



Expenditure Guide for Programs
Receiving Pre-K for All Funding

(Revised August -2016)

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1. INTRODUCTION

This Expenditure Guide explains guidelines that will be applied to determine whether Universal Prekindergarten (“Pre-K for All”) costs incurred by a Pre-K for All program provider (“Provider”) operating under the terms of its Pre-K for All Contract, (“Agreement”) are allowable. **Where the Expenditure Guide is silent as to the treatment of a particular cost, it should not be assumed that the cost is allowable. Rather, the Provider is required to consult with the Division of Early Childhood Field Office (“Field Office”).** If the expense is deemed allowable, the Provider must obtain that agreement in writing. In any case where the expense is incurred outside these guidelines, and written approval cannot be produced, the expense may be subject to disallowance.¹

Providers must maintain accounts in accordance with generally accepted accounting principles for all programs that receive Pre-K for All funds. The accrual basis of accounting is required for all programs receiving Pre-K for All program funds. Accounting journals, *i.e.*, general ledgers, must include asset, liability, and fund balance or equity accounts, as well as expenditure and revenue accounts. Separate subsidiary revenue and expenditure accounts shall be maintained for each approved Pre-K for All site and, if applicable, for other programs operated by the Provider.

Final allowable costs may be determined upon review of actual Pre-K for All program expenditures. The purpose of the review is to ensure that the costs were incurred in conformity with the approved budget, and were reasonable, necessary, directly related to the Pre-K for All program, and, if applicable, fairly allocated. Providers must also maintain adequate documentation supporting transactions. All expenditures are subject to audit.

2. EXPENDITURE PROTOCOLS

This section explains how the Field Office will evaluate your expenses. In calculating unit price (per pupil tuition) your Field Office relies upon budgets and work plans submitted by Providers. Incurred costs must be consistent with the Provider’s approved budget and work plan, compliant with this Expenditure Guide, and reasonable, necessary, related to the Pre-K for All program, properly documented and, if applicable, fairly allocated.

¹ Those Providers that receive tuition payments from the Department for Preschool Special Education programs pursuant to New York State Education Law §4410 may be familiar with the New York State Education Department Reimbursable Cost Manual, which sets the guidelines for reimbursement of programmatic costs. Those Providers should be aware that the Pre-K for All Expenditure Guide, while similar in some respects, has a narrower scope of items that are deemed allowable, particularly with respect to certain indirect student services. It should not be assumed that because expenditures are allowable under the Special Education Program guidelines, they will be allowable under Pre-K for All.

2.1 - "Cash" Transactions:

Except as discussed in the Petty Cash section, below, providers must not conduct cash transactions and must not make payments by checks written to "cash."

2.2 - "Petty Cash" Transactions:

As a general rule, payments/reimbursements should be made by check. However petty cash may be used to meet small, immediate expenses incurred in operating the Pre-K for All program. It is acceptable for the Provider to establish a petty cash fund of no more than \$200, as long as the petty cash funds are safeguarded and the person(s) having access to the cash and responsibility for approving petty cash transactions are clearly identified. Each transaction must be documented with a voucher identifying the person to whom the cash was provided, the nature of the expense, date of payment and the person approving the payment. A receipt or invoice reflecting the actual expenditure must be part of the documentation. Before the petty cash account is replenished, all outstanding petty cash vouchers should be accounted for.

2.3 - Reasonable Costs:

Even if expenditures fall within an approved cost category, they will have to meet the test of reasonableness. A cost is reasonable if, in its nature and amount, it does not exceed what a reasonable person would spend under the circumstances at the time the decision was made to incur the cost. In determining reasonableness of a given cost, consideration will be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the Pre-K for All program;
- The restraints or requirements imposed by such factors as: sound business practices, arm's-length bargaining, federal, state or local laws and regulations;
- Prices for comparable goods or services as determined by reviewing similar entities;
- Whether the individuals concerned acted with prudence given their responsibilities to the entity's Board of Directors, its employees, the public at large and the NYC Department of Education (NYC DOE);
- Whether there has been a significant deviation from the established practices of the entity or similar entities that may unjustifiably increase the cost of the approved program.

2.4 - Cost Allocation Across Multiple Funding Streams:

Pre-K for All funds cannot be used to cover non Pre-K related expenses. Therefore, Providers receiving funds from any public agency or private source to operate a program/programs in addition to the Pre-K for All program, have a continuing obligation under the terms of the Agreement to establish a cost allocation methodology, and to allocate costs across programs, where applicable. Therefore, where the Provider accepts funding for programs from non-NYC DOE funding sources, or from the NYC DOE for programs other than the Pre-K for All (e.g., Special Education Programs), the Provider must:

- Establish an allocation methodology that fairly and reasonably divides costs, and maintain all relevant records and information used to develop the methodology;
- For each fiscal year, maintain books, records, and other evidence, in sufficient detail to support all claims against the Pre-K for All program, including those that have been made on a cost allocation basis;
- Review allocation percentages on an annual basis and adjust them as necessary to reflect a reasonable cost distribution among programs. All records used to update or select a new allocation methodology for an expense must be maintained as well;
- Make the records available for review by the Field Office or its representative upon request.

Failure to maintain appropriate documentation may result in disallowance.

Depending on the type of expense, the method selected for allocating costs among programs may be based on the percentage of hours of the programs' operation; or square feet used by the programs sharing the cost; or the ratio of the number of children participating in the programs. We expect that the cost methodology reported to the Department for allocation of Pre-K for All funds toward a particular expense will be the same used in reports to all other funding sources.

The following are examples of how the methodologies can be applied by cost category.

- Rent/Utilities/Telecommunication: An allocation of costs by square footage utilization would constitute a reasonable methodology.
 - Salaries of Direct Service Staff: The ratio of the number of hours that the employees work in the Pre-K for All program to the total hours worked by the employees can be used as a basis for allocation. For example, the Provider operates a 10-hour program; and the Pre-K for All program accounts for 6 hours and 20 minutes, the percentage of cost that should be allocated to the teacher's salary will be 63% (6.3 hours/10 hours). The percentage assigned to Pre-K for All will be greater if the Pre-K for All teacher's salary includes time spent on Pre-K for All program-related activities that occur before or after the instructional 6 hour and 20 minute class.
 - Instructional Supplies/Classroom Equipment: Since the allocation of costs should be made according to the benefit derived from the goods purchased, this cost category should be allocated based on the number of students in each Pre-K program who are using the instructional supplies.
- Administrative Expenses: Administrative expenses are those associated with the overall operation of the agency (e.g., salaries of a receptionist, accountant, Chief Financial Officer, Chief Executive Officer; and costs associated with rent, utilities, telecommunications, equipment, and/or supplies for the administrative office). It is recommended that programs calculate the assigned share of administrative expenses on the basis of each program's revenue. However, those Providers that are operating programs that require submission of a Consolidated Fiscal Report (CFR) to the state, must allocate administrative expenses for the Pre-K for All program using the method required by the New York State Education Department. [See 3.1.2 - Agency Administration below for further information.](#)

NOTE: There is one exception to the direction that costs must be allocated among programs. That exception applies to costs shared between Pre-K for All and private programs. For those costs, as long as the Pre-K for All program is not charged more than it would have been charged under an appropriate

cost allocation methodology, the allocation will be considered acceptable. In other words, a private program can always pick up more than its fair share of the costs. The following is one example of how the exception applies: A Provider purchased a computer that cost \$3,000 for the use of both a 6 hour 20 min Pre-K for All Program and a 4 hour afternoon private-pay program. With rounding, the allocation is determined to be 60% for the Pre-K program and 40% for the afterschool program based on hours of operation. However, if the Pre-K for All budget cannot absorb the full 60% charge, it would be acceptable for the Provider to charge less than 60% to the Pre-K for All program.

For additional information about cost allocation, including recommended allocation methods and record keeping conventions, see 4.2 - Cost Allocation below.

2.5 - Less-Than-Arm's-Length ("LTAL") Relationships:

In general, a LTAL relationship exists when there are related parties and one party can exercise control or significant influence over the management or operating policies of another party, to the extent that one of the parties is or may be prevented from fully pursuing its own separate interests.

Related parties consist of all affiliates of an entity, including but not limited to: (1) Its management and their immediate families; (2) Its principal owners and their immediate families; (3) Any party transacting or dealing with the agency/entity of which that party has ownership of, control over, or significant influence upon the management or operating policies of the program(s)/entity(s) to the extent that an arm's-length transaction may not be achieved.

Common related party transactions include the following:

- Services received (e.g., professional development, accounting, management, legal services)
- Lease of equipment
- Lease of real property

LTAL transactions may be allowable if approved by the Field Office. LTAL transaction costs cannot exceed the LTAL party's actual (out-of-pocket) and documented costs. Providers must submit the documentation upon request of the NYC DOE. Note that invoices presented to the Provider by the LTAL party do not constitute "actual costs." As with other types of expenses, LTAL expenses must meet the test of reasonableness and be fairly allocated as applicable.

3. EXPENDITURE CATEGORIES

The following section discusses what costs are allowable by the NYC DOE. The categories below are organized to reflect common expenditures and should not be considered as proxies for a program's budget categories. **Where the Expenditure Guide is silent as to the treatment of a particular cost, it should not be assumed that the cost is allowable. For any questions about what costs are allowable, or where a cost should be attributed in a program budget, the Provider is required to**

consult with the Field Office.²

3.1 ADMINISTRATIVE EXPENDITURES

3.1.1 – Accounting:

Reasonable costs incurred by establishing and maintaining accounting and other information systems required for the management of the Pre-K for All program are allowable, including the cost of hiring an accountant/accounting firm. As noted in the cost allocation section, if the accounting services benefit more than one program, the costs must be fairly divided among all the programs that benefit from such expense.

3.1.2 - Agency Administration:

Agency administration costs are defined as those expenses that are not directly related to a specific program, but are attributable to the overall operation of the agency. Agency administrative costs, may include, but are not limited to: salary and fringe benefit costs of staff whose primary function is management and administration of the agency's programs; cost of other-than-personal-services ("OTPS") such as telephone, utilities, office equipment and supplies, consulting services, advertising, postage, office equipment rental, minor repairs and maintenance, operating licenses and permits (such as DOHMH licenses, but not professional licenses), and insurance.

Note: The NYC DOE may review administrative costs in relationship to total operating costs to determine the reasonableness of agency administrative charges and may adjust them if they are deemed excessive.

3.1.3 – Consultants:

Contractor/Consultant costs identified in the Provider's annual budget submission may be allowable but the rates for consultants must be reasonable. Arrangements to hire consultants who are in a less-than-arm's-length relationship with the Provider's management or ownership, will be scrutinized. **See 2.5 - Less-Than-Arm's-Length ("LTAL") Relationships: a b o v e for further guidance and disclosure requirements.**

Reasonable fees paid to contractors for services such as grounds maintenance or pest control are allowable. **See 3.3.9 - Sanitation Services below.**

² In certain cases a dollar limit is imposed on expenditures for a cost category. Providers must typically request and submit a new budget if their initial budget changes more than \$300 in a given cost category. In cases where circumstances may warrant a waiver of that limit, providers must submit a written request to the Field Office stating the need for the waiver. The request must identify the total cost of the proposed expenditure and specify the budgeted cost category/categories that would be reduced to meet the increased cost. Unless included in the request and permitted by the Field Office, cost categories that could be reduced are limited to those that are administrative and do not impact the quality of the program. The Provider should not act on the expenditure until written approval from the Field Office is received. The Provider must maintain the request and the approval/denial for audit purposes. If the waiver is approved, the program provider must submit an amended budget to reflect the approved changes.

Costs associated with retainers for legal, accounting, or consulting services are not allowable unless the fee represents payment for actual documented services rendered for the benefit of the Pre-K for All program. Costs related to claims or lawsuits by or against the Provider are not allowable. Additionally, costs incurred in connection with reorganization of the agency, including mergers and acquisitions are not allowable. The cost of activities associated with obtaining grants, contracts, cooperative agreements, or loans are not allowable.

NOTE: In the event that the NYC DOE requests a copy of the Provider's tax returns and/or a Certified Financial Report or Certified Financial Statement, if applicable, the cost of copying the record(s) is allowable. However, since the Provider has to have at least one of those records prepared in order to satisfy its tax obligations or reporting requirements for programs other than the Pre-K for All program, the costs associated with the preparation of those records cannot be charged to the Pre-K for All program.

Fringe benefit costs for contractors/consultants are not allowable.

For record keeping conventions, see 4.3 – Consultants below.

3.1.4 - Parent Corporation or Related Entity Charges:

If a Provider has a LTAL relationship with a parent corporation or related entity for the provision of "management" services that include, but are not limited to, administering the provider's operation, hiring staff, and paying bills, that arrangement should yield cost efficiencies. Further, the costs associated with the engagement must be reasonable, necessary, fairly allocated and based on actual costs (as opposed to flat fee and percentage-based charges).

See 2.5 - Less-Than-Arm's-Length ("LTAL") Relationships: above.

3.1.5 - Payroll Preparation:

The reasonable cost of preparing payrolls and maintaining related wage records is allowable.

3.1.6 – Postage:

Postage costs such as stamps, postage meter rentals, and other related costs for Pre-K for All program mailings and activities are allowable.

3.1.7 - Printing and Reproduction:

Costs of printing and reproducing forms, reports or similar items which are necessary for the Pre-K for All program are allowable.

3.1.8 – Pre-K for All Funding Proposal Costs:

The cost of staff or consultants to prepare a proposal to obtain Pre-K for All funding are not

allowable.

[3.1.9 - Recruitment of Personnel:](#)

- Costs of "Help Wanted" advertisements are allowable.
- Costs of staff fingerprinting are allowable.
- Costs related to certifications/licenses for staff are not allowable.
- Employment agency fees are not allowable unless approved by NYC DOE.

3.2 DONATIONS, FEES, AND TAXES

[3.2.1 - Admission Fees:](#)

Admission fees for Pre-K for All programs are not permissible.

For information about admissions fees relating to instructional field trips, see 3.8.3 - Transportation/Travel (Students) below.

[3.2.2 - Contributions and Donations:](#)

Political and charitable contributions and donations made by the program are not allowable.

[3.2.3 – Dues:](#)

See 3.7.7 - Subscriptions and Dues below.

[3.2.4 - Fines, Penalties and Late Charges:](#)

Costs resulting from violations of, or failure by, the entity to comply with federal, state, and/or local laws and regulations, are not allowable.

Charges incurred as a result of a delay in payment and/or inaction of the provider are not allowable.

[3.2.5 - Fund Raising Costs:](#)

Costs of fund raising activities, including financial campaigns, endowment drives, and/or solicitation of gifts and bequests, are not allowable.

[3.2.6 - In-Kind Contributions:](#)

"In-kind" contributions refer to expenditures that are not chargeable to a public funding source either partially or in full. In other words, only private funding may be viewed as the source of "in-kind" contributions. In-kind contributions, further, are not subject to cost allocation principles, as long as

the Pre-K for All program is not charged more than it would have been charged under an appropriate cost allocation methodology.

3.2.7 - Licenses/Permits:

The cost of DOH licenses and operating permits are allowable to the extent that the costs are allocated across all programs that require the license.

3.2.8 - Loans/Interest Costs:

This section does not apply to loans secured by real property. (See Mortgage section, 3.3.7D below).

- Under no circumstances are Pre-K for All funds to be loaned.
- Working capital interest is defined as interest paid on loans that are secured for operational expenses.

As a general rule, costs associated with interest on a working capital loan to the Pre-K for All program are not allowable. However, if the NYC DOE Pre-K for All payments to the Provider have been delayed, and the Provider has not caused the delay by failing to respond to requests for necessary records/documentation, the Provider may apply to the Field Office for written approval to enter into a loan agreement to acquire working capital over a short term, not to exceed the fiscal year in which the loan is obtained, to meet its operating obligations. The application to the Field Office must disclose whether the lender is in an arm's-length or less-than- arm's-length relationship (as defined above) with the Provider and identify the name of the lender, interest rate, term of the loan, schedule of repayment, and the name of the institution/individual to whom checks will be drawn in repayment of the loan.

If the Field Office approves the loan, the "Administrative OTPS" section of the budget must be amended and re-submitted to include a cost category for the anticipated interest costs; all interest costs must be reported on the required disclosure reports (on an accrual basis). The interest on a Field Office-approved loan will be allowable with Pre-K for All funds according to cost allocation and records maintenance guidelines (including a written loan agreement), and only to the following extent:

- Interest expense on working capital loans obtained for the purpose of repayment of Pre-K for All funds as a result of an audit and/or demand for return of unexpended balances is not allowable.
- Interest expense is allowable only when there are corresponding payments of principal on the working capital loans.

For Providers with unregistered contracts, NYC DOE may extend access to operating capital through a bridge loan. Providers that choose to take advantage of these loans must abide by the terms and conditions of the loan agreement.

3.2.8A - Arm's-Length Transactions:

Interest expense on a Field Office-approved working capital loan is allowable provided the interest rate is not in excess of the prime rate plus one percent of the lending institution at the time the loan was made. Loan procurement fees are not allowable.

3.2.8B - Less-Than-Arm's-Length Transactions:

Interest expense on an Field Office-approved working capital loan in an LTAL transaction is allowable only if the interest rate charged by the LTAL lender is less than or equal to the prime rate on lending in the geographic area.

3.2.9 – Taxes:

In general, taxes that the entity must pay and that are chargeable to the Pre-K for All program (such as water, school or property tax) are allowable if they are paid or accrued in accordance with generally accepted accounting principles.

The Provider is responsible for paying all applicable sales taxes. The Field Office cannot allow private entities to use its tax-exempt certificate to purchase supplies and/or materials. However, the tax paid on the purchase of items for the Pre-K for All program, the costs of which are allowable, will be allowable as well, subject to guidelines concerning cost allocations.

Payments for federal, state, and local income taxes or any related penalties and interest are not allowable.

Penalties and interest on late payments or nonpayment of payroll withholding taxes cannot be charged to the Pre-K for All program.

3.3 FACILITIES EXPENDITURES

3.3.1 - Capital Expenditures:

With the exception of contract-approved startup costs capital expenditures are not allowable (**See 3.3.10 - Startup Funding below for more information**). However, costs associated with certain *minor repairs* may be allowable. (**See 3.3.8 - Repairs/Maintenance/Renovations/Alterations–Facility and Equipment below**).

3.3.2 - Depreciation/Amortization:

Providers cannot depreciate or amortize purchase of equipment and any other items that may be depreciable under other regulations. Instead, they must be fully expensed and, as applicable, inventoried in the year in which they are purchased.

NOTE: Providers are reminded that the NYC DOE has reserved the right to claim items purchased with Pre-K for All funds within a year of the purchase upon termination of the contract.

3.3.3 – Insurance:

Allowable insurance premium costs include those for commercial general liability, fire/disaster, or casualty loss insurance or any insurance coverage required by the agreement with the NYC DOE to provide Pre-K for All services. The Field Office reserves the right to consider whether the amount of the deductible and cost of the policy are reasonable.

In the event of a claim against the insurance policy, the amount paid by the provider as the deductible is not allowable.

NOTE: Self-insurance plans whereby a program establishes a reserve or contingency account/fund for future liabilities are not allowable. Costs of insurance on the lives of owners/officers or employees when the entity is identified as the beneficiary are not allowable. Costs to insure against the loss of key personnel are not allowable.

3.3.4 – Internet:

See 3.3.11 - Telephone/Facsimiles/Internet below.

3.3.5 - Licenses/Permits:

The cost of Department of Health and Mental Hygiene licenses and operating permits are allowable to the extent that the costs are allocated across all programs that require the license.

3.3.6 – Maintenance:

See 3.3.8 - Repairs/Maintenance/Renovations/Alterations–Facility and Equipment below.

3.3.7 - Rent: Facility Costs/Equipment/Furniture/Fixtures:

- Providers should make copies of new or renegotiated leases available to the Field Office staff for review upon request before the effective date of the lease, or at any other time, to allow the Field Office’s designated fiscal representatives to determine the extent to which the costs of the rental agreements are allowable.
- A program must have prior written approval from the Field Office to move to a new location. Moving costs are not allowable.
- Rent/Lease security deposits are not allowable.

With the exception of a Pre-K for All program that operates in a home or other property owned in whole or in part by the sole proprietor, all rental agreements, including renewals must comply with the following:

- Agreements must be in writing, dated and signed by the lessee and the landlord.
- The agreement must specify the location (*e.g.*, first floor and ½ basement) and square footage

assigned to the Provider.

- The agreement must state the monthly rent and whether the rent includes any services (*e.g.*, electricity, gas or other utility) and/or equipment and/or furnishings and/or fixtures.
- A copy of the Provider's rental agreement in effect for the applicable period must be submitted to the Field Office and attached to the Pre-K for All contract if the rent is in excess of \$15.00/square foot.
- In no event will checks written to "Cash" be acceptable as a record of rental payment.

Rent expenses are typically allowable only for the 10 months the Pre-k program is in operation. If Providers are not operating any other program during the summer months, rent expenses may be allowable. Pre-K for All funds may be used to cover a portion of the rent for these months, consistent with established cost allocation methodology.

3.3.7A - Cost Allocation:

- Whether through an LTAL arrangement or otherwise, the share of rental expense allocated to Pre-K for All programs must be based on a documented and reasonable allocation methodology, such as square footage utilization.
- If the space occupied by the Pre-K for All program is also designated for personal use, only the space used by the Pre-K for All program during Pre-K for All hours can be subject to rental charges. Providers must follow the Internal Revenue Service's rules for assigning expenses to non-exclusive-use premises (See IRS publication 587).

3.3.7B - Equipment/Furniture/Equipment Rental:

Reasonable rental costs of equipment, furniture and fixtures are allowable if the Field Office has authorized the rental and approved the rental charges in writing. Costs should be comparable to the expense that would be incurred if the equipment were owned, maintained, and depreciated by the school.

3.3.7C - LTAL Transactions:

Pre-K for All site rental costs incurred in an LTAL lease of real property are allowable subject to disclosure of the relationship to the Field Office, the following guidelines and OM approval.

- If the Pre-K for All provider leases space for its program from a related party (LTAL transaction), the amount of rental expense that will be reimbursed cannot exceed the fair market value (FMV), for such leased space as of the date the lease is signed as determined by the provider. In determining FMV, it is expected that the provider will consider comparable leases of comparable spaces within the same or similar geographical area. The provider should maintain records in support of its determination of FMV and be prepared to produce them for review by the OM upon request.

- If the leased space also is used by the provider for any other program/activity, only that portion of the rental costs that are reasonably allocable to the Pre-K for All program may be claimed as rent. In any such case, the allocation must be based on square footage as supported with a floor plan that clearly identifies the location (e.g., first floor and ½ basement and backyard) and the dimensions of those spaces that are used by the Pre-K for All program exclusive of common areas.
- Gas, heat, electricity and water/sewer costs are reimbursable only to the extent of the owner's actual costs as supported with utility bills and proof of payment. If the leased space also is used by the provider for any other program/activity, only that portion of the utility costs that are reasonably allocable to the Pre-K for All program may be claimed for reimbursement. The allocation must be based on the same methodology used for rental costs.
- The costs incurred by the property owner for mortgage, property or other property-related insurance and property taxes are not reimbursable.

3.3.7D – Mortgage:

With respect to the interest portion of a mortgage, the following guidelines apply:

- Where the lender is a third party (e.g., bank) that is not related to the borrower, the amount of interest that can be added to principal in calculating rental charges cannot exceed the prime rate plus one percent at the time the loan was made. Any rate in excess of the prime rate plus one percent must be disclosed to and pre-approved in writing by the Field Office before it may be allowable.
- Where the lender is related to the borrower, the amount of interest that can be added to principal in calculating rental charges cannot exceed the prime rate.
- **NOTE:** Loan procurement fees are not allowable.

3.3.8 - Repairs/Maintenance/Renovations/Alterations–Facility and Equipment:

Capital expenditures are not allowable except in relation to contract-approved startup ([see 3.3.10 - Startup Funding below](#)). However, costs associated with minor maintenance or repair of equipment and minor facility renovations or alteration costs (e.g., limited work on a plumbing systems; installation of safety devices, such as fire exit signs, smoke alarms or smoke detectors; minor renovations necessary to comply with New York State standards) may be allowable if the costs are incurred for the benefit of the Pre-K for All program, are fairly allocated, and conform to the following:

- Expenses generally cannot exceed a yearly total of \$2,500 or \$1,000 per classroom, whichever amount is greater.
- The Field Office must pre-approve any site-level expense that is in excess of \$1000 and has a useful life in excess of 2 years.
- The Provider must attach to the request for approval three written bids if the expense will

exceed \$1000. The Field Office shall make the determination to reimburse costs on a case by case basis. If pre-approval cannot be obtained because the cost is incurred due to an emergency (e.g., flood, fire, contamination) the Field Office should be notified within 3 business days of the repair being made.

A record of the expense must be submitted immediately upon request. All purchases must be supported with itemized invoices indicating items purchased, proof of delivery (such as packing slips), and proof of payment. A credit card receipt will not suffice if the items purchased are not specifically identified. Failure to maintain and provide such record may result in disallowance of costs.

[3.3.9 - Sanitation Services:](#)

Providers in NYC DOE-managed buildings are included in the waste management services currently provided for that building. Providers in non-NYC DOE buildings may engage private carting companies for waste removal. However, the costs associated with private carting cannot be charged to the Pre-K for All program because the New York City Department of Sanitation offers its services free of charge to all Pre-K Providers that receive funding from the NYC DOE. Field Offices will give Providers letters for each site in which a Pre-K for All program is operating to confirm the Provider's receipt of funds from the Department. Providers should follow the directions that will be distributed with the letters to arrange for services directly with the Department of Sanitation.

[3.3.10 - Startup Funding:](#)

Startup funding represents a onetime payment issued by NYC DOE to help Providers to establish their classrooms for the first time. These funds can be negotiated with the field office only during the Request for Proposal (RFP) process. All Pre-K Providers with contract-awarded startup must submit an approved budget, to the Field Office. Any startup costs not expended in accordance with this budget must be returned to the NYC DOE. Operations Managers have the discretion to reduce the amount of startup funding based on changes that are made to the Provider's award or enrollment, and determined to be reasonable and fair. Startup expenses will be carefully scrutinized and will be subject to adjustment upon a determination that they are excessive.

All purchases related to startup must be supported with itemized invoices indicating items purchased, proof of delivery (such as packing slips) and proof of payment to be provided to the Field Office. Provider must also make cancelled checks available to the Field Office upon request. A credit card receipt will not suffice if the items purchased are not specifically identified. Providers will submit these supporting documents to their Operations Analyst (OA) within 30 days of receiving their startup funds. Capital expenses approved as part of a Provider's contract-awarded startup are allowable.

[3.3.11 - Telephone/Facsimiles/Internet:](#)

Costs incurred for telephone/cellphone service, local and long distance telephone calls, and electronic facsimiles (FAX) are allowable if they are used primarily in furtherance of the operation of the Pre-K for All program. In the case of cellphone data and text messaging charges, providers must be able to demonstrate the business necessity for such additional cellphone features and that the cost of the

plan(s) is no greater than necessary to meet the provider's business needs. Any personal use of the devices must meet the de minimis fringe benefit standard as established by the IRS.

3.3.12 – Utilities:

Costs of electricity, gas, and other fuel are allowable provided these costs have not already been included in costs reported for rental or lease agreements. Such costs must be directly charged to all applicable programs or allocated on a reasonable basis when the site is receiving funding from multiple sources.

3.4 INSTRUCTIONAL EXPENDITURES

3.4.1 - Authentic Assessment Systems:

It is required that Providers use an authentic assessment tool to monitor and document the progress of children participating in the program and to inform classroom instruction and professional development. (NYS Regulation, Part 151-3.1-i, ii revised January 3, 2008). The reasonable cost of authentic assessment systems for Pre-K for All programs are allowable.

Three authentic assessment options have been approved by the NYC DOE and are offered to Providers free of charge:

- Pearson, Work Sampling System
- Teaching Strategies GOLD
- High Scope Child Observation Record (COR) Advantage

Providers that want to use an assessment that is not on this list must contact and obtain approval from prekassessment@schools.nyc.gov.

3.4.2 – Curriculum:

Reasonable costs associated with curricula that are based on the New York State Prekindergarten Foundation for the Common Core and addresses all areas delineated in Pre-K for All program [regulations](#) are allowable.

The Division of Early Childhood Education (DECE) can require Providers to implement certain curricula and activities if it determines that the program needs them to meet the expectations for curriculum outlined above. If DECE requires any such curriculum to be implemented, those costs are allowable.

3.4.3 - Developmental Screening:

Reasonable costs associated with developmental screening for Pre-K for All students are allowable.

All Pre-K for All-eligible children must be screened per NYS Regulation Part 151-3.1 revised January 3, 2008. Providers are required to participate in the screening assessment and reporting procedures. The following instruments are commonly used to determine the developmental baseline:

- Early Screening Inventory – Revised (ESI-R)
- Ages and Stages Questionnaires – Third Edition (ASQ-3)
- Brigance Inventories System II

Providers that want to use a developmental screening that is not on this list must get approval from the Field Office.

3.4.4 - Supplies and Materials (Instructional):

Pre-K for All programs should purchase supplies and materials so they can meet the Pre-K Program Quality Standards (PQS). Purchases of Pre-K for All program classroom supplies and instructional materials are allowable and should be charged at the net price after deducting all cash discounts, trade discounts, rebates, and allowances received by the entity. Reasonable freight charges, cartage, postage and other transportation services relating either to supplies and materials purchased, in process, or delivered are allowable.

NOTE: The Field Office may determine that although the purchase of instructional supplies is supported with proof of costs and the materials are appropriate for a Pre-K for All program, the purchase occurred too late in the school year to benefit the current students. The purchase, then, may be deemed unreasonable or unnecessary, and therefore, not allowable for that school year. It is strongly recommended that Providers purchase 75% of their equipment and 50% of their program supplies by mid-year. Any orders made using current fiscal year funds should be delivered by the end of the same fiscal year. The Field Office may ask for documentation such as a packing slip to confirm the delivery date.

3.5 FAMILY ENGAGEMENT

3.5.1 – Advertising:

Costs associated with advertising through publications, radio, direct mail, trade papers, and similar media, are allowable. The intended outcome of advertising should be recruiting Pre-K for All-eligible students and Pre-K for All personnel.

Pre-K for All programs are not required to advertise.

3.5.1A - Guidelines for Pre-K for All Program Advertising:

Advertising costs are limited to an aggregate of \$1,000 annually.

In addition to a description of the Pre-K for All program, the advertisement *must* include the

following pieces of information:

- The program is only for children who will be 4 years old on or before December 31st of the school year in which the child is seeking enrollment.
- The Pre-K for All program is free; funding is provided through state funds earmarked for Pre-K for All programs.
- If the Provider offers additional services to parents, the advertisement must clearly state the number of hours of the Pre-K for All program and the hours for any other services.
- Parents are responsible for arranging for and paying the cost of transportation to the site.

Advertisements *cannot* include information that might lead parents to believe that:

- The Pre-K for All program will accommodate students only if they are also private pay beyond the Pre-K for All program hours.
- Transportation is provided free of charge through the Pre-K for All program.

3.5.2 – Outreach/Engagement Expenses:

The NYC DOE desires to engage its partners in supporting parental and family engagement in the education of children and recognizes that improved student achievement is linked to engaging parents and families in the education process and that parents and families are the first educators of children.

Therefore, reasonable costs that are associated with family outreach activities are allowable. Allowable activities include creating parent/child lending libraries; offering child care service at parent meetings and/or parent/teacher conferences; and encouraging parent participation in instructional field trips. The reasonable cost of snacks at meetings attended by parents is also allowable. Providers must maintain a separate account column in their general ledger for family engagement expenditures and, as with all purchases made with Pre-K for All funds on behalf of the Pre-K for All program, maintain acceptable proof of expenditures.

3.6 PERSONAL SERVICES EXPENDITURES

3.6.1 – Bonuses:

Bonus compensation means a non-recurring and non-accumulating (*i.e.*, not included in base salary of subsequent years) lump sum payment(s) in excess of regularly scheduled salary which is not directly related to hours worked. Bonus compensation is not allowable unless otherwise approved by NYCDOE.

3.6.2 - Compensation for Personal Services:

Compensation for personal services includes salaries and wages, as well as fringe benefits including

pension plan costs. Unearned vacation/sick leave is not allowable. Payments for accrued vacation/sick leave, including lump sum payments that are made upon the termination of the employment relationship and that are required by law or by employer-employee agreement and meet the criteria stated in "Fringe Benefits" below, are allowable when paid and reported in the base year financial reports and allocated among all the programs receiving benefits.

3.6.2A- Salaries:

Salary for Pre-K for All instructional staff is not limited to compensation for direct instructional hours and may include indirect instructional time for such Pre-K for All program-related activities as planning, team meetings, entering assessment data, communicating with parents, and professional development. Providers should reach an agreement with the Field Office regarding the amount of indirect instructional time that is included within teachers' salaries for Lead Teachers and Teaching Assistants, **but it should not exceed 1 hour for full day and ½ hour for half day per day**. In determining the portion of an employee's salary that will be charged to the Pre-K for All program, the Provider should include the employee's total hours (direct instructional and indirect time).

Salaries, which include Pre-K for All employees' taxable and non-taxable paid or accrued compensation, should be based on the following principles:

- Providers should enter into employer-employee agreements that include salary scales. These agreements must be made available to the Field Office upon request.
- The Field Office reserves the right to request additional justification for salaries, and, if appropriate, to recommend adjustments to compensation.
- NYC DOE has the right to recoup funds that were budgeted for salary, but not ultimately paid.
- Pre-K for All budgets assume a yearly teacher salary paid out over 10 months; however Providers may choose to spread payment of the yearly salary across all 12 months.
- The Provider must maintain the following records for all employees charged to the Pre-K for All program. (This does not apply to Director-level employees unless otherwise required by the employment agreement or agency policy).
 - Contemporaneous time records (time cards or daily sign-in/sign-out sheets, or electronic timekeeping) must be maintained.
 - All hours of the employees' workday must be accounted for. Therefore, if the employee works in a program or programs operated by the Provider in addition to Pre-K for All, the employee's time spent in the additional program(s) must be documented.
 - The time records must be dated, reviewed by the employee and approved the supervisor.
 - Payroll records must also be maintained by the Provider.
See 4.5 – Payroll below for more information on record keeping conventions.

NOTE: Budgeted or estimated compensation will not suffice as a record of incurred expenses.

- The allocation methodology for staff working in multiple programs must be uniform and properly documented. The NYC DOE retains the right to request and receive documentation including but not limited to in the form of a W-2 or 1099 to confirm total compensation to any employee/consultant charged to the Pre-K for All program.
- The Field Office has the right to negotiate a salary at less than the rate proposed.
- Compensation to Board members or trustees is not allowable.
- Compensation that duplicates worker's compensation awards, jury fees, or disability claims is not allowable.
- The estimated /fair market value of donated services is not allowable.

3.6.2B - Fringe Benefits:

Fringe benefits may be paid only to employees (individuals who receive IRS form W-2), not consultants (individuals who receive IRS form 1099).

Providers must disclose to the Field Office all costs comprising "fringe benefits" as part of the initial budget submission. Any cost that is identified as a fringe benefit must be included as a fringe benefit only and cannot be charged as a separate/split cost elsewhere in the budget.

Fringe benefits must include:

- FICA
- Worker's compensation
- Unemployment and disability insurance

Fringe benefits may also include:

- Paid time off, such as vacation leave, sick leave, military leave, and holidays, provided the benefit is established by written Provider policy.
- Payments into specific employee benefit packages, such as
 - Teachers' retirement, employees' retirement, and pension plans
 - Health insurance
 - Union welfare funds

Reimbursement of fringe benefit expenses shall be subject to the following:

- The New York State Department of Labor Unemployment Insurance Division offers not-for-profit organizations an "Election of Reimbursement Option" for staff unemployment insurance coverage. What that means is that a provider will reimburse the Unemployment Insurance Fund on a dollar-for-dollar basis in the event that an employee is "laid off" and accepts unemployment benefits from the Fund. This option allows the provider to avoid paying unemployment insurance premiums as part of their employees' fringe benefits. While this may be a cost saving opportunity for not-for-profit organizations, as a policy matter, the NYC DOE will not reimburse Pre-K for All providers for out-of-pocket expenses incurred because they chose the "Election of Reimbursement Option."

- Lump sum payments for sick and vacation leave credits for an employee whose employment relationship is ending are allowable when the agreement between the Provider and employee provides for such cost, and the Provider has maintained complete and accurate records of the employee's sick leave and vacation balances.
- Costs of benefits for employees who provide services to more than one entity and/or program must be allocated in proportion to the salary expense allocated to each program.
- Benefits, including pensions, for individual employees or officers/directors must be reasonable and proportionate to those received by other classes or groups of employees of the same Provider.
- Payments made to employees on sabbatical leave are not allowable.

Costs of employer-funded pension plans which are approved by the Internal Revenue Service and accounted for under generally accepted accounting principles (GAAP) are allowable subject to the following exceptions and limitations:

- Payments in lieu of pensions made to or for the benefit of school officers, directors, presidents are not allowable.
- IRA or KEOGH plan payments made by an entity for employees or officers are not allowable as a fringe benefit.
- Employer funded plans such as 403(b) plans are allowable only if they qualify under IRS Guidelines.
- Costs of plans that include only the owner or owner's relatives will not be reimbursed. In no case will the NYC DOE allow a charge for a pension that is accounted for as a salary deduction through compensation paid to the employee.

3.6.3 – Fingerprinting:

See 3.1.9 - Recruitment of Personnel above. Read the *Security Clearance* section of the Agreement carefully. Failure to comply may be considered a material breach of the Agreement.

3.6.4 - Fringe Benefits:

See 3.6.2B - Fringe Benefits above.

3.6.5 - Lodging, Meals and Related Costs and Personal Expenditures:

All personal expenses, which include, but are not limited to personal travel expenses, beverage charges, gift certificates to staff and vendors, flowers or parties, including holiday parties, are not allowable.

Costs incurred for meals, lodging, rentals, transportation, entertainment and gratuities are not allowable.

3.6.6 - Meetings/Seminars/Professional Development:

The cost of a consultant hired to conduct/speak at meetings/seminars or to deliver professional development services for staff is allowable. Records identifying the date of the meeting or services, venue, and attendees, as well as documentation supporting selection and cost of the consultant must be maintained. **See 3.6.2 - Compensation for Personal Services**

3.6.7 – Pension:

See 3.6.2 - Compensation for Personal Services above.

3.6.8 - Personal Services:

See 3.6.2 - Compensation for Personal Services above.

3.6.9 - Professional Development:

See 3.6.6 - Meetings/Seminars/Professional Development above.

3.6.10 – Salaries:

See 3.6.2 - Compensation for Personal Services above.

3.6.11 – Seminars:

See 3.6.6 - Meetings/Seminars/Professional Development above.

3.6.12 - Unemployment Insurance:

See 3.6.2B - Fringe Benefits, above.

3.7 PROGRAM EXPENDITURES

3.7.1 - Clothing/Uniforms for Students:

Ordinary living expenses, such as the cost of clothing and school and athletic uniforms that are normally assumed by parents of students attending child care centers or public schools, are not allowable. Clothing expenses for staff such as uniforms for custodians or food handlers, even if required by school policy, are not allowable.

3.7.2 - Commencements and Convocation (Graduation):

Costs of commencement and convocation activities are not allowable.

[3.7.3 - Contingency Reserve:](#)

Contingency reserves are not available as a budget item.

[3.7.4 - Food for Pre-K for All Students:](#)

NOTE: If the food for the Pre-K for All students is paid for by any other state, federal, or city program, food related costs are not allowable. Food related costs not covered by such programs may be allowable. Pre-K Providers are strongly encouraged to take full advantage of funding available from the Child and Adult Care Food Program (CACFP) operated by the NYS Department of Health. For more information about how a program can participate, call the Albany office of CACFP at (518) 474-5122.

Subject to the above, food and salary costs associated with the provision of one daily snack/meal of adequate nutritive quality may be allowable. The DECE has adopted the guidelines of (CACFP to set nutritional standards for meals served to Pre-K for All students. In addition to following CACFP standards, you are required to follow the New York City Food Standards for all meals served. Pre-K for All programs that operate fewer than three hours must provide a nutritional snack. Full day Pre-K for All providers must provide at least a lunch and snack to ensure that the nutritional needs of the children are met.

Food preparation staff costs must be reasonable when compared to length of time the students are at the site and the number of students being fed.

If Pre-K for All staff are required to eat with the Pre-K for All students, the cost of food for staff may also be allowable.

[3.7.5 – Magazines:](#)

See 3.7.7 - Subscriptions and Dues below.

[3.7.6 – Meals:](#)

See 3.6.5 Lodging, Meals and Related Costs and Personal Expenditures, and 3.7.4 - Food for Pre-K for All Students above.

[3.7.7 - Subscriptions and Dues:](#)

Costs of subscriptions to periodicals and membership in civic, business, technical, and professional organizations and coalitions (dues) are not allowable. However, since children’s magazines add an additional literacy dimension to the program and especially to the parent engagement component, Pre-K for All funds can be used to subscribe to magazines that are written for children and magazines that are written for parents about children.

[3.7.8 - Supplies and Materials \(Non-Instructional\):](#)

Purchases made specifically for the Pre-K for All programs should be charged at the net price after deducting all cash discounts, trade discounts, rebates, and allowances received by the entity. Reasonable freight charges, cartage, postage and other transportation services relating either to goods purchased, in process, or delivered are allowable. Costs of supplies such as light bulbs, brooms, paper products, and other similar maintenance supplies not included in the rent charges are allowable. Costs of office supplies (e.g., paper, pens, pencils, clips) and the costs of printing financial reports, checks, or office forms are allowable. First aid supplies are allowable.

Note: Any orders made using current fiscal year funds should be delivered by the end of the same fiscal year. The Field Office may ask for documentation such as a packing slip to confirm the delivery date.

3.8 TRANSPORTATION EXPENDITURES

3.8.1 - Automobiles/Travel:

The cost of public transportation **for staff** from one Pre-K for All site to another, and to and from meetings called by the NYC DOE related to Pre-K for All programs is allowable. Providers should maintain a log indicating the date, time, location and purpose of travel, mileage, and name of staff traveling. If a Metrocard is provided to the traveler, the number of the card should be noted as well.

See 3.8.3 - Transportation/Travel (Students) for information about students.

Generally, the cost of travel by private vehicle is not allowable. However, in instances where travel from one Pre-K for All site to another using public transportation is impossible or impractical, mileage costs associated with travel by car may be considered in accordance with the guidelines of the Department's Standard Operating Procedures chapter on Travel and Conferences (<https://dfoapps.nycenet.edu/SOP/Default.aspx?c=1159>). Providers should consult with the Field Office to determine the reasonableness and cost of site-to-site travel by car and obtain written approval for those costs in writing. If approval is granted, Providers must maintain a log indicating the date, time, location and purpose of travel, mileage, and name of staff traveling.

Under no circumstances can the Provider use Pre-K for All funds for the cost of travel (by any means) to and from work.

The cost of purchasing/leasing, garaging or maintaining a personal or agency-owned vehicle cannot be charged to the Pre-K for All program.

3.8.2 - Transportation/Travel (Staff):

See 3.8.1 - Automobiles/Travel.

3.8.3 - Transportation/Travel (Students):

The cost of transportation to and from a student's home to the Pre-K for All program is not allowable.

The cost of transportation from school to an approved instructional field trip is allowable. The Field Office must pre-approve all instructional field trips (destination, total costs and the manner of transport) in writing. Paid trips are limited to 3 per class per school year. Providers are responsible for contracting with transportation providers privately.

Admission fees for students that are associated with each approved instructional field trip are allowable only up to \$10.00 for each student and each staff member required to accompany the students.

If the Provider will be seeking reimbursement for parents' admission fees, the request for trip approval must include the number of parents for whom reimbursement will be sought, as well as the necessity for including that number. The admission fees for parents cannot exceed \$10.00 per parent per trip.

Providers must maintain all records supporting the expenses of the trip and a log identifying the destination, date and students, staff and parents that attended. Failure to maintain such documentation may result in a disallowance of expenses upon audit.

For record keeping conventions, see 4.7 - Transportation/Travel (Students)

4. RECORD KEEPING

Pre-K for All program Providers are required to retain all pertinent accounting, allocation and enrollment/attendance records supporting payment and program costs for 7 years following the end of each reporting year. If during a site review and/or audit, the Provider fails to supply adequate written documentation for costs charged to the Pre-K for All program, such cost may be disallowed.

Documentation, which includes, but is not limited to, the following categories, does not limit Provider's responsibilities under the terms of the Agreement.

4.1 - Contractual Agreements:

All contractual agreements, such as for purchase of outside services or engagement of consultants, must be in writing, signed and dated. Copies of all current and allowable agreements must be made available to the Field Office upon request.

4.2 - Cost Allocation:

Any expenditure that cannot be charged directly to a specific program must be allocated across all programs and/or entities benefited by the expenditure in a manner that is fair and reasonable.

Such allocation methods, as well as the statistical basis used to calculate allocation percentages, must be documented and retained for each fiscal year and be available for review by the Field Office or its representatives upon request. Allocation percentages should be reviewed on an annual basis and adjusted as necessary.

Expense Category	Recommended Allocation Method
Food	Meals Served
Repairs and Maintenance	Square Feet
Utilities	Square Feet
Rent	Square Feet
Expensed Equipment	Operating Costs
Staff Development	Number of staff attending
Instructional Supplies and Materials	Number of students
Non-Instructional Supplies and Materials	Operating Costs
Administrative and Fiscal Consultants	Operating Costs

For information on cost allocation principals, see Cost Allocation 2.4 above.

4.3 – Consultants (Administrative and Program):

All payments to consultants must be supported by the consultant's resume, a written contract that includes the specific services to be provided; the charge per day, units of service or identified deliverable. Before payment is made, the Provider must obtain from the consultant an itemized invoice that indicates the specific services actually provided; and for each service, the date(s), number of hours provided, the fee per hour; and the total amount charged. In addition, when services are provided to students, the documentation must indicate the names of students served, the actual dates of service and the number of hours of service to each student on each date. If the consultant provides services to staff, such as professional development, the documentation should include a sign-in sheet for each service date; the number of hours of services performed; and the deliverable, if any.

NOTE: Consultant relationships that result from less-than-arm's-length transactions will be subject

to scrutiny for a determination whether the individual hired was qualified and whether the transaction represented fair value.

For information on expenditures for consultants, see 3.1.3 – Consultants

4.4 - Equipment and Furniture Inventory:

Records of inventory purchased with Pre-K for All funds in whole or with part must be maintained for seven years.

Inventory records, including the invoice, must be kept for all items purchased by the entity or donated to the entity for the benefit of approved programs. These records should list: the invoice number; a description of the item; the make; model; serial number of the item; cost; date of purchase; date retired; if applicable, the program(s) paying for and using the asset; and the location. For donated items, inventory records should identify the item as donated, listing the date of donation and the fair market value of the item at the time of donation. Providers should maintain a copy of the receipt given to the donor for items in excess of \$500.00. A copy of the inventory record must be submitted to the Field Office upon request.

4.5 – Payroll:

Compensation costs must be based on payrolls that are properly documented and consistent with the budget and work plan submitted to and approved by the Field Office. Employee time sheet entries must be made contemporaneously and must be signed by the employee and a supervisor at least monthly. Providers are to maintain the original timesheets and produce them upon demand.

4.6 – Purchases:

All purchases must be supported with itemized invoices indicating items purchased, proof of delivery (such as packing slips), and proof of payment to be made available upon request. A credit card receipt will not suffice if the items purchased are not specifically identified. If the invoice contains purchases of items not chargeable to the Pre-K for All program, the invoice must be annotated to specifically identify the Pre-K for All program purchases.

4.7 - Transportation/Travel (Students):

Logs must be kept for each pre-approved instructional field trip indicating dates of travel, destination, purpose of the trip, and any related costs such as admission fees, transportation, and tolls. The log must also identify the students, staff and parents that attended.

**For Transportation/Travel (Students) expenditures information, see section 3.8
TRANSPORTATION EXPENDITURES**

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