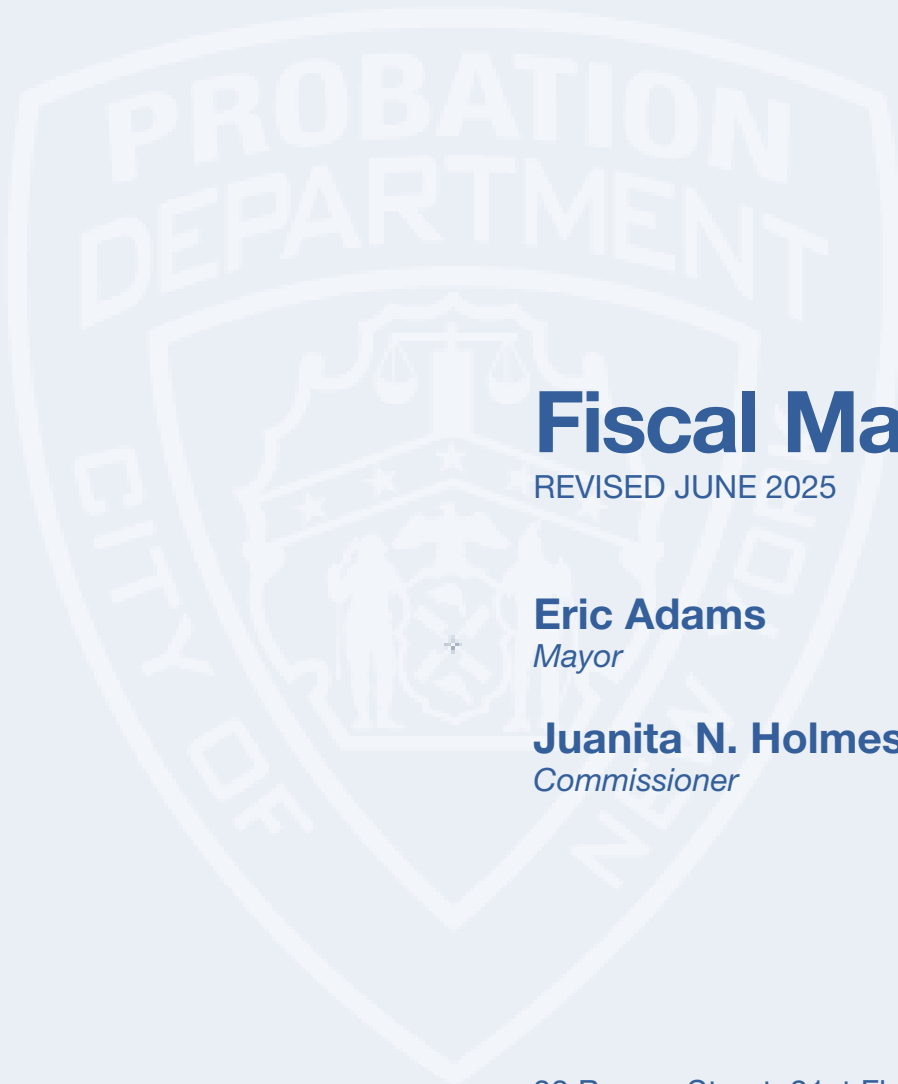




**NYC**  
**PROBATION**



# **Fiscal Manual**

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## Introduction and Overview

The Fiscal Manual incorporates the policies and procedures of the New York City Department of Probation (DOP), relating to the financial management of funds awarded under a human services contract with which contractors are expected to comply.

DOP's Office of Financial Operations is responsible for monitoring the fiscal compliance of DOP's human services contracts. DOP's directly contracted human services programs will use the Procurement and Sourcing Solutions Portal (PASSPORT) for all contracts. The PASSPORT system is New York City's end-to-end procurement platform, designed to streamline every stage of the contracting process from vendor enrollment and solicitation (known as RFx) where agencies invite vendors to submit bids or proposals to contract awards, contract registration, contract management and payments. Information about Passport is available on NYC Mayor's Office of Contract Services: [About PASSPORT](#)

The processes described in this "Fiscal Manual" serve as a specific guide for contractors to DOP's contract budget, invoice and document submission processes and policies.

DOP's Office of Financial Operations has two units that interact with contractors. Below is a description of each unit and its functions.

### Budget Office

The Budget Office is responsible for ensuring that the budget and budget modifications are in compliance with the City of New York and DOP rules and regulations. It is responsible for performing final approval of all budgets and budget modifications after review by DOP program staff.

### Payments/Vouchering

The Payment/Vouchering unit is responsible for receiving all invoices, reviewing back-up documentation and issuing payments. Each contract is assigned to a payment analyst who serves as the contractor's contact person for payment inquiries.

The latest version of fiscal manual and all DOP forms and documents are available on the DOP website: [Forms](#)

## Section 1: Budget Procedures

Once a year, contractors will work with DOP to prepare a contract budget for the upcoming fiscal year. The purpose of the annual contract budget review is to allow contractors to make adjustments to their budgets to bring it into alignment with actual expenses on an annual basis, thereby reducing the need for modifications throughout the contract and to ensure that both the contractor and DOP are operating with the same formally approved fiscal year budget. DOP program managers review the proposed budget first and work with each contractor on their budget for the new fiscal year before the proposed budget is reviewed by DOP's Budget Review unit.

The Annual Review, Budget Modification and Invoicing process will be managed in PASSPORT. For guidance on creating, modifying and submitting a budget in PASSPORT, please visit [Create & Modify Budgets](#)

DOP will be using PASSPORT to configure your contract budget for the upcoming fiscal year. Once DOP has completed this step in PASSPORT a Budget Pending Submission task will appear on your Provider Homepage. Contractors must submit a budget based on the proposed services, funding availability and contract terms.

### **DOP Policies Regarding Budget Submission**

1. Budgets are due 14 calendar days after the budget is initiated by DOP in PASSPORT. Requests for extensions for budget submissions must be submitted via email to the DOP program manager before the end of the 14th day or it will otherwise be considered late and out of compliance with this Fiscal Manual.
2. Budgets that are returned for revision are due back within 7 calendar days.
3. Budget narratives and other supporting documents are required to be uploaded to the Documents section of the budget with all budget submissions.

### **Completing a PASSPORT Budget**

Log on to PASSPORT to view upcoming budgets that are available for submission. Each budget should be completed according to individual contract requirements and DOP fiscal policies

Each budget will already be configured according to the City fiscal year operating period. The City's fiscal year runs from July 1st to June 30th. While the contract term may overlap multiple fiscal years, a separate budget must be submitted for each City fiscal year, reflecting the number of months worked in the specific fiscal year to which the budget applies. For example, a 2-year contract starting January 1, 2025 and ending December 31, 2026 would have three budgets: one covering FY25 for 6 months (January 1, 2025 to June 30, 2025), one covering FY26 for 12 months (July 1, 2025 to June 30, 2026), and one covering FY27 for 6 months (July 1, 2026 to December 31, 2026).

**Cost Allocations:** an employee with DOP funds must perform work related to the DOP contract. Staff performing work under DOP contracts, for a portion of their full-time hours, must be cost-allocated under Personnel Services or, if their portion of time is exceedingly small, budgeted under Indirect Costs. Contractors may have employees working under multiple programs. Estimate the percentage of time devoted to each and allocate only the appropriate amount to each program budget. The total of the allocations (including programs not funded by DOP) cannot exceed 100%.

### **Personal Services (PS)**

- **Full-time employees:** For DOP contracts, a full-time employee is defined as someone who works 35 or more hours per week, even if only for a portion of the year, is paid a salary or on an hourly basis and retains a full-time position with the contractor. A full-time employee should not be claimed as a part-time employee because their hours are cost-allocated among contracts.
- **Part-time employees:** For DOP contracts, a part-time employee is someone who works less than 35 hours per week and/or is paid on an hourly basis, and maintains a part-time employment status with the contractor.
- **Annual Salary:** an annual salary is the amount earned in a consecutive 12-month period, whether or not it is the contract term or is fully funded by DOP.

**Fringe Benefits** cannot be less than the prevailing wage for FICA (Federal Insurance Contribution Act) employer contributions and more than 30% of salaries. Fringe benefits must include FICA. Fringe may also include Unemployment Insurance, Worker's Compensation, disability, pension, life insurance, medical benefits, and MCTMT (Metropolitan Commuter Transportation Mobility Tax). Effective fiscal year 2017, the minimum fringe benefit rate of 7.65% for FICA. In addition, MCTMT tax is required for all contracts.

### **Other Than Personal Services (OTPS)**

This category is for expenses other than salaries, fringe benefits or non-staff services. OTPS budgets must be completed by contractors according to the program needs and any required contract specifications. All costs must be program related, and costs must be pro-rated over the operating period. The following are descriptions of some OTPS categories:

- **Office supplies:** consumable supplies that do not last or are not permanent in nature. This category includes office and maintenance supplies such as pens, stationery, erasers, notebooks, cleaning supplies and books.
- **Facilities Repairs and Maintenance:** This category may include the cost of facilities and building maintenance. No renovation or construction projects may be paid with funds from DOP contracts unless otherwise specified in the contract.
- **Safety and Health:** This category includes background checks of contractor's employees and Facility Safety inspections. Violations and fines may not be paid with funds from DOP contracts.
- **Waste & Recycling Removal:** This category represents the cost of waste/recycling removal services. Violations and fines may not be paid with funds from DOP contracts.
- **Staff Transportation:** Transportation costs refer to those incurred for local travel by the employees to conduct official business related to the DOP contract. Travel may be by

public transportation, by a contractor's vehicle or personal automobiles used for contractor business. Costs for the use of a personal automobile will be reimbursed at the maximum rate established per NYC Comptroller's Directive 6. A mileage log must be maintained for both person and business owned vehicles used to conduct business related to the funded program for approved purposes. Tickets for traffic violations may not be paid for with funds from DOP contracts. Additionally, costs for employees to commute to and from work may not be paid for with funds from DOP contracts either.

- Staff Training: This category includes expenses for professional development workshops, conferences, and licenses required to maintain professional credentials related to the DOP contract.
- Postage: All postage related expenses relevant to the DOP contract.
- Recruitment and Advertising (Client): This category covers the cost of materials associated with recruitment such as posters and flyers. Newspaper and online advertisements.
- Liability, Property, and Other Insurance: This category covers the cost of insurance for general liability, property and other insurance required for the DOP contract, to be pro-rated for the share allocated.
- Vehicle Insurance: This category would cover the cost of vehicle insurance, if usage was necessary for a DOP contract. This category should not be used unless specifically authorized by DOP.
- Vehicle Operations and Maintenance: This category would cover expenses for business-owned vehicles such as car maintenance, gasoline and tolls, if use of such vehicle is required for the services provided under the DOP contract. A Contractor's own vehicles, if necessary for the contract, must be co-insured with the City of New York as named beneficiary. Tickets for traffic violations cannot be paid with funds from DOP contracts. This category should not be used unless specifically authorized by DOP.
- Real Estate Tax: This is not an allowable expense for DOP funded contracts.
- Bank Charges: This category applies to standard banking fees associated with DOP contracts. Overdraft fees are not allowable expenses and cannot be paid with funds from DOP contracts.
- Printing: Printing costs, such as workshop materials, etc. except for costs related to recruitment purposes.
- Client Transportation: All participant related travel expenses, such as bus trips and local travel including metro cards. Bus companies used for transporting participation must be insured.
- Client Supplies and Activities: This category may include allocations for workshop materials, admission fees on approved field trips, licensing fees to assist participants with outcome placement, as well as t-shirts, uniforms, sporting and recreational supplies.
- Client Stipends and Incentives/Bonuses: All use of program funds for stipends and/or incentives are subject to review by DOP program staff, and are also subject to audit by DOP or DOP's oversight agencies. Adequate records for stipends and incentives must be maintained, and those will include invoices for any items purchased and receipts signed by specific individuals receiving the items. Contractors can only use stipends

and/or incentives for participants and will not be able to use funds to pay volunteers for their time.

In addition, appropriate safeguards must be maintained, such as keeping gift cards in safe or other secure locations. In all cases, proper procedures must be followed to ensure that only the intended recipient of a stipend or incentive are paid/distributed in accordance with the terms of the plan approved by DOP.

- Client stipends: A stipend means a payment in exchange for program participation and may be paid according to hourly, daily, or weekly rates, in compliance with the approved DOP stipend schedule. Additionally, any specific guidelines set forth by the respective DOP program area must be followed. All stipends must be pre-approved by DOP. Stipends are for the benefit of the participants (clients) of a program and cannot be used for staff. Specifically, stipends must not be used to displace an employee or position, including displacement such as reduction of hours and wages, to avoid hiring salaried workers, or to perform services that would otherwise be performed by an employee, including an employee who recently resigned or was discharged, an employee who is subject to reduction in workforce, or an employee who is on leave. Stipends may not be used for services being received by the contractor or to avoid payment of FICA, Unemployment Insurance, or Worker's Compensation insurance.
- Incentives: An incentive covers something of value used to incentivize program participation, outside of the use of cash or cash-like stipends.
- Prepared Meals: This category includes food that is catered or bought from a restaurant for the benefit of program participants. Tips are not an allowable expense and may not be paid with funds from DOP contracts.
- Raw Food: This category covers food that is purchased from a store or supermarket that is not already prepared.
- Other: Expenses that do not fall into any of the categories above are referred to as "Other Operating Costs" and should include a detailed breakdown in the budget narrative.

**Equipment:** Equipment purchases are supplies that are durable or permanent in nature, such as furniture, printers, fax machines, televisions, cameras, and computers. All equipment purchased with DOP funds must be itemized on the budget.

All equipment and/or furniture purchased with DOP contract funds are the property of the City of New York Department of Probation and must be tagged "Property of DOP". At the end of the contract, all non-depreciated equipment that still has a useful life and was purchased with DOP funds must be returned, if requested by DOP. DOP will consider requests for continued use of other recommended disposition of such equipment, upon termination or non-renewal of a contract. Contractors should contact the DOP Program Manager for such requests.

The Equipment category also includes costs associated with equipment rental, lease, licensing fees, computer software, repair and maintenance. Maintenance service contracts and payments for equipment may also be reflected in this category. Equipment or furniture leased with an option to buy may also become the property of DOP at the end of the contract. An Equipment Purchase Inventory Report will be required at the time of invoice submission.

**Utilities:** This category includes items such as:

- Telephone (including mobile phones)
- Electric
- Water/Sewer
- Heating (oil/gas)
- Security Systems
- Internet Connectivity
- Bundled communications

**Professional Services:** Professional Services costs are associated with independent entities with professional or technical skills, such as accounting or legal services, that support vendor operations. If such services are shared between different programs, the narrative should include what portion of costs was allocated to DOP and the allocation methodology used such as headcount, size of budget or other.

**Rent:** Rent and Occupancy includes all rent paid by a program for all sites utilized by that program. It also includes all related charges associated with the use of the site, such as minor repairs and maintenance costs. No renovation or construction projects can be paid for with DOP contract funds. However, normal upkeep, repair and maintenance costs can be included that do not enhance the property or prolong its life. These include minor repairs, small recurring maintenance costs, and housekeeping. Along with the budget, the Contractor must upload a copy of a lease or mortgage agreement if Rent/Occupancy is being charged. The entire lease does not need to be uploaded, just the relevant pages which show the annual rent, address, names of lessee and lessor. If rent/occupancy costs for more than one site are being charged, these costs should be itemized.

**Contracted Services:** Contracted Services costs are associated with independent entities with professional or technical skills retained to perform specific tasks or complete projects related to the program that cannot be accomplished by regular staff. Also, independent (usually non-profit) entities retained to perform program services.



### **Definitions for Subcontractor, Consultant, and Vendor for Human Service Contracts**

A **subcontractor** hired on a health and human service contract is hired to perform or directly deliver a part of the prime contractor's programmatic contractual obligations.

A **consultant** hired on a health and human service contract is often a subject matter expert and does not perform or directly deliver a part of the prime contractor's programmatic contractual obligations.

A **vendor** hired on a health and human service contract provides non-programmatic services or goods.

Subcontractors, consultants, and vendors may be corporations, nonprofit organizations, or individuals.

- **Subcontractors:** If subcontractors are used, the individual or organization should be listed on the budget, as well as the cost allocated to the fiscal year operating period. For each subcontractor listed, a signed subcontract agreement between the contractor and subcontractor should be uploaded in the Documents Section of the budget. The City offers a [Standard subcontract agreement template](#) for human service contracts that contractors may (but is not required) to use. Subcontractors are subject to DOP approval (see box below) and the contractor must utilize the Payee Information Portal (PIP) to list all subcontractors. For general information, please visit [For Prime Vendors: Subcontracting in PASSPORT](#) and [Submit a Subcontractor for Agency Approval](#)
- **Consultants:** If consultants are used, indicate the name of the individual on the budget, as well as the cost allocated for the fiscal year operating period. Contractors need to enter a formal written agreement with each consultant, detailing the specific tasks to be performed, the required outcomes, rate to be charged and total amount to be billed to the DOP contract. A consultant cannot be a salaried employee of the contractor. For each consultant listed, a signed/notarized consultant agreement must be uploaded into the Document Section of the budget. The city does not require PIP registration for consultants.
- **Vendors:** If vendors are used, the individual or company name should be listed on the budget, as well as the cost allocated to the fiscal year operating period. For each vendor listed on the budget, a signed vendor agreement should be uploaded in the Document Section of the budget. The city does not require PIP registration by vendors. (This category is not commonly used).

## **Subcontractor Approval Process for Health and Human Service Contracts**

If a contractor proposes to engage a subcontractor on a human service contract, the City requires:

1. Subcontractor to be listed in the City's Payee Information Portal (PIP), and
2. Contractor must identify subcontractor through the budget and invoice process by identifying the subcontractor in the "Contracted Services" section.

For any subcontractor of more than \$20,000\*, the Department also requires contractor to share the subcontract agreement with DOP using the Documents Section of the budget. (DOP may require the contractor to share subcontract agreements for subcontractors of \$20,000 or less. Additional requirements apply to subcontracting for discretionary contracts).

Subcontractors are approved for work on a human service contract when DOP approves the subcontractor in PIP or in written communication with the contractor. The contractor should not engage a subcontractor until the Department has approved that subcontractor. The contractor is responsible for listing all payments to subcontractors in PIP.

\*For determining the value of a subcontract, all subcontracts with the same subcontractor shall be aggregated.

### **Milestones (For Performance-based contracts ONLY)**

For Performance-Based contracts, milestones must be itemized according to the descriptions in the scope of work and pro-rated (if applicable) for the operating period of the current fiscal year budget.

### **Unallocated Funds**

Unallocated Funds are not meant to be used. They are frequently part of the program budget. They will be marked as not invoiceable in PASSPORT.

### **Indirect Rate**

Indirect Rate costs are related to administrative overhead incurred by a provider operating several programs.

- [City of NY Health & Human Services \(Cost Policies & Procedure Manual\)](#) governs the treatment and claiming of costs for health and human service contracts. If there is a conflict between the terms of the Department's Fiscal Manual and the Cost Manual, the Cost Manual shall take precedence.

### **Uploading Documents to the Budget:**

Budget narratives are documents that are required with all budget submissions. Other types of documents that may be required are mortgage/lease agreements (if rent/occupancy is being charged), subcontractor/consultant agreements, stipend charts, cost allocation plans, etc. Instructions for completing the budget narrative can be found at the end of this section. Missing budget narratives and supporting budget documents are the most common mistakes that result in immediate return of the budget submission for correction. Please make sure to upload all required documents before submitting budgets for review. All applicable documents should be uploaded in the "Documents Section" of the budget.

## **Completing the Budget Narrative**

***A narrative explaining and justifying the necessity of each line item should be attached to the Document Section of the budget. Below is specific guidance for certain budget tabs and/or line items, however, is not inclusive of all line items that may be required in the budget narrative:***

### **Personnel Services:**

The budget narrative should include a justification for each title and how the position will support the program. The full name of the employee should be included in the narrative or indicate that the individual is still to be hired, as well as the employee's full annual salary or hourly rate, percentage charged to the DOP contract, and the pro-rated amount for the budget operating period (if applicable). The amount indicated on the budget narrative for the budget operating period should match the line-item amount for that title. Allocation percentages and the basis used to charge costs to DOP should also be included. If a portion of a position's salary is charged to performance-based line items, show the amount and percentage here. If a position's entire salary is charged to performance based, show that here too. It is important to do so because it shows the true picture of staff time spent on a program and it allows the position to be included if COLA (Cost of Living Adjustment) increments are being computed. Show the name, titles, duties and time allocated of in-kind positions.

### **Fringe Benefits:**

Fringe benefits should be itemized in the budget narrative by amount and percentage, to show how the total was derived. If your organization has more than one benefit rate and different employees receive different rates, this should be shown as well. Documentation from your organization's most recent audited financial statement should be submitted to support the fringe rate request.

### **Operations & Support:**

The budget narrative should include details regarding the amounts charged to each line item in this section. The narrative should specifically include the following, where applicable:

- **Transportation:** If travel costs are included, the budget narrative should provide an explanation justifying the need as it relates specifically to the program, purpose, frequency, and mode of travel.
- **Stipends:** If stipends are used as part of overall program objectives, the budget narrative should include an explanation of what kinds of stipends will be used, the quantity, rate of disbursement, criteria used to justify a stipend and the client population.

### **Rent/Occupancy Costs:**

The budget narrative should show how rent/occupancy costs were determined, including a justification of how the space will be used, number of occupants who will utilize the space, and square footage allocated to operations related to the contract. If the space is shared with other programs, indicate the percentage allocated to the DOP contract and briefly describe the allocation methodology used to allocate shared costs to the program.

**Milestones:**

For contracts that utilize performance-based milestones, the budget narrative should match the itemized description on the budget, as well as the amount required by the DOP contract for the fiscal year operating period. Contractors should follow guidance from the specific DOP program area regarding documentation of programmatic expenses that contractors may choose to cover through milestones rather than line-items. DOP generally requires that direct client-related expenses such as program stipends and recreational activities are not entirely supported by milestone earnings.

## Section 2: Budget Modifications

A budget modification is initiated by the contractor. Budget modifications would be submitted to DOP to change the allocation of expenses on the budget without changing the overall budget value.

A budget modification cannot be initiated if there are outstanding invoices, payments, or negative amendments currently in process on the DOP contract.

### **DOP Policies Regarding Budget Modifications**

1. Budget modifications may only be submitted if they relate to the provision of services and the desired outcomes of the contract.
2. For contracts with terms of at least one year, up to 3 budget modifications per operating period may be requested. No budget or programmatic changes should be implemented through budget modification until authorized in writing by DOP.
3. Budget modifications cannot be requested during the first and last months of the operating period.
4. Budget modifications must be submitted at least 30 days before the budget fiscal year operating period ends. For example, if the budget fiscal year operating period ends on June 30th, the final budget modification must be submitted no later than May 31st.
5. Budget modifications submitted within the 10% auto-approved threshold, including those submitted after DOP's budget modification deadlines, may be subject to DOP requested changes, if such modifications are inconsistent with programmatic or fiscal policies and/or the terms of the contract.

## Section 3: Invoicing Procedures

### **General Information:**

Invoices can only be submitted for Active budgets. Pending Budget Modifications and Updates must be approved in PASSPORT before invoices can be submitted. For general guidance on how to submit an invoice in PASSPORT, please visit: [Submit Invoices](#)

To do business with the City, vendors must register and create an account with the City's Payee Information Portal (PIP). In PIP, vendors can view financial transactions with the City of New York, register for Electronic Funds Transfer (EFT) payments and more. Please visit: [Payee Information Portal \(PIP\)](#)

#### **DOP Policies Regarding Invoice Submission:**

1. Invoices are due no later than 30 days after the billing period ends. For example: February invoices are due by April 1st. For contracts that are registered late, all outstanding invoices are due within 30 days of registration.
2. A separate invoice must be submitted for each month. Invoices submitted for multiple months will be sent back immediately for revision. Expenses must be reported for the month in which the cost was incurred. If expenses are incurred across multiple months, the amount should be pro-rated by month.
3. Invoices must be submitted through Passport with appropriate back-up documentation in the format specified by DOP. Back up documentation for invoices should be uploaded in the Document section of the invoice.
4. The contractor must perform all contract services and receive all goods/services by the last day of the contract operating period. Payroll expenses, including fringe benefit expenses should be those incurred to the last day of the contract operating period. Any expenditure made for goods and services which are received after the last day of the contract/budget period will **not** be accepted as an authorized expenditure. **There are no exceptions to this rule.**

#### **DOP Policies Regarding Contract Closeout:**

1. The deadline for submission of a FINAL payment invoice is no later than sixty (60) days after the end date of the budget operating period. Failure to meet this deadline may result in the rejection and disallowance of all expenses reported on the payment invoice.
2. The contractor must submit an expense accounting of all expenditures up to the contract termination date and return any overpaid funds such as for un-recouped loans.
3. The contract will be officially closed upon payment of all invoices.

**Advances:**

Contracts are eligible for advances following registration with the NYC Comptroller's Office and budget approval for the fiscal year operating period. Until a contract or amendment is registered, the City is not permitted to release funds for any expenses incurred for the provision of services. Upon notification from PASSPORT and an active budget, contractors can initiate an advance request equivalent to 25% of the fiscal year budget. Requests from contractors that have been cited for contract management issues will be subject to additional review.

In most cases, advances will be recouped from invoices during the last six (6) months of the fiscal year operating period. Recoupment will not be required through a single payment but will occur in-even installments during the remaining months of the fiscal year operating period. If the invoice total is less than the monthly recoupment amount, DOP staff may adjust recoupments as necessary. DOP may recover advances earlier based on the actual spending rate. Once all invoices have been submitted, any unrecovered advance amount will be owed to DOP.

For loans that have been made through the Fund for the City of New York (FCNY) Returnable Grant Fund (RGF), DOP will recoup loan amounts from invoices the provider has submitted to DOP for payment and make Assignment payments to FCNY in PASSPORT. To the extent possible, recoupment will be spread out over the remaining months of the fiscal year operating period.

**Check Holds:**

In some instances, a contractor will be placed on Check Hold status. Some of the reasons for Check Hold are: missing or expired insurance, a corrective action plan associated with the contract is pending, or funds are due to DOP or the NYC Department of Finance, from the contractor.

If a contractor is on Check Hold status, submitted payment invoices will be reviewed, but an EFT or check will not be disbursed until the deficiency or discrepancy is rectified.

**Back up Documentation:**

Proof of payment is required for reimbursement of expenses. Invoices must accurately reflect that expenses were incurred, and services provided during the contract operating period. Please refer to [Standard Health and human service invoice review policy](#).

**Personnel Services (PS) Expenses:**

Contractors are required to submit payroll ledgers to support claims for PS expenses. These will include, at minimum, staff name, number of hours worked, gross salary, deductions, and the payroll period the report covers. Only relevant pages of the ledger which include staff billed to the contract should be included. Any other names appearing on the attached sheets should be redacted.

When assembling PS expenses, attention should be paid to the following

- Conforms to the Approved Budget: Positions being claimed should be part of the approved budget. If a position is included in the invoice, which is not part of the approved budget, it should be accompanied by a suitable explanation (i.e. covering for an absent employee, unexpected need for additional staff, staff changes, etc.).
- Conforms to Approved Allocated Percentages: Allocated percentages should be the same as in the approved budget. If variations exist, an explanation should be provided. If no explanation is provided or the explanation is not approved, the charges may be disallowed. If a contractor bills for less than the allocation percentage, DOP will not correct the amount, and it will be paid as is.
- Hours of Work: For part-time positions, the budget generally specifies the number of hours per week to be worked. If the hours vary greatly from the budgeted amount, an accompanying explanation must be included with the invoice.
- Rate of Pay: The annual salary of the hourly rate should be the same as the as in the approved budget. The contractor is required to notify DOP of any changes in an employee's rate of pay. Such a change may not always require a budget modification. If the rate in the payroll register varies from the approved budget, an explanation must be provided. Contractors must comply with contractual requirements regarding Cost-of-Living Adjustments (COLA) and any minimum hourly rates specified, as well as New York City Minimum Wage Laws.
- Back Billing: When changes are approved in a Budget modification, the contractor can back bill to the effective date for the change (if no effective date was specified in the budget modification, the effective date is by default the day it was approved).
- Paying Out Leave Balances: If there is billing for leave balances, i.e. when an employee separates from the organization, the contractor must show that the leave balances billed are only those that the employee incurred while charged to the DOP budget and are pro-rated according to the percentage allocated in the budget.
- Severance Payment: Severance payments for up to 2 weeks can generally be approved, if the contractor has an existing policy for paying out severance. Requests for claiming severance payments must be approved by DOP in advance and a copy of the severance policy made available upon request.
- Fringe: Contractors should only invoice for expenses that are paid for and posted to their accounting system or ledger. Not all payments follow a regular monthly schedule, and some payments may be for more than one month. Therefore, the fringe amount for any given month may exceed the approved rate. Contractors must keep track of fringe claimed to date and make adjustments by the last month of the operating period to conform to the approved rate.



## **Other than Personnel Services (OTPS) Expenses:**

### **1. Operations and Support**

- Office Supplies: Receipts are not required to be submitted to document purchases, unless specifically requested by DOP staff. Purchases should be documented with sufficient auditable details such as invoice/receipt #, payment/EFT #, date of purchase, payee name, item etc.
- Staff and Client Transportation
  - Purchase of Metro Cards must be documented with a receipt; however, these will not be reimbursed until the Metro Cards are disbursed. Metro card reimbursement requests should be accompanied by a sign-in roster which has the recipient's signature, value of the metro card, program date, and any approver/supervisor signatures. Names should be legible for auditing purposes.
  - Staff or clients receiving unlimited Metro Cards must be pre-approved by DOP prior to purchase and disbursement. Unlimited Metro Cards will only be approved if necessity for frequent travel and cost effectiveness is documented.
  - Out-of-town travel, for staff or clients, including overnight travel must have prior approval from the DOP Program Manager. Approval of these requests will be determined based on the extent to which it benefits the program.
  - As a general rule, taxicab or car services expenses will not be approved unless a justification is given, such as for transporting heavy or bulky items, or where mass transportation is not available or is less cost effective.
  - Reimbursement for rental vehicles is generally not permitted, unless there is a direct programmatic need and prior approval has been granted by the DOP Program Manager.

### **2. Stipends/Incentives:**

- For contracts that utilize DOP's stipend vendor, contractors must submit a payment summary report from the vendor's database showing payments made for the month being invoiced. These amounts are for overall tracking purposes and will not be included in payment to the contractor, as they are not directly incurred expenses. The summary report should be certified, signed and dated by the contractor's staff member responsible for disbursement and their supervisor in order to verify that the stipends were earned by program participants in accordance with pre-established program goals.
- For stipends that are administered directly by the contractor, stipend disbursement rosters must be submitted as back-up, including signature logs.

### **3. Client Supplies/Activities:** When claims are submitted for group events, attendance rosters should be attached. The number of attendees should justify the costs being claimed. If there is a variance, an explanation should be attached. An example would

be when events are pre-planned for a certain number to be in attendance, but the actual attendance is much lower, and it is not possible to reduce expenses at the last minute.

4. Equipment Purchases: Each item over \$500.00 must be listed individually with its serial number recorded.
5. Exclusion of Taxes: Sales tax is not reimbursable unless the provider can submit documentation that they are not a tax-exempt organization.

## Section 4: Internal Controls

The contractors' executive and management staff are responsible for establishing and maintaining an internal control structure. Internal controls will vary from one organization to the next, depending on such factors as their size, nature of operations and objectives. However, the need for internal controls remains the same; a contractor should find the most efficient and effective way of implementing its internal control procedures.

The following are examples of internal control activities:

- Segregation of Duties: Duties and responsibilities must be divided among different staff members to reduce the risk of fraud or error. In larger organizations, there are often different staff members responsible for procurement and for payment.
- Proper Execution of Transactions and Events: Transactions and significant events must be authorized only by people acting within the scope of their authority.
- Documentation of Transactions: All transactions need to be clearly documented; all documents must be readily available for inspection.
- Secure Physical and Financial Assets: Organizations must safeguard assets, including cash, equipment and other forms of compensation (i.e. metro cards, gift cards, redeemable vouchers, etc.). Periodic inventory checks will help prevent loss or unauthorized use of assets.

### **Retention of Accounting Records:**

In accordance with City contract requirements, contractors must retain all contract-related financial records, including the auditor's reports for six (6) years after the final invoice of the contract is paid. Contractors are subject to audit or investigation for such an additional period.

### **Bookkeeping Practices and Procedures:**

An organization must maintain separate accounting records for funds received through each DOP contract. Accounting records must be established and maintained in accordance with Generally Accepted Accounting Principles. It is essential that the organization maintain accurate, complete, and permanent books and records, available for inspection by DOP staff or designee.

DOP staff and its representatives will conduct both announced and unannounced site visits to an organization during the contract term to ensure books and records are being appropriately maintained.

### **Timesheets:**

Time sheets must be completed for ALL employees. Each time sheet must be signed and dated by the employee and the employee's supervisor. The Executive Director's timesheet will be reviewed and approved by a member of the Board of Directors.

Electronic timesheets may be maintained if they are certified as accurate by the signature of the Executive Director or senior level management designee.

**Bank Accounts:**

Contractors are not required to maintain separate bank accounts for each DOP contract award since it is the City's policy to issue one EFT (Electronic Funds Transfer) to organizations for all payment vouchers processed in a single day.

DOP does require a separate transfer of DOP funds from the main account to a subsidiary ledger to accurately identify DOP funds, by contract, and their use from any other source of funding.

**Cost Allocation:**

Cost allocation is the distribution of one cost across multiple funded contracts. A cost allocation methodology identifies the type of expenses that are being claimed and establishes a basis for allocating costs to business units or cost centers based on an appropriate allotment of such cost.

- Each contractor must develop a written cost allocation plan. The plan must include an explanation of its methodology, detailing the basis used in allocating all costs to its various DOP programs. Time distribution records must reflect after-the-fact determination of the actual activity of each employee. Cost allocation is established on the premise that contractors maintain an adequate accounting system and accounting records to document costs and support claims. Allocation methods and distribution of costs must be based on a generally accepted accounting practice.
- When allocating costs to a particular contract, the following must be considered:
  - Allowable direct costs that apply to only one program must be charged directly to that program or contract and cannot be allocated.
  - Allowable direct costs that can be identified across multiple programs must be pro-rated using a base most appropriate to the particular cost being pro-rated.
  - Allowable indirect costs (cost that benefit all programs and cannot be identified to a specific program) are allocated to programs, grants, etc., using a base that results in equitable distribution.
  - Contractors are not allowed to charge more than 100% of the cost across programs.
- Regardless of the cost allocation method used, expenses claimed must be supported by documentation of cost distribution showing the benefit each program received. (Please note, that the approval of a DOP budget does not constitute approval of a contractor's cost allocation plan and method used).
- A reasonable cost allocation plan must be presented to show the basis used to allocate the amounts incurred in each of the funded programs. The basis applied cannot be based on the budget amount, rather it must be based on the benefit derived by each program from that expense, (i.e. time, space, usage, etc.).
- All expenses submitted for reimbursement are subject to an audit to assess whether expenses are allowable and reasonable based on the cost allocation method used. Unreasonable cost allocations will result in disallowed costs.

**Compliance with the Requirements of the Non-Profit Revitalization Act of 2013:**

DOP expects all funded contractors to be in compliance with the requirements of the New York Not-For-Profit Corporation Law, as mandated by the Non-Profit Revitalization Act signed into law in New York in 2013 and subsequent amendments. Compliance with the requirements of the Non-Profit Revitalization Act is subject to verification by DOP or its contracted audit firms.

**Employee Personnel Files:**

Employees' personnel files must include all pertinent documents used in the hiring process. The hiring documents must include, at minimum, the following documents:

- Employment Application
- I-9 Employment Eligibility Verification
- Authorized working papers for individuals under age 18
- Job Description
- W-4 form
- Resume
- Copy of Educational degree(s), diploma(s), or Certificate(s)
- Background check
- Personnel Action Form

**Resigned Employees:**

Employee vacation and sick time accumulated during employment are allowed to be paid to that employee under the DOP contract upon separation from employment, when such separation occurs during the contract operating period and the contractor has a policy allowing payment for such time. If the employee's time is cost-allocated, it must be charged accordingly.