

Reimbursable Cost Manual

July 2013 Edition

Summary of Changes

The University of the State of New York
New York State Education Department
Rate Setting Unit
Albany, New York 12234



**Reimbursable Cost Manual for Programs Receiving Funding Under Article 81
and/or Article 89 of the Education Law to Educate Students with Disabilities**

This Manual applies to the July 2013 to June 2014 Tuition Rates and defines
Reimbursable Costs for the July 2013 to June 2014 period.

July 2013 Edition

Reimbursable Cost Manual

July 2013 Edition

- **The July 2013 Edition of the Reimbursable Cost Manual (RCM) defines Reimbursable Costs for the July 2013 to June 2014 period and applies to the 2013-14 prospective tuition rates, 2013-14 reconciliation adjustment factors and reconciliation tuition rates, and final audit rates based on 2013-14 actual data.**

Reimbursable Cost Manual Summary of Changes

- The following presentation will highlight some of the most significant amendments to the July 2013 Edition of the Reimbursable Cost Manual by section.
- For a comprehensive list of changes made to the July 2013 Edition of the Reimbursable Cost Manual, please refer to the Crosswalk of Changes at the following location:
http://www.oms.nysed.gov/rsu/Manuals_Forms/Manuals/RCM/home.html

Reimbursable Cost Manual Summary of Changes

Introduction

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Introduction (page 3)

- **USERS OF THIS MANUAL**

Costs must also have adequate substantiating documentation. Designation of a cost as reimbursable during the initial rate-setting process or during the reconciliation process does not mean that the cost will be reimbursed through the final audit rate since all rates are subject to adjustment on field audit, in accordance with Section 200.18 of the [Commissioner's Regulations](#) and this Manual.

Reimbursable Cost Manual Summary of Changes

Section I – Definitions

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Summary of Changes

Section I (pages 5)

- **Program and fiscal issues that require prior written approval of the Commissioner's designees include but are not limited to:**
- **B. (2)** New or renovated facility space, both instructional and non-instructional to be occupied by approved programs *in which space is new, or substantially altered or result in capitalized costs in excess of \$100,000 will require* both program and fiscal designee written approval prior to implementing.

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Summary of Changes

Section I (page 5)

- **Program and fiscal issues that require prior written approval of the Commissioner's designees include but are not limited to:**
- **B. (7) *Transfer of any ownership interest, possession or operation of the premises and facilities. Both program and fiscal designee written approval are required.***

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Section I (pages 6-7)

- **4. Less-Than-Arm's-Length (LTAL) Relationship and Conflicts of Interest**

Each provider must adopt a written conflict of interest policy that clearly sets forth the procedures to be followed in instance where a member of the governing entity of the provider (for example, the provider's board or person in a management position) have personal or business interests that may be advanced by an action of the board, including a provision that such member may not participate in any decision to approve any transaction where such conflicting interests may be advanced. The policy must also include a requirement and process for identifying and fully disclosing all LTAL relationships and transactions on an ongoing basis as well as on the CFR. The policy should be reviewed and discussed with the provider's attorneys and auditors prior to its adoption.

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Section I (page 8)

- **4. Less-Than-Arm's-Length (LTAL) Relationship and Conflicts of Interest**
- All LTAL transactions will be reimbursed using actual documented costs of the owner or vendor.

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Summary of Changes

Section I (page 8)

- **G. Codes of Ethics & Conflict of Interest Policies**
- All entities receiving public funding must develop a written Code of Ethics (which must include a specific conflict of interest policy) and Code of Conduct policies that are enforced within their organizations.

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Summary of Changes

Section I (page 8)

- **G. Codes of Ethics & Conflict of Interest Policies**
- As previously described, each provider must adopt a written conflict of interest policy that clearly sets forth the procedures to be followed in instance where a member of the governing entity of the provider (for example, the provider's board or person in a management position) have personal or business interests that may be advanced by an action of the board, including a provision that such member may not participate in any decision to approve any transaction where such conflicting interests may be advanced. The policy must also include a requirement and process for identifying and fully disclosing all LTAL relationships and transactions on an ongoing basis as well as on the CFR. The policy should be reviewed and discussed with the provider's attorneys and auditors prior to its adoption.

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Section II – Cost Principals

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Section II (page 13)

2. Administration

C. Entities who contract for administrative services must review their own administrative costs to avoid duplicate services that can be disallowed during the rate-setting process or upon audit.

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Section II (pages 13)

- Guidelines for Preschool Program Advertising
- *A. Promotional items of any type are not reimbursable. Examples include pens/pencils, notepads, etc,*

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Summary of Changes

Section II (page 18)

- **13. Compensation for Personal Services**

4.(d). For non-direct care staff *under the 500 and 600 position title code series per Appendix R of the CFR Manual*, owners or related parties who work in more than one entity (including organizations that have a less-than-arm's-length relationship with the approved program), the FTE in total across entities cannot exceed 1.0. The allocation of compensation must be supported by time and effort reports or equivalent documentation which meets the following standards:

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Summary of Changes

Section II (page 20)

- **13. Compensation for Personal Services (A. (4) (d) continued)**
- They must be signed and dated by the employee and employee's *direct supervisor*. *For example, executive directors employed by a not-for-profit entity, should have their time records approved by a member of the entity's governing board specifically designated with this function such as the Board Chairperson or member of the Board's audit committee. Executive Directors or owners of for-profit entities should have their time records signed by the Agency's Controller or staff employed in a similar capacity (in the event that the Executive Director also serves as the Agency's Controller than a separate independent individual within the agency's management structure may serve this function).*

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Summary of Changes

Section II (page 20)

- **13. Compensation for Personal Services**
- (10) A merit award (or bonus compensation) shall mean a non-recurring and non-accumulating (i.e., not included in base salary of subsequent years) lump sum payment in excess of regularly scheduled salary which is not directly related to hours worked. A merit award may be reimbursed if it is based on merit as measured and supported by employee performance evaluations.

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Section II (page 20)

- **13. Compensation for Personal Services**
- *(10) In order to demonstrate that a merit award is based on merit and measured and supported by employee performance evaluations, the provider's governing entity must adopt a written employee performance evaluation that contains sufficient detail as to the criteria and methods used to determine each employee's final evaluation rating. The written employee performance evaluation must also describe how the amount of any merit award directly correlates with each possible evaluation rating that may be achieved.*

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Section II (page 20)

- **13. Compensation for Personal Services**
- (10) Are restricted to direct care titles/employees as defined by the Reimbursable Cost Manual's Appendix A-1 and those in the ***100 position title code series and position title code 505*** as defined by the Consolidated Fiscal Report's Appendix R.

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Summary of Changes

Section II (page 20)

- **13. Compensation for Personal Services**

- Merit Awards**

- (10)(d) Must be paid within the year awarded or no later than 2 ½ months after the entity's year end.

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Section II (page 20)

- **13. Compensation for Personal Services**

(12) Compensation paid to an employee(s) for their lunch period, is not reimbursable. **(It is acknowledged that for CFR reporting purposes, a full-time position's standard work week hours cannot be less than 35 hours/week. Staff paid for less than 35 hours/week when lunch is omitted from hours paid will have a FTE below 1.0).**

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Section II (page 25)

- **17. Depreciation/Amortization**

A.(2) Proposals for acquisition, new construction, renovations, alterations or major repairs *in excess of \$100,000* must be submitted to the Commissioner's designated program and fiscal representatives for their review and comment. Refer to [Appendix D](#), in this Manual, for guidelines on the development of capital projects.

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Section II (page 30)

- **27. Insurance**
- . Self-insurance plans for unemployment and workers compensation are allowable but not recommended as there is no mechanism within the tuition rate-setting methodology to cover substantial increases associated with these plans. Entities need to ensure self-insurance plans are the most economical in comparison to other coverage types and documentation of bids solicited in this effort is required. For school districts it may be practical if consistent with regular district practice and in compliance with this manual. Refer to Section II. [9.](#)

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Section II (page 36)

- **40. Recruitment of Personnel**
- C. H1 VISA costs are reimbursable under the following conditions:
 - Significant domestic recruitment efforts to hire domestic staff with similar credentials are documented and available upon request.
 - Staff requiring H1 VISA's possess the required credentials to perform in the position hired.

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Section II (page 37)

- H1 VISA costs for staff that do not remain employed in the organization for at least a year will not be reimbursed.

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Section II (page 37)

- **41. Rent**

B. (5) Costs incurred in less-than-arm's-length lease of real property transactions shall be reimbursed based on owner's actual cost or fair market value, whichever is less.

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Summary of Changes

Section II (page 41)

- **48. Special Education Itinerant Teacher Services**

A. (3) Allocation of property costs to SEIT should be based on direct square footage. Administrative or shared space should be allocated based upon square footage and percentage of time used by the various programs. Using Ratio Value alone, Units of Service or similar methodology to allocate property costs is not an appropriate allocation methodology for SEIT.

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Section III – General Requirements

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Section III (page 52)

- **3. Whistleblower Policy**
- All entities are required to have a Whistleblower Policy with the following requirements:
 - The policy protects employees who report inappropriate behavior from retaliation.
 - All employees are made aware of the Whistleblower policy through orientation or ongoing training opportunities.
 - The policy is readily accessible to all employees (e.g., website, employee handbooks, and training materials).

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Section IV – Tuition Rate-Setting Methodology

Please turn to page 51

General Updates

- 1) Please be sure to enter the square footage on line 15 of CFR-1.
- 2) CFR Training Requirement for those operating SED rate-based programs. Executive Directors and the Certified Public Accountant attesting to the CFR are recommended to complete CFR “on-line” or “live” CFR trainings before signing the certification pages. (CFR-i, CFR-ii, or CFR-iii).

2013-14 School-Age Methodology

- For 2013-14 school year, a 3 percent trend factor will be applied to reimbursable 2011-12 base year **Direct Care** costs, excluding expenses related to one-time waivers as appropriate for all school-age special class programs.

2013-14 School-Age Methodology

- The 2011-12 direct care reconciliation per diem generated from the 2011-12 reconciliation adjustment/rate calculations is modified for any appropriate adjustments such as a proportionate share of the total cost screen incurred, offsetting revenues, and non-recurring allowable base year expenditures. This modified per diem will be allowed a trend factor of 3%.

2013-14 School-Age Methodology

- The non-direct care component of the 2011/12 reconciliation per diem will be allowed a trend factor of 0%. This per diem is modified in the same manner as the direct care per diem in which a proportionate share of the total-cost screen, off-setting revenues and non-recurring base year expenditures will be applied to the non-direct care per diem with no trend applied.

2013-14 School-age Methodology

- An example of the 2013-14 methodology is available on the Rate-Setting Unit's Website under methodology letters.
- [NYSED::Rate Setting Unit:Methodology Letters](#)

Audit Findings

- 1) Non-merit based bonuses and bonuses to contracted staff.
- 2) Undisclosed less-than-arms length transactions and LTAL transactions above actual cost.
- 3) Undocumented expenses – such as employee time sheets, automobile mileage logs, and cell phone charges.
- 4) Improper cost allocations.
- 5) Unsupported and/or duplicative administrative charges from a separate entity.

Rate-Setting Unit

Questions ?