



New York City

Mayor's Office of Criminal Justice

1 Centre Street, 10th Floor
New York, NY 10007

<https://criminaljustice.cityofnewyork.us/>

MOCJ Fiscal Manual

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Introduction

This Fiscal Manual outlines the policies and procedures governing the processing, recording, and reporting of financial information at the Mayor’s Office of Criminal Justice (“MOCJ”). MOCJ providers are required to follow the standards described in this Manual. This Manual references city financial and procurement policies, which should be consulted for additional guidance. The Manual will be updated periodically as policies and procedures are reviewed and revised.

All users of this Fiscal Manual are strongly encouraged to contact MOCJ with any cost-related question or concern - no matter how minor it may seem. MOCJ enjoys working collaboratively with our contracted partners to ensure that all contracts and invoices are processed timely and accurately.

Common Acronyms

<u>Acronym</u>	<u>Definition</u>
ACCO	Agency Chief Contracting Officer
BIR	Budget and Invoice Report
CAP	Corrective Action Plan
CBO	Community-Based Organization
CFR	Code of Federal Regulations
COLA	Cost of Living Adjustment
CTL	City Tax Levy
DCAS	Department of Citywide Administrative Services
DOI	Department of Investigation
FCR	Fiscal Cost Report
EFT	Electronic Funds Transfer
FCNY	Fund for the City of NY
FMS	Financial Management System
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GL	General Ledger
HHS Manual	NYC Health and Human Services Cost Policies and Procedures Manual
ICR	Indirect Cost Rate
ILS	NYS Office of Indigent Legal Services
MOCS	Mayor's Office of Contract Services
MOCJ	Mayor's Office of Criminal Justice
MONS	Mayor's Office of Nonprofit Services
OMB	Office of Management and Budget
OTPS	Other Than Personal Services
PASSPort	Procurement and Sourcing Solutions Portal
PIP	Payee Information Portal
PO	Purchase Order
POCR	Purchase Order Change Request
PPB	Procurement Policy Board
PRC2	Payment Reimbursement Commodity Encumbrance Request
PS	Personal Services
RGF	Returnable Grant Fund
RPD	Required Payment Date
RTC	Right to Counsel
SIRP	Standard Invoice Review Policy
WEI	Workforce Enhancement Initiative

Section 1: Overview of Contracting and Budget Structure

This section provides an overview of the key elements of contracting with MOCJ, including funding types, contracting methods, budget development, and budget modifications. MOCJ’s goal is to ensure providers understand the structure and standards that govern their contractual relationship with the agency.

MOCJ recognizes the importance of timely contract registration and procurement processes and the impact that delays may have on provider operations. MOCJ works in coordination with relevant City agencies to advance contracts and renewals as efficiently as possible within applicable processes and requirements. Providers will be notified of key milestones and updates as appropriate throughout the procurement and registration process.

A. Funding

Contract award procedures vary depending on the funding source. Most MOCJ contracts are funded either through city tax levy (“CTL”) or grant revenue awarded by state or federal agencies.

i. CTL Contracts


Before a contract is awarded, MOCJ collaborates with the Office of Management and Budget to ensure the program is appropriately budgeted in MOCJ’s financial plan, and that funding is fully available.

ii. Grant Contracts

Requirements for CTL-funded contracts generally apply to grant-funded contracts as well. In addition, a provider must comply with all applicable federal and state guidelines.

New York State

Most MOCJ New York State-funded contracts are via grants administered by the NYS Office of Indigent Legal Services (“ILS”). Requirements specific to these grants will be communicated by MOCJ. See *Section 3: Invoicing and Cost Reimbursement Policies* for details specific to ILS.


 For further information about ILS grants, see:

https://www.ils.ny.gov/funding/information_about_ils_grants/index.php

◆ The New York State fiscal year runs from April 1 to March 31. MOCJ will communicate how this timeline impacts budgeting, reporting, and invoicing for providers with contracts funded in part or whole by the state.

Federal

Most MOCJ federally funded contracts are via grants administered by the U.S. Department of Justice, Office of Justice Programs. Requirements specific to these grants will be communicated by MOCJ.

 For further information about OJP grants, see: <https://www.ojp.gov/funding>

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- ◆ The federal fiscal year runs from October 1 to September 30. MOCJ will communicate how this timeline impacts budgeting, reporting, and invoicing for providers with contracts funded in part or whole by the federal government.

iii. Discretionary Contracts

Discretionary funding is a specifically appropriated sum in the city’s expense budget, determined by the New York City Council (“Council”). When the Council awards a MOCJ discretionary contract, the Mayor’s Office of Contract Services (“MOCS”) notifies MOCJ, which assumes responsibility for contract administration and oversight.

B. Contracting Structures

Most contracts are structured as line-item or performance-based. In some cases, a contract may use a hybrid structure, where a line-item budget is required but payments are tied in part to performance milestones.

i. Performance-based Contracts

Performance-based contracts link payment to outputs, quality, or outcomes, tying at least a portion of a provider’s compensation to the achievement of specified performance targets. For all such contracts where the total contract value has been established, MOCJ requires a provider to submit:

- A proposal narrative outlining milestones, service levels, and unit costs
- A line-item budget detailing personal services (“PS”), other than personal services (“OTPS”), and indirect expenses
 - ◆ *Personal services* may be used interchangeably with *personnel services* in other city documents.

Certain funding components or streams within a performance-based contract may require a supporting line-item budget and a proposal narrative explaining how milestones and associated costs are determined.

ii. Line Item / Cost Reimbursement Contracts

A line-item contract lists each individual service or item along with its specific cost, quantity, and unit price. Budgets must be broken out by PS, fringe, OTPS, and indirect costs. Line-item and cost-reimbursement contracts require detailed pricing for each proposed cost included in the contract.


For these types of contracts, MOCJ may also request that the provider submit a proposal narrative describing the services to be provided, along with a detailed line-item budget.

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C. Contract Budgeting

i. Budget Submissions

After a contract is registered in the Procurement and Sourcing Solutions Portal (“PASSPort”), the provider will receive an automatic email notification, and the Comptroller registration step in the Award Milestones Tracker will turn green. The provider may then complete all post-registration actions directly in PASSPort. The contract budget must be entered under the assigned Purchase Order and aligned with the approved funding structure. All official contract and financial activities must be conducted within PASSPort.

 A provider will receive instructions for uploading their budget after contract registration. For guidance, see MOCS resources: <https://www.nyc.gov/site/mocs/passport/articles/create-modify-budget.page>.

A provider must submit a line-item budget for review and approval for discretionary contracts, performance-based contracts, and line-item or cost-reimbursement contracts, or as otherwise required by MOCJ. The budget should be uploaded to the contract in PASSPort. Also, the Budget and Invoice Report (“BIR”) template may be submitted at the start of the fiscal year in the Purchase Order (“PO”) for MOCJ approval, which further itemizes the budget. (See *Subsection ii* below.)

The approved budget must comply with all applicable limitations or exclusions outlined in:

- The contract
- The City of New York Health and Human Services (“HHS”) Cost Policies and Procedures Manual
- This Manual

 Health and Human Services Cost Policies and Procedures Manual: <https://www.nyc.gov/assets/dhs/downloads/pdf/NYC-HHS-Cost-Policies-and-Procedures-Manual.pdf>

Pursuant to the HHS Manual, pages 5-6:

Eligible Contracts Commencing July 1, 2019, the Cost Manual applies to all HHS Contracts. The Standard HHS Contract includes a Rider that incorporates the Cost Manual into the Contract and indicates the new order of precedence provided below. Order of Precedence Contract Riders and amendments will contain the following language amendment: “In the event that the Cost Manual conflicts with any of the following documents, the conflict shall be resolved in the following order of precedence: 1) The Contract; 2) The Cost Manual 3) Agency or City Fiscal Manual Based on the order of precedence, in instances where an Agency’s Fiscal Manual language conflicts with the Cost Manual, the Cost Manual takes precedence.

A contract budget must include all relevant attributes and cost centers associated with the MOCJ-funded program(s), including but not limited to:

- Operating period
- PS and fringe benefits
- Rent/occupancy

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- Equipment and furniture
- Start-up costs
- Subcontractors
- Participant stipends and incentives
- Consumable supplies
- Utilities and telecommunications
- Indirect costs

A budget must remain within the maximum contract value allocated for the contracted services. Once approved by MOCJ, the final budget and corresponding milestones will serve as the financial basis for the contract.

ii. Budget and Invoice Report

The BIR is a standardized reporting tool used to track PS and OTPS expenses in alignment with the approved contract budget. A provider must submit a complete BIR at the onset of budget development, including during new contract setups, amendments, or renewals. A current version of the BIR must also be submitted with each invoice to reflect billed-to-date totals and remaining balances.

A signed BIR must be submitted in the prescribed Excel format provided by MOCJ. All entries must be clear, complete, and consistent with the approved budget and invoice documentation. Edits to the BIR require MOCJ review and written approval. (See *Subsection D: Budget Modifications.*)

iii. Other Required Documentation at Budget Submission

A provider must submit supporting documentation to justify the specific budgeted expenses, including but not limited to:

- Rent - Executed lease agreement
- Subcontractors - Executed agreement
- Equipment - Purchase Inventory Report (See *Section 5: OTPS Policies and Invoicing* for further detail on the Purchase Inventory Report.)
- Travel and Training – Travel and Training Template (See *Section 5: OTPS Policies and Invoicing* for further detail on the Travel and Training Template.)

The provider should clearly delineate all components of the budget, including indirect cost and fringe benefit breakdowns. Additional guidance on cost allocation is provided in *Section 2: Internal Controls and General Accounting Procedures.*

PS

All positions funded in the fiscal year budget must be listed, including each employee's total annual salary and the percentage allocated to the MOCJ contract. An employee paid with MOCJ funds must perform work directly related to the contracted program. A provider may allocate an employee's time across multiple programs, but all expenses must be proportionally and appropriately distributed.

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OTPS

OTPS costs must be program-related and pro-rated over the operating period, typically the fiscal year. The HHS Manual provides a detailed description of allowable OTPS expenses, including staff training, travel, and client-related costs such as transportation, supplies, and stipends.

OTPS charges must indicate the portion charged to MOCJ and the allocation methodology used. Additional guidance on specific OTPS categories, such as participant incentives and stipends, is provided in *Section 5: OTPS Policies and Invoicing*.

iv. **Subcontractors, Consultants, and Vendors**

- A **subcontractor** performs or directly delivers a portion of the provider’s programmatic obligations. A subcontractor must be listed under contractual services in the budget. A subcontractor must have a signed, notarized agreement with the provider. Specific rules regarding subcontractor use and approval are set forth in the contract.
- A **consultant** is often a subject matter expert who supports a contract without directly delivering programmatic services. A provider must enter into a formal, written agreement with each consultant, specifying the tasks to be performed, expected outcomes, rates to be charged, and total amount billed to the MOCJ contract. A consultant cannot be an employee of the provider. Providers must maintain executed agreements for consultants and make such documentation available upon request to support costs charged to the contract. Where consultants are known at the time of budgeting, relevant information should be included in the budget submission.
- A **vendor** provides non-programmatic services or goods under the contract.

 The city requires subcontractors to be registered in the Payee Information Portal (“PIP”). For additional guidance: <https://www.nyc.gov/site/mocs/opportunities/pip.page>

v. **Budget Narratives Best Practices**

A provider may be asked to submit a detailed budget narrative and/or justification to explain each budgeted item and how it supports the objectives of the contract. A strong narrative should be clear, comprehensive, and aligned with MOCJ’s expectations. The following tips can help guide the development of an effective budget narrative. A provider should:

- *Follow MOCJ requirements:* MOCJ-provided templates may assist in ensuring the narrative reflects all stated requirements.
- *Stay organized:* Information should flow in the same order as in the detailed budget.
- *Be specific:* Each expense should be clearly stated, including why it is necessary and how it supports program goals.
- *Itemized lists:* These will assist in breaking down total costs by listing individual items or components within each category.
- *Plain language:* Clear, everyday terms help avoid jargon and minimize acronyms.
- *Describe individual roles:* Each staff member included in the budget should have a descriptive function relevant to the contract.

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- *Indicate allocation percentages:* If costs are partially charged to the contract, the percentage being allocated should be noted. Additional information on cost allocation is detailed in *Section 2: Internal Controls and General Accounting Procedures*.
- *Provide independent price quotes:* Pricing documentation may help demonstrate that costs sourced are reasonable.

vi. Indirect Cost Rate

The city's Indirect Cost Rate ("ICR") initiative standardizes indirect costs and operationalizes cost allocation practices across human services contracts.

 Full background and resources are available on the MOCS ICR Initiative website: <https://www.nyc.gov/site/mocs/opportunities/icr-initiative.page>

A provider should use their MOCS-accepted ICR when developing budgets. The approved contract total includes indirect costs. In most cases MOCJ cannot award additional funds to cover indirect expenses unless OMB provides the funding through an approved new need. A provider must notify MOCJ promptly if there are any changes to its approved ICR.

The HHS Manual describes standardized cost allocation methods, including guidance on distinguishing between direct and indirect allowable expenses. A provider should consult the Cost Manual when preparing budgets and submitting invoices.

vii. Fringe Benefits

Fringe benefits included in the budget and invoicing must account for, where applicable: FICA, Unemployment Insurance, Workers' Compensation, disability insurance, pension, life insurance, medical benefits, MTA tax, and other fringe benefits. All fringe costs must be itemized in the budget and corresponding narrative, showing both the amount and percentage used to calculate the total.

If a provider's fringe rate exceeds 35%, MOCJ may request additional supporting documentation, such as a recently audited financial statement, to justify the rate.

D. Budget Modifications

There are two procedures for making budget modifications:

- *PASSPort Budget Modification:* A modification submitted through a Purchase Order Change Request ("POCR") in PASSPort.
- *Line-Item Budget Modification:* A modification submitted via the Budget Modification Template provided by MOCJ.

A budget modification adjusts the allocation of expenses within the approved budget without altering the total contract value. A budget modification is appropriate only if it supports the provision of services and achievement of the contract's intended outcomes. The approved Budget Modification Template should be submitted as a tab within the BIR when invoicing.

To the extent possible, budget modifications should be based on forecasted expenses. If the modification is based on actual expenses incurred, it must be submitted prior to invoicing. (See

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Section 3: Invoicing and Cost Reimbursement Policies for more information on invoicing based on actuals.)

A budget modification may also serve as the basis for expense reclassifications. A reclassification is the movement of an amount from one general ledger account to another. (See *Section 2: Internal Controls and General Accounting Procedures* for further guidance on reclassifications.)

i. POCR Budget Modifications

A POCR is used to reallocate funding and modify current budgets in PASSPort. Budget changes may only be submitted when they directly support the delivery of services required under the contract.

Invoices cannot be submitted or processed in PASSPort until the POCR has been reviewed and approved.

 MOCS resource on POCRs:

https://www.nyc.gov/assets/mocs/downloads/PASSPort/learning-to-use-passport/R6_2_SubmitABudgetModification_Final_25Feb2025.pdf

ii. Line-Item Budget Modifications

Line-item budget modifications are initiated by the provider and submitted to MOCJ for review and approval. These modifications should be submitted using the MOCJ-provided template and must include:

- Expense category
- Description of line items being amended
- Rationale for requested change
- Subtotal of proposed increases and decreases


Each submitted modification should be clearly labeled and dated (e.g., Budget Mod #1 – January 1, 2026) and tracked sequentially throughout the fiscal year.

Modifications involving cumulative line-item changes of 10% or more of the total contract budget may require additional justification and review by MOCJ. A budget modification is required where such changes result in a material shift in budgeted amounts or involve a change in the purpose or use of funds, including movement across budget categories or subject areas.

The explanation must describe the conditions that necessitate the adjustment, including the reason for the over- or underspend and why funds must be reallocated.

Changes of this magnitude may not be implemented without prior written authorization from MOCJ.

- ◆ Please contact MOCJ to request the Budget Modification Template.

 A provider may not make budget changes directly on the BIR when invoicing. Any adjustment to the budget, regardless of the size or percentage, must be submitted through a budget modification. All changes must be tracked and documented prior to submitting the BIR and invoicing MOCJ.

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Additional Considerations:

- Contracts funded by federal or state grants may require additional approvals from the funding source.
- Any prior-year budget modifications are subject to additional documentation requirements and agency review.
- See Subsection G for additional information on budget modifications in fiscal year closeout.

E. Fiscal Year Crossover and Funding Rollovers

For an expense to be charged to a specific fiscal year, the corresponding goods or services must be received or rendered on or before the last day of that fiscal year. Expenses are recognized based on when goods or services are received (i.e., on an accrual basis). For example, in order for a service to be considered an FY26 expense, it must be provided no later than June 30, 2026. Costs associated with services performed during the contract term remain eligible for reimbursement, even if invoiced after the fiscal year or contract term. Such costs must be submitted in accordance with applicable invoicing deadlines and supported by appropriate documentation.

In general, unspent funds do not roll over from one fiscal year to the next. This is especially relevant for CTL funding, which is appropriated annually and must be fully expended within the fiscal year for which it was budgeted. Different rules may apply to contracts funded by state or federal sources. Please consult with MOCJ when there is uncertainty about the allowability or timing of costs.

F. Contract Performance Evaluation

MOCS requires performance evaluations on city contracts at least once annually from the contract start date. MOCJ will conduct assessments of provider fiscal and programmatic performance, which will be reported through the Performance Evaluation System. MOCJ may also conduct site visits to assess compliance with contractual requirements.

 See: <https://www.nyc.gov/site/mocs/passport/articles/vendor-performance-evaluations.page>

G. Contract Closeout

Upon contract termination, a provider is responsible for closing out contracts in a timely and compliant manner. This includes submitting final invoices, returning unspent funds, and completing required documentation.

i. Contract Term

A provider must perform all services and incur expenses within the contract's budgeted operating term. Invoices for goods and services must reflect dates within that approved timeframe.

- Invoices for services provided after the final day of the contract term will not be accepted unless specifically authorized through an executed contract amendment or extension.

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- Invoices for services provided before the contract start date will also be disallowed.

ii. Closeout Procedures

MOCS will release an updated Citywide Standard Invoice Submission, Review and Payment Policy ("SIRP") effective July 1, 2026. The SIRP will require:

Provider-initiated budget modifications must be submitted no later than six months after the close of the fiscal year, unless an exception is granted by the agency on a case-by-case basis. However, agency policies take precedence over this policy. Where agency requirements differ, including stricter deadlines, the agency's requirements will supersede this policy.

Final budget modifications must be approved prior to the submission of final invoices, in accordance with the agency's requirements and timelines. Per the SIRP, MOCJ will permit one "true-up" invoice to reconcile actual costs after the close of the fiscal year. Prior to submitting the final true-up or reconciliation invoice, a provider must submit and obtain approval for a budget modification that clearly reflects how funds were reallocated and expensed. The final true-up invoice may be subject to additional supporting documentation requirements, including variance explanations and/or receipts, at the discretion of the program team. Please ensure this invoice is labeled as "close out" or "final true-up."

Additionally, the final true-up invoice must be submitted no later than six (6) months following the end of the fiscal year or contract term, unless otherwise approved in writing by the agency due to audit, legal, or compliance-related holds. Exceptions to this rule must be requested prior to submission of the modifications and/or invoices.

A provider must refund an unspent balance of funds that were advanced by MOCJ but not invoiced and accounted for by the provider. Refunds must be made by check or electronic payment, as instructed by MOCJ.

MOCJ reserves the right to offset any balance due from the provider against other active or future contracts. (Refer to *Section 6: Advances and Recoupments* for more information.)

A provider is also responsible for the return or disposition of MOCJ-funded equipment. (Refer to *Section 7: Inventory*.)

Section 10.05 of *Appendix A, General Provisions Governing Contracts for Consultants, Professional, Technical, Human and Client Services ("Appendix A")* provides additional detail on procedures around contract close-out or termination.

The existing SIRP can be found at:

 SIRP: https://www.nyc.gov/assets/mocs/downloads/Opportunities/nonprofit-initiatives/Standard_HHS_Invoice_Review_Policy_Final.pdf

 Appendix A: https://www.nyc.gov/assets/dycd/downloads/word/Appendix_A_Discretionary_Fund_2019.doc

Section 2: Internal Controls and General Accounting Procedures

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A provider is required to establish and maintain an adequate accounting system and financial records to ensure the accurate use and reporting of MOCJ funds. Financial reporting must be accurate, current, complete, and fully compliant with all contractual and regulatory requirements. The accounting system must be capable of tracking MOCJ funds separately from other sources.

The following internal control practices must be implemented and maintained by a provider:

- *Segregation of duties*: Key duties and responsibilities should be distributed among different staff members to minimize the risk of errors or fraud.
- *Authorization of transactions*: All transactions and significant events must be authorized by individuals who are acting within their designated authority.
- *Documentation*: Every financial transaction must be clearly documented. Supporting documents must be organized and readily accessible for inspection or audit.
- *Safeguarding of assets*: A provider must protect physical and financial assets, including cash, inventory, and equipment. Regular inventory reviews should be conducted to prevent loss, theft, or unauthorized use.

A. Records Retention and Disposition

Section 5.02 of *Appendix A* describes records retention policy:

The Contractor agrees to retain all books, records, documents, other evidence relevant to this Agreement, including those required pursuant to Section 5.01, for six years after the final payment or expiration or termination of this Agreement, or for a period otherwise prescribed by Law, whichever is later.

Additional standards may apply depending on contract requirements. Please consult with MOCJ.

B. Bookkeeping and Separate Accounting Records

Expenses billed to MOCJ must be recorded in a provider's general ledger ("GL"). MOCJ may request the GL to verify any billed expenses. A separate GL must be maintained for each MOCJ contract.

A provider must establish and maintain one or more separate accounts to manage all funds received from or through MOCJ. These records must clearly track and identify the use of MOCJ funds. Records must be kept in accordance with Generally Accepted Accounting Principles ("GAAP"). Failure to comply with these requirements may result in disallowed costs.

If an expense is not 100% allocated to the MOCJ contract, a provider must supply an allocation schedule that clearly outlines the methodology used to distribute shared costs across programs or contracts.

Books and records relevant to the contract are subject to review by MOCJ staff and external auditors at any time.

Section 2: Internal Controls and General Accounting Procedures


Section 5.01 of *Appendix A* describes books and records requirements:

The Contractor agrees to maintain separate and accurate books, records, documents, and other evidence, and to utilize appropriate accounting procedures and practices that sufficiently and properly reflect all direct and indirect costs of any nature expended in the performance of this Agreement.

C. Cost Allocations

Cost allocation is the process of distributing a single expense across multiple funded programs. A cost allocation methodology identifies the type of expense being shared and provides a rationale for how that cost is proportionally assigned to different business units, programs, or contracts. Per the SIRP, the cost allocation plan must be documented during the budget approval process.

Expenses claimed must be supported by documentation that clearly demonstrates how the cost was distributed and how each program benefited from the expense. Costs allocated across multiple programs must be based on a reasonable methodology that reflects the relative benefit received by each program, consistent with applicable cost principles. Documentation to support may be requested at invoicing or during an audit.

 The Human Services Standard Contract also describes cost allocation plan requirements. See Section 3.04.B:

<https://www.nyc.gov/html/nonprofit/downloads/pdf/Human%20Services%20Standard%20Contract%20Revisions%20-%20March%202012.pdf>

D. Use of Credit and Debit Cards

Providers are responsible for establishing and maintaining internal controls over credit card use in accordance with their own policies and applicable standards. Expenses charged to MOCJ contracts via credit card must be reasonable, allowable, and supported by appropriate documentation, including receipts and a clear business purpose.

E. Other Accounting Notes

i. Bank Reconciliations

A provider must complete monthly bank reconciliations for all accounts containing MOCJ funds. Each reconciliation must be dated and signed by both the preparer and the reviewer to ensure proper oversight.

ii. Disbursements

Disbursements from MOCJ funds must be made by check or online bank transfer, except for:

- Petty cash expenditures
- Payments made using the provider's corporate credit card

Petty cash expenditures and corporate card payments must still be documented in accordance with MOCJ policies and are subject to review or audit.

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A provider must follow the internal control procedures below for all disbursements related to MOCJ contracts:

- Implement proper segregation of duties. The roles of approving vouchers, preparing disbursements such as checks or Electronic Funds Transfer (“EFT”), and recording transactions must be assigned to different staff members. Staff who process disbursements must not handle cash receipts or reconcile bank accounts.
- Vouchers payable must be established and recorded promptly and accurately for every disbursement.
- All invoices must be approved prior to issuing payment.
- To avoid duplicate payments, all invoices must be canceled or stamped once processed.
- Receipts for all credit card purchases should be retained for the relevant credit card statement. For online purchases, confirmation receipts must also be retained. MOCJ may request these as part of invoice review or post-payment audit.

iii. Reclassifications

A reclassification (“reclass”) is the transfer of an expense from one GL account to another. Reclassifications may be necessary due to accounting adjustments, programmatic needs, or corrections to prior allocations.

F. Procurement and Purchasing

Providers are responsible for conducting their own purchasing activities using MOCJ funds in accordance with applicable laws, contract requirements, and city guidelines.

All procurement of goods and services must be conducted in the name of the provider. A provider is responsible for ordering, receiving, inspecting, and accepting all merchandise. Invoices, bills, and receipts must be issued in the provider’s name and address. All expenses must comply with applicable laws, contract terms, and are subject to audit.

Providers are responsible for ensuring that goods and services purchased with contract funds are obtained in a manner that is reasonable, cost-effective, and consistent with applicable cost principles.

For higher-value purchases, providers must maintain documentation demonstrating that the procurement process was competitive or otherwise justified, and that the selected cost is reasonable. Such documentation may include solicitations, bids or proposals received, and a rationale for vendor selection. Purchases made with City funds must reflect principles of fairness, transparency, and avoidance of favoritism consistent with public funding requirements. MOCJ may request procurement documentation as part of invoice review or audit.

Section 3: Invoicing and Cost Reimbursement Policies

Section 3: Invoicing and Cost Reimbursement Policies

Accurate and timely invoicing is essential to ensure providers are reimbursed for allowable program costs. This section outlines MOCJ's invoicing standards, allowable costs, disallowed costs, invoice timeliness, billing on actuals and incurred expenses, interest payments, expedited payment requests, the Returnable Grant Fund, and ILS invoicing. Additional information on PS and OTPS is covered in *Section 4: Personal Services Policies and Invoicing* and *Section 5: OTPS Policies and Invoicing*.

A provider must maintain original invoices and make them available for review upon request. All expenses incurred under a MOCJ contract must be supported by documentation that clearly validates the expense. Supporting documentation may include:

- Associated receipts or proof of payment
- Additional documentation explaining the business purpose of the expense, if not otherwise evident
- The relevant entry from the provider's GL

An updated BIR must also be submitted with each invoice to reflect billed-to-date totals and remaining balances. (See *Section 1: Overview of Contracting and Budget Structure*.)

A. Allowable Costs

To be considered an allowable cost, an expense - whether direct or indirect - must meet all the following criteria:

- Compliance: It must comply with the provisions outlined in this Manual and the HHS Manual.
- Program Benefit: It must provide a tangible benefit to the contracted program.
- Reasonableness: It must be reasonable in both nature and amount for the performance of the contract. A cost is considered reasonable if it does not exceed what a prudent person or entity would pay under similar circumstances at the time the decision was made to incur the cost. In evaluating reasonableness, consideration must be given to whether the cost is:
 - Generally recognized as ordinary and necessary for the operation of similar organizations; and
 - Essential to the proper and efficient performance of services under the contract.
- ◆ Cumulative invoices may not exceed the maximum contract value allocated for services.

B. Disallowed Costs

An expense not included in the approved budget, or unallowable under applicable federal, state, or city guidelines, will not be reimbursed. Any cost disallowed under HHS is automatically disallowed by MOCJ. Common examples of disallowed expenses may include:

- Expenses incurred outside the contract budget period (e.g., back taxes or prior obligations)

Section 3: Invoicing and Cost Reimbursement Policies

- Non-budgeted expenses
 - Purchase of land or buildings
 - New York State sales tax for tax-exempt nonprofit providers
 - Interest or penalty charges, unless related to financing costs (see HHS Manual, Section N)
 - Bank overdraft fees
 - Prepaid expenses, unless preapproved by MOCJ
 - Fundraising costs
 - Lobbying activities
 - Prizes, except for modest awards such as trophies, medals, or ribbons
 - Security deposits
 - Alcoholic beverages
 - Bad debt or uncollectible accounts
 - Entertainment costs for non-participants
 - Staff personal expenses
 - Meals at high-end restaurants
 - Vehicle repairs, unless preapproved by MOCJ
- ◆ A provider should consult with MOCJ about any questions concerning specific costs.

C. Preapprovals

This Fiscal Manual identifies several expense categories that require MOCJ preapproval. Preapproval requirements may also arise during budget setup or the budget modification process. All preapproval requests must be submitted directly to the provider's assigned programmatic team. Each request must include:

- A clear explanation of why the proposed request is necessary.
- A description of how the requested expense supports program operations or fulfills the MOCJ-funded contract.
- An assessment of the financial impact on the contract budget, including whether a budget modification is required and, if so, the accompanying budget modification request.
- Any additional supporting information that would assist MOCJ in evaluating the request (e.g., internal policies, staff impact, comparability data, or implementation timeline).

The programmatic team will review and respond to preapproval requests within 7–10 business days. Additional information may be requested as needed to complete the review.

Section 3: Invoicing and Cost Reimbursement Policies


D. Invoice Timeliness

i. Required Payment Date

Section 4-06 of the Procurement Policy Board (“PPB”) Rules requires city agencies to process contract payments efficiently and expeditiously.

The Required Payment Date (“RPD”) is the date by which a payment must be made before interest charges are accrued. The timeframe for timely payment begins on the later of the invoice receipt date or the date goods/services are accepted. Currently, the RPD is 30 days for standard invoices and 60 days for contract modifications.

Per PPB Rules, different timeliness standards may apply for contracts funded fully or partially by state, federal, or other external grant sources.

 PPB Rules define in further detail the RPD:

<https://www.nyc.gov/assets/mocs/downloads/Regulations/PPB/PPBRules.pdf>

ii. Invoice Deadlines

MOCJ is committed to processing payments promptly and relies on provider timeliness and responsiveness in submitting invoices. The following deadlines apply:

- **Regular Invoices:** Must be submitted no later than 30 days after the close of the billing period. Exceptions are granted on a case-by-case basis.
 - For example, if a provider has a month-by-month billing period cycle, an invoice for October services must be submitted in PASSPort by November 30.
 - MOCJ may accept bundled invoices (e.g., quarterly) in limited circumstances, such as for smaller funding streams (e.g., COLA, WEI, Parity), on a case-by-case basis. Providers should coordinate with MOCJ to ensure compliance with applicable submission timelines and documentation requirements.
- **Invoices After Late Registration:** If a contract is registered late, all outstanding invoices must be submitted within 30 days of registration.
- **Final Invoice:** The deadline to submit a final payment invoice is 60 days after the end of the operating budget period, which is typically the end of the fiscal year, unless otherwise communicated by MOCJ.

Case-by-case exceptions may be granted (e.g., contracts supported by state or federal funding).

E. Billing on Actuals and Incurred Expenses

Billable costs under these guidelines must meet all three of the following criteria:

- **Incurred:** The cost must have been generated during the contract’s operating period.
- **Measured:** The cost must be actual and final, not estimated or projected.
- **Paid:** Costs should generally be paid prior to invoicing. In limited circumstances, costs incurred but not yet paid may be eligible if supported and submitted in accordance with MOCJ requirements.


Section 3: Invoicing and Cost Reimbursement Policies

Please refer to *Section 1: Overview of Contracting and Budget Structure* for exceptions to billing on actuals and additional guidance on true-up invoices.

Additionally, any reclassified transaction billed to the MOCJ contract must not be submitted as a standalone line item without a clear explanation provided in the invoice. Reclassified transactions (i.e., costs that have been moved from one account, program, or funding source to another) must be clearly identified and explained when billed to an MOCJ contract. Such transactions should not be submitted as unsupported or aggregated line items without sufficient detail. Providers must include a description of the nature of the adjustment, the reason for the reclassification, and may be required to submit relevant supporting documentation.

F. Interest Payments

Interest payments may be due to a provider under Section 4-06(d) of the PPB Rules - Interest Eligibility and Computation. These Rules require that when payments are made after the RPD, interest must be paid to the provider, unless otherwise specified.

 The prompt payment interest rate is updated every six months and published in the City Record: <https://a856-cityrecord.nyc.gov/>

Interest payments may be considered for a provider whose invoices meet all the following conditions:

- The invoice is for goods or services that have been received and accepted by MOCJ.
- The invoice was submitted at least 30 days prior to the RPD.
- The invoice is properly documented and approved in accordance with MOCJ's established procedures.

i. Withheld Interest Payments

MOCJ may choose not to issue interest payments in the following cases:

- *Invoice Errors*: The invoice contains inaccuracies (e.g., incorrect amounts, missing details, or incorrect provider information).
- *Missing Documentation*: Required supporting documents (e.g., contracts, purchase orders, or delivery receipts) are incomplete or not provided.
- *Duplicate Invoices*: The invoice is a duplicate of one previously submitted and paid.
- *Payment Already Processed*: The invoice has already been paid.
- *Fraudulent Invoice*: The invoice is suspected to be fraudulent.
- *Non-Compliance*: The provider did not comply with contract terms and conditions.
- *Late Documentation*: The provider failed to submit necessary documents in a timely manner, contributing to the delay.
- *Provider-Caused Delay*: The provider's actions or inaction (e.g., failure to respond to requests, or delayed submission of corrected invoices) directly caused the payment delay.

Section 3: Invoicing and Cost Reimbursement Policies

- *Expanded Review Required:* The invoice is subject to enhanced review by MOCJ, such as invoices funded by ILS. (See *Subsection G: Indigent Legal Services* below.)
- *IT System Issues:* Delays caused by PASSPort, Financial Management System (“FMS”), or other system-related disruptions.
- *Partial Payments:* In certain cases, MOCJ may issue a partial payment when only part of an invoice has been approved. In such cases, interest will apply only to the unpaid balance and only if the delay is attributable to MOCJ.

G. Returnable Grant Fund

The Returnable Grant Fund (“RGF”) offers interest-free loans to providers. Loan eligibility for MOCJ contracts is verified by the agency, and approved loans are issued by the Fund for the City of New York (“FCNY”). The RGF is designed to provide bridge funding for critical expenses. A provider should submit the request to their MOCJ programmatic contact. MOCJ will then submit the application to MOCS on behalf of the provider.

While the RGF is primarily intended for providers with an award in progress and an unregistered contract, the application criteria also allow for an RGF loan if the contract is registered and has open budget lines. In accordance with MOCS requirements, a Board Resolution or similar documentation is required if anyone other than the CEO or equivalent principal submits the application.

📄 See: <https://www.nyc.gov/site/mocs/opportunities/returnable-grant-fund.page> for additional information including the application and eligibility criteria.

FCNY also offers an operating loan through their Cash Flow Loan Program. A provider seeking operating loans should work directly with FCNY, as MOCJ is not involved in this process.

📄 See: <https://www.fcny.org/nonprofit-loan-financing/operating-loan-fund-inquiry-form/>

H. Indigent Legal Services

A provider receiving ILS funding through its MOCJ contract should contact the assigned MOCJ grant manager to obtain the most recent ILS Cost Manual.

Invoices funded by ILS are subject to a more detailed review process than CTL-funded invoices. NYS requirements mandate full reconciliation of all payroll and OTPS expenses prior to invoicing. For example, even small expenses such as a \$10 travel voucher must be accompanied by supporting documentation and verification. As a result, processing times for ILS-funded invoices may be longer than usual and extend beyond the RPD.

📄 The NYS Office of the State Comptroller Travel Manual outlines cost and travel policies specific to ILS-funded activities. A provider is responsible for ensuring that all expenses billed to the MOCJ contract under this funding source comply with the applicable guidelines:

<https://www.osc.ny.gov/files/state-agencies/travel/pdf/agencies-travel-manual-attachment.pdf>

Section 4: Personal Services Policies and Invoicing

PS represents one of the most significant cost categories in MOCJ-funded contracts. Providers are responsible for ensuring that personnel practices comply with applicable laws, regulations, organizational policies, and any requirements set forth in the contract governing staff providing services. A provider must maintain detailed records that support all salary and wage expenses billed to MOCJ. This includes accurate tracking of employee time, effort allocation, and supporting payroll documentation. All personnel costs charged to the contract must reflect work that directly supports the funded program and must be appropriately documented and verifiable through routine invoice submissions and potential audit review.

For invoicing purposes, a provider is required to submit a detailed personnel breakdown worksheet by employee that matches the amounts billed under PS.

A. Payroll and Personnel Compliance

i. Payroll Records

For each invoice that includes PS expenses, a provider must submit payroll documentation to support the amount billed. They must show:

- Employee name
- Pay period dates
- Gross pay
- Withholdings (taxes, benefits, etc.)
- Net pay
- Hours worked, if applicable
- Employer-paid fringe benefits, if available

◇ Handwritten or manually prepared documents are not considered acceptable payroll documentation. A provider should submit system-generated payroll reports from an established payroll system or third-party payroll provider.

ii. Time Tracking

All employees funded under a MOCJ contract must maintain records that reflect time worked during each pay period.

iii. Time Buybacks and Opt-Out Payments

Certain payments, such as cash-outs of unused leave or payments to employees who decline employer-sponsored health insurance, may be allowable under MOCJ contracts. Such expenses are allowable only when the following conditions are met:

- The provider has a formal, agency-wide leave cash-out and/or medical opt-out policy that applies uniformly to all staff.
- For leave buybacks, the payment is based on documented, earned leave that the employee accrued under the provider's established policy.

Section 4: Personal Services Policies and Invoicing

- For medical insurance opt-out payments, the employee has signed a formal waiver of employer-sponsored coverage.
- The cost is allocated proportionally to the MOCJ contract based on the employee's actual labor distribution during the period in which the leave was earned or the benefit applies.
- Documentation is maintained, including leave accrual records, payroll system calculations, the provider's leave or opt-out policy, signed waivers, and the allocation methodology.

MOCJ may request additional documentation to confirm allowability, accuracy, and reasonableness.

iv. Compensation Bonuses and Executive Compensation

Guidance on bonuses, incentive compensation, and executive compensation paid for through a City contract is addressed by the Comptroller's *Directive 2: Cost Reimbursable Contract, Payment Request Audits, Section 5.1.4 Excess Compensation*:

Compensation for professional services must be limited to that which a reasonable person would pay in a similar circumstance. Any compensation that exceeds reasonable standards is not allowable. For executives or employees, compensation may include wages, salary, bonuses, incentive compensation, deferred compensation, fringe benefits and employer contributions to defined contribution plans for the fiscal year, whether paid, earned, or otherwise accruing, as recorded in the consultant's cost accounting records for the fiscal year.

To determine the reasonableness of executive compensation, nationally published compensation surveys should be utilized and matched in terms of revenue, industry, geographic location, and other relevant factors.

MOCJ may request additional documentation or justification regarding staff pay as part of invoice review or audit.

B. Cost of Living Adjustments and Workforce Enhancement Initiative

i. COLA

The city may allocate a cost of living adjustment (“COLA”) from time to time.

Eligible providers should expect to receive an award notice and accompanying resources outlining program parameters and compliance expectations directly. Per the FY25-27 Cost of Living Adjustment Investment Provider FAQ:

COLA is applied equally to a contract’s budgeted PS base as approved by the contracting agency, irrespective of vacancies.

All budgeted personnel on the contract must receive the COLA.

COLA funding must be distributed equally to all budgeted positions in the contract. (Associated fringe is also allowable.) COLA must be applied as a consistent percentage increase across all budgeted personnel costs. In accordance with the FAQ, the 3% COLA is applied equally to the contract’s PS base, meaning each position receives the same percentage increase rather than the same dollar amount.

Once COLA funding is amended into a contract, a provider must set up its corresponding COLA budget on the BIR and submit to the MOCJ program team for review and approval. Budget lines in PASSPort should reflect the newly amended funding.

⚠️ COLA funding by PS line must be budgeted and tracked separately from the base funding, including on the BIR and in invoices.

ii. WEI

The city may provide Workforce Enhancement Initiative (“WEI”) funding to support eligible providers. WEI funding is typically allocated as a fixed amount. Eligible providers should expect to be notified directly of their award.

This funding is typically intended to strengthen the existing workforce and must be used for currently budgeted personnel. (Associated fringe is also allowable.) Indirect expenses and OTPS are not typically allowable WEI expenses.

Once WEI funding is amended into a contract, a provider must set up its corresponding WEI budget on the BIR and submit to the MOCJ program team for review and approval. Budget lines in PASSPort should reflect the newly amended funding.

⚠️ WEI funding by PS line must be budgeted and tracked separately from base funding, including on the BIR and in invoices.

 For additional information on WEI and COLA:
<https://www.nyc.gov/site/mocs/opportunities/nonprofits-initiatives.page>

Section 5: OTPS Policies and Invoicing

In addition to PS costs, MOCJ contracts often include OTPS expenses for goods, equipment and services that support program delivery. OTPS can cover a wide range of items, from rent and supplies to travel, equipment, and consultant fees.

This section explains what is required to ensure OTPS expenses are eligible for reimbursement. A provider should consult the HHS Manual to determine the allowability of specific expenses. For any unclear or potentially unallowable costs, please reach out to MOCJ directly for guidance.

The following sections describe the most common OTPS categories and their relevant details.

A. Equipment, Furniture, and Supplies

i. *Equipment and Furniture*

For the purposes of MOCJ-funded contracts, equipment and furniture purchased with MOCJ contract funds are the property of the City of New York.

- “Equipment” is tangible property with a useful life of more than one year. Equipment purchases require item-level documentation, tagging where applicable, and inclusion in the provider’s inventory records. Examples of equipment include:
 - IT units such as laptops, desktops, tablets, printers, copiers, monitors, and servers
 - Programmatic units used directly in service delivery, such as kitchen appliances, smartboards, and vocational training tools
- “Furniture” is subject to the same requirements as equipment. Examples of furniture include:
 - Office desks and chairs
 - Filing cabinets, bookcases, and shelving units
 - Conference room tables
 - Reception area couches or benches

MOCJ requires that receipts be retained for all equipment and furniture purchased with agency funds. Additionally, an Equipment Purchase Inventory Report must be submitted for any equipment purchased using MOCJ funding. Please contact MOCJ for the equipment report template.

Per the HHS Manual, Section D: Capital Expenditures and Equipment:

Equipment is tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition Cost that equals or exceeds the lesser of the capitalization level established by the Provider for financial statement purposes, or \$5,000.

Please see *Section 7: Inventory* regarding the relinquishment of equipment and furniture purchased with MOCJ funds.

ii. Supplies

“Supplies” are tangible property with a useful life of generally less than one year. Supplies are considered consumable or incidental and do not require asset-level tracking but should still be supported by receipts and appropriate documentation. Examples of supplies include:

- Pens, notebooks, and folders
- Printer paper and toner
- Cleaning products
- USB drives or phone chargers

B. Conferences and Training

Costs related to training, conferences, and associated travel are allowable where they are reasonable, necessary to program operations, and within the approved budget. Such costs must comply with applicable City cost principles, including Section G of the HHS Manual.

Providers are responsible for ensuring such costs are appropriately documented and consistent with applicable cost principles.

MOCJ may request additional documentation or justification as part of invoice review or audit.

C. Travel and Transportation

Local and long-distance travel may be incurred by provider staff, officers, directors, or volunteers while conducting official business. For both staff and participant travel, expenses must be within the scope of services and necessary for the successful performance of the program.

Business travel must fall into one of three categories to be reimbursable: conference, training, or program related. Travel is program related if it is travel by provider staff on official business that directly facilitates the MOCJ contract.

i. Travel Documentation

MOCJ requires completion of the Travel & Training Template for any travel-related costs billed to the contract. A provider should contact MOCJ for the most recent version of the Template. The form must include:

- Name(s) of relevant personnel
- Description of event or purpose
- Categorized list of travel-related expenses

Receipts or other supporting documentation may be required by MOCJ as part of invoice review or audit. Such documentation may also be required by grant-funded contracts, including ILS.

ii. Long-Distance Travel

Preapproval is not required for long-distance travel client visits that are necessary to carry out the contract. All other long-distance travel expenses charged to the contract require MOCJ preapproval, per the HHS Manual Section X: Travel Costs:

Travel Costs of Provider staff, officers, directors, or volunteers are allowable with the prior approval of the Agency when they are specifically related to the Contract

MOCJ adheres to the definition of long-distance travel as prescribed in the Comptroller's *Directive #6: Travel, Meals, Lodging, and Miscellaneous Agency Expenses*:

"Long-Distance Travel" refers to travel that is to a destination, other than a City employee's Primary Workstation, that is not within the boundaries of New York City's five boroughs, and the distance the employee travels is more than 75 miles from Columbus Circle, Manhattan (see map, Appendix A), and more than 75 miles from the Employee Residence. Long-Distance Travel may or may not include Overnight Travel.

 Directive #6: <https://comptroller.nyc.gov/wp-content/uploads/documents/Directive-6-Travel-Meals-etc..pdf>

iii. Participant and Client Travel

Transportation expenses for participants or clients are generally allowable and should be categorized as participant support costs or client support costs, respectively. A provider should ensure that the same cost principles applicable to staff travel - such as reasonableness, necessity, and cost efficiency - are also applied to participant and client travel.

iv. Economic Pricing

Provider travel billed to the MOCJ contract is expected to follow economic pricing, meaning the lowest-cost option should be selected among comparable choices, prioritizing cost efficiency over brand, features, or other non-essential factors. Travel expenses outside this framework may be deemed unallowable.

- A provider must use the most cost-efficient mode of transportation available. All travel costs must be reasonable - for example, first-class airfare is unallowable, but coach-class is generally acceptable.
- Staff should make every effort to use mass transit or the most efficient and economical alternative.

v. Other Allowable Travel Expenses

The following categories of travel-related expenses may be allowable depending on circumstances:

- Travel *between* work locations may be allowable but not commuting or any other travel between work and a non-work location.
 - Commuting costs - specifically reimbursement of costs for an employee to commute to their worksite on a regular basis, including daily or regular parking at a provider's main office - are unallowable.
- Toll fees are allowable when related to contract activities.
- Parking expenses incurred for official business-related travel are allowable.

Section 5: OTPS Policies and Invoicing

- Routine daily parking at a provider's primary place of business (e.g., an executive with an organization-issued vehicle parking at the office) is not allowable.
- Parking expenses may be allowable for vehicles operated by a provider and used for contract-related business. Such expenses may include garage space or other parking costs needed to operate the vehicle (e.g., investigator vehicles, vans, community program vehicles).
- Use of personal vehicles is allowable when it is the most economical option or when a provider-owned vehicle is not available.
- Original receipts and documentation must be retained and produced to MOCJ on request.

vi. Rideshares

Rideshares, taxis, or other car services may be reimbursable for contract-related business for the following circumstances:

- Transport of heavy or bulky items
- Travel from an airport, train station, or transit hub when more economical alternatives are not practical
- Group travel, when the taxi fare is less than the combined cost of mass transit fares
- Travel outside of normal operating hours
- Situations where public transit is not available, impractical, or unsafe
- Temporary or permanent physical disability of the employee or client

vii. Vehicles and mileage

When expenses such as auto insurance or gasoline are charged to the contract for a vehicle, the provider must maintain detailed vehicle usage logs. Logs must include the following information:

- Date and time of trip
- Purpose of trip
- Starting and ending mileage
- Name of the funded employee making the trip and the employee operating the vehicle

These records are required to support the reasonableness and allowability of vehicle-related expenses and must be made available upon request for review or audit. Billed expenses for vehicle repairs require MOCJ preapproval. Expenses for emergency repairs may be allowed without prior approval on a case-by-case basis.

D. Other Common OTPS Expenses

i. Participant Incentives

Participant incentives are money, monetary equivalents (e.g., gift cards), or items of value to encourage engagement in program activities. Participant incentives must be reasonable in value and directly related to the program's goals.

Section 5: OTPS Policies and Invoicing

Participant incentive payments are allowable only with prior approval from MOCJ. The following documentation is required to support participant incentive expenses:

- Receipts or invoices verifying the purchase or distribution of the incentives
- Participant-signed acknowledgement forms that clearly indicate the name of the beneficiary, the item or amount received, and the date of receipt

ii. Participant Stipends

“Participant Stipends” are payments made to program participants in exchange for their active participation in program activities, training, or services. In contrast to participant incentives, stipends are compensation for time and engagement.

Stipends must be:

- Approved by MOCJ before disbursement or invoicing
- Clearly documented, including the amount, purpose, and duration of the stipend
- Supported by participant acknowledgement, including a signed receipt or log verifying participation and payment

Participant stipends funded by state or federal sources may require additional review and approval.

iii. Insurance

Insurance expenses charged to the MOCJ contract must be supported by appropriate documentation. Acceptable supporting materials include:

- Insurance billing statements or invoices
- Insurance binders including all relevant policies
- Insurance coverage declaration pages
- Certificates of insurance
- Proof of payment (e.g., canceled checks, payment confirmations)
- Insurance allocation schedules showing how costs are distributed across programs

iv. Rent

Rent expenses charged to the MOCJ contract must be supported by:

- A current, signed lease agreement
- Monthly rent invoices or rent statements
- Proof of payment (e.g., canceled checks or electronic payment confirmations)
- A clearly documented allocation methodology, if the space is shared by multiple programs

See *Section 2: Internal Controls and General Accounting Procedures* for further information on allocation for rent apportioned across programs or funding streams.

Renovations or improvements that materially alter a space, extend the useful life of an asset, or exceed routine maintenance may require prior approval, consistent with requirements in the HHS

Section 5: OTPS Policies and Invoicing

Manual. Routine repairs are generally allowable only if they do not duplicate costs already covered under rent or lease agreements.

v. Consultants

A consultant is typically a subject matter expert who supports a contract by providing specialized expertise. Providers must maintain executed agreements for consultants and make such documentation available upon request to support costs charged to the contract. Where consultants are known at the time of budgeting, relevant information should be included in the budget submission. A consultant may not be a salaried employee of the provider. Consultants do not include employees or vendors providing goods or routine services without a professional or advisory component.

To receive payment, a provider billing for a consultant must submit detailed invoices that include:

- Description of completed tasks and deliverables
- Dates and/or hours worked
- Applicable milestones or benchmarks

vi. Retainers

Generally, legal retainers are considered prepayments and are not allowable as indirect costs. Retainers are paid in advance for services that have not yet been performed, meaning the related expenses have not been incurred. Until the retainer is drawn down, it must be treated as an advance rather than an expense.

A retainer may only be charged as an allowable cost after the work has been performed and only if the underlying service is allowable under the contract.

Section 6: Advances and Recoupments

When MOCJ issues an advance payment on a contract, the advance will be recouped within the same fiscal year. Recoupment is accomplished through invoice deductions over time, following an approved schedule.

A. Advances

After a contract is registered and a detailed budget is in place, MOCJ may initiate and process an initial advance in accordance with current guidance from MOCS and the Mayor’s Office of Nonprofit Services (“MONS”).

Discretionary contract funds, which are allocated by the Council, are not eligible for contract advances.

B. Recoupments

Advance repayment must occur by July 31st of the following fiscal year from which the advance is made, or with the submission of the provider’s last invoice, whichever comes first. Delays in repayment could affect the issuance of supplemental advances.

This section outlines the MOCS FY27 Advance & Recoupment Policy. These requirements are intended to ensure consistent, transparent, and timely recovery of advances within the fiscal year.

i. Timeline

A provider must adhere to an approved recoupment schedule for any advance payments.

- Recoupment schedules must distribute deductions evenly and predictably across the fiscal year.
- Schedules must be shared with MOCJ (and other applicable City agencies, as required) prior to the start of the fiscal year.
- A provider is expected to adhere to the approved schedule.
- If a recoupment window is missed:
 - A provider may not increase future recoupment amounts (“double up”) without prior consultation and notice.

ii. Communication Requirements

Any requested deviation from the recoupment schedule must be communicated at least 30 days in advance. Under SIRP, providers must notify MOCJ at least 7 days prior to that 30-day deadline if delays in invoicing are expected.

iii. Recoupment Calculation

Recoupment is calculated as a percentage of the total advance amount, not the monthly invoice amount. All advances must be fully recouped by the end of the fiscal year.

If actual spending exceeds the planned recoupment rate, MOCJ will adjust the recoupment schedule to ensure full recovery of the advance by the end of the fiscal year. The revised

Section 6: Advances and Recoupments

recoupment rate will be no less than 25% per month, or higher if necessary to fully recoup the remaining balance.

iv. Direct Repayment

If no further invoicing is anticipated and a portion of the advance remains outstanding, the provider must return the unrecouped amount directly to MOCJ.

Cash repayments may also be required in the following cases:

- If an audit in the current or a future fiscal year identifies disallowed or unallowable costs that were originally paid with advance funds (see *Section 8: Audit*).
- With MOCJ's prior approval, a provider may use current-year invoices to repay outstanding recoupments from prior years, provided that the current-year advance is also fully recouped.

Section 7: Inventory

Providers must maintain an inventory of equipment purchased with contract funds in accordance with applicable cost principles. Inventory controls should be applied in a manner consistent with standard accounting practices. All equipment purchased with City funding must be cataloged upon purchase and receipt, which should include relevant details, e.g., description, serial number, funding source, purchase date, and location. The agency reserves the right to request documentation supporting the procurement, cataloging, and inventory of equipment purchased with City funds at any time. Providers must ensure that all records are complete, accurate, and readily accessible upon request.

Equipment inventory requirements apply to assets meeting applicable capitalization thresholds, consistent with the HHS Manual. Items below the applicable threshold may be treated as materials and supplies; however, such costs must still be appropriately documented and supported in accordance with applicable cost principles. Where equipment costs are shared across funding sources, ownership and cost allocation must be proportionate to funding contributions. MOCJ may request documentation to verify the existence, use, and allocation of such equipment as part of audit or review.

i. Contract Inventory Closeout

Upon contract termination or expiration, the provider must comply with the city’s closeout procedures, which include:

- Submitting an inventory list to MOCJ within 45 days of the contract end, detailing equipment and furniture purchased with contract funds.
 - This requirement is consistent with Section 10.05 of *Appendix A*, which requires providers to “furnish within 45 days an inventory to the Department of all equipment, appurtenances, and property purchased through or provided under this Agreement.”
 - Information on the inventory list should include:
 - A brief description of each item, including brand, model, and serial number
 - Photos of the items
- Following MOCJ and city instructions regarding the disposition of equipment.
- Returning to MOCJ all equipment and furniture purchased under the contract, if such items are not being disposed of.

Section 8: Audit

MOCJ maintains an internal audit function and contracts, as necessary, with an external auditing firm. All providers - past or present - are subject to fiscal and programmatic audits by MOCJ. A provider is also required to comply with any applicable mandates to file an independent CPA audit. Audit findings may inform future contracting decisions and are subject to review by oversight agencies such as the NYC Department of Investigation (“DOI”).

If deficiencies or findings are identified during an audit, MOCJ may require repayment of disallowed costs and/or require the provider to agree to a CAP (“Corrective Action Plan”). Repayment may be made through recoupment of both prior year and current year invoicing.

i. Criteria Source and Requirements

All invoices submitted for payment, and the books, records, and accounts that support them, are subject to audit by MOCJ and the City Comptroller. All financial records and supporting documentation must be retained for at least six years after final payment or contract termination. In some instances, a specific law or funding source may require a longer retention period.

Additional audit standards that may apply to contracts include:

- The provider’s executed contracts with MOCJ, including all appendices
- HHS Manual
- The City of New York Standard Audit Guide

 See:

https://www.nyc.gov/assets/nonprofits/downloads/pdf/Standard%20Audit%20Process%20Guide_2019.04.11.pdf

- NYS Nonprofit Revitalization Act of 2013, which enhances audit oversight and requirements for nonprofits

 See:

<https://www.nyc.gov/html/nonprofit/downloads/pdf/NFP%20Revit.%20Act%20Foundation%20Ctr%20April%209%202014.pdf>

Failure to comply with the requirements outlined in this Manual and other applicable audit standards may result in disallowed costs, which are subject to recoupment by MOCJ. Noncompliance may also negatively affect a provider’s PASSPort performance rating. (See *Section 1: Overview of Contracting and Budget Structure.*)

Additional audit standards may apply to contracts supported by federal or state funding. Please consult with MOCJ to determine whether these requirements apply to your contract.

ii. Financial Audits

MOCJ conducts ongoing assessments of providers’ fiscal performance. MOCJ audits are distinct from ongoing assessment of vendors’ fiscal and programmatic performance. A provider should maintain organized financial records and separate accounting records. Supporting documentation will facilitate timely responses during financial audits and ensure audit readiness.

Financial audits may include, but are not limited to, an examination of:

Section 8: Audit

- Expenditure reports
- Payroll records and time tracking
- GL and chart of accounts
- Bank statements and monthly reconciliations
- Documentation of purchases, contracts, and subcontracts
 - Internal memos attesting to purchases are not accepted.
- Equipment inventory list purchased with MOCJ funds
- Proof of payment for expenses billed to the contract
- Allocation methodologies for shared costs
- Compliance with contract terms and fiscal requirements
- Tax and regulatory filings
- Adherence to GAAP
- Application of indirect costs
- Implementation of internal controls that protect assets and prevent misuse

iii. Programmatic Audits

MOCJ may conduct a programmatic audit to assess a provider's compliance with the contractual scope of services, program objectives, and performance outcomes. These audits evaluate whether services are delivered as described in the contract and whether the program is meeting its intended goals. A provider is expected to maintain accurate and complete program records, and to make all relevant materials available to MOCJ upon request.

MOCJ recognizes that certain records may be subject to confidentiality or legal privilege. In such cases, providers should work with MOCJ to provide documentation in a manner that protects client confidentiality while still demonstrating compliance with contractual requirements.

iv. Post-Payment Invoice Review

MOCJ may conduct sampling and testing of specific invoice line items throughout the fiscal year. These reviews occur after payment and prior to the final closeout payment for the fiscal year.

A provider will be notified of the invoice service period and selected line items for review. Upon notification, the provider must submit the requested documentation within five business days. MOCJ will complete its review within five business days of receiving the documentation and will notify the provider of the results, including any required corrective actions.

Additional sample items may be selected based on initial findings. Please note that all paid invoices remain subject to internal or external audit, regardless of participation in a post-payment review.

Section 8: Audit**v. CAP**

When an audit or post-payment review identifies findings or areas of noncompliance, MOCJ may require the provider to enter into a CAP. A CAP is a formal written agreement that specifies the following:

- Summary of the findings or deficiencies
- Specific corrective actions the provider will take
- Names or roles of responsible staff
- Timeline for completion
- Steps to prevent recurrence (e.g., updated policies, training, or internal controls)

A provider is responsible for implementing the CAP within the approved timeline and must submit progress updates or verification upon request or as required by the CAP.

Failure to agree upon and implement an acceptable CAP may result in heightened monitoring, withholding of funds, contract modification, disallowance of costs, or other remedial actions including contract termination.

If a CAP includes a long-term or installment-based repayment plan, interest may be charged on the amount owed.

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