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Each Child. Every Community.

THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.

SMART START COST PRINCIPLES: QUESTIONS & ANSWERS
LAST UPDATED OCTOBER 12, 2016

This Question and Answer (Q&A) document is intended as a resource in understanding and applying the Smart Start Cost Principles. **It is important that you review these questions and answers <u>in conjunction with the Smart Start Cost Principles</u> for any detailed requirements, prohibitions, and limits that apply.** If you have specific questions, please contact NCPC for guidance.

Note that this document, like the Smart Start Cost Principles, addresses the allowability of various expenses to be paid with Smart Start funds or Smart Start Program Income. Expenses listed as unallowable can be charged to non-Smart Start funds if the alternate fund source allows for that expenditure.

ADVERTISING

Q: Can we use Smart Start funds to advertise a community event or fundraiser? Does it matter if the advertising expenses are for fliers, radio spots, television ads, newspaper ads or inserts, etc.?

A: Any costs charged to Smart Start funds must be reasonable (not excessive).

Costs to advertise or promote a community event are allowable if the event is an allowable use of Smart Start funds, for example, a community fair for families to promote early childhood services. Costs for any advertising medium are allowable unless specifically prohibited in the Cost Principles (e.g., billboards).

Costs to advertise a fundraising event should generally be charged to a separate (non-Smart Start) fund where all special event receipts and expenses are recorded.

Capital and Repair and Maintenance

Q: Can we use Smart Start funds to buy a storage shed?

A: The cost of a storage shed is generally allowable if it is not a permanent structure. One of the factors in the Cost Principles regarding "capital" classification is whether or not an expenditure adds to the permanent value of property. If a shed is built on-site and cannot reasonably be moved to a new location, it would be considered capital and therefore unallowable. If the shed is a temporary structure and could reasonably be moved to a new location, it is not considered capital, but classified as equipment.

Additionally, the cost must be reasonable (not excessive), and appropriate competitive bidding requirements must be followed for the purchase (if applicable, based on dollar threshold).

Q: Can we use Smart Start funds to buy or replace an external sign so that people can find us?

A: The cost of a sign is generally allowable if it is not permanently attached to the building or land. If a sign is affixed to the building or land in such a way that it could not reasonably be moved to a new location, or would cause capital repairs if removed, it would be considered capital and therefore unallowable. If the sign could be removed and relocated to a new location, it is not considered capital, but classified as equipment.

Additionally, the cost must be reasonable (not excessive), and appropriate competitive bidding requirements must be followed for the expenditure (if applicable, based on dollar threshold).

If the cost of the sign includes development or design of a logo or a logo set-up fee, those costs would be prohibited under Cost Principles ***B. 25. Promotion and Public Relations***.

Q: Can we use Smart Start funds to paint our office?

> **A:** Painting costs are typically allowable because periodic painting is generally considered basic upkeep and does not add to the permanent value of the property. The cost must be reasonable (not excessive), and appropriate competitive bidding requirements must be followed for the expenditure (if applicable, based on dollar threshold).

Q: Our HVAC system needs to be replaced; can we use Smart Start funds to replace it?

> **A:** HVAC system replacement is considered a major (capital) repair and the expense is unallowable.

Q: Our phone and voicemail system needs to be replaced; can we use Smart Start funds to replace it?

> **A:** The cost of a new phone/voicemail system is generally partially allowable. One of the factors in the Cost Principles regarding "capital" classification is whether or not an expenditure adds to the permanent value of property. If the phone system replacement involves rewiring all or part of the phone wires within the walls/ceilings, that portion of the expense is considered part of the structure and as such is a capital improvement and unallowable (both the labor and materials). Expenditures for a new server, handsets, or other equipment are allowable if they could be moved to a new location. The cost must be reasonable (not excessive), and appropriate competitive bidding requirements must be followed for the expenditure (if applicable, based on dollar threshold).

CONDOLENCES

Q: A community leader who served on our board for 10 years, including 6 years as Board Chair, has just passed away. Can we use Smart Start funds for condolences for this former board member?

> **A:** No. The Cost Principles allow for condolences for a Partnership board member (present tense); this does not

include past board members or prospective board members. The expense would be allowable if the hospitalization or death occurred during a person's term as board member.

Q: If the condolences are for a staff member who works for a service activity, why can't the expense be charged to that service activity?

A: Smart Start accounting guidance states that costs must be directly related to the provision of services to be charged to those services. Examples include salary, travel, equipment, supplies, and other expenses that are reasonable and necessary to deliver the services. Condolences are not directly related to the provision of services.

CONTRIBUTIONS AND DONATIONS

Q: Can Smart Start funds be used to provide incentive payments to parents or providers who achieve stated programmatic goals?

A: Yes, incentives are not considered contributions or donations. Reasonable (not excessive) incentives that serve a documented legitimate purpose within the scope of an activity are allowable, provided the items comprising the incentives are not otherwise prohibited by the Cost Principles. Note that cash or non-cash incentives for participants should be referenced in the Contract Activity Description (CAD).

Q: Our Executive Director participates in regular Rotary luncheon meetings as a form of community outreach and networking for the Partnership. The invoice for lunch includes a $10 fee for lunch and $5 for the Rotary Foundation. Can we use Smart Start for the total $15 payment?

A: No, only the $10 fee for lunch is allowable. The $5 is considered a contribution and cannot be made with Smart Start funds, as contributions and donations other than memorial donations are unallowable. The LP can either limit the payment to $10 or include a payment for the Foundation from non-Smart Start funds.

Legal Costs

Q: Can Smart Start funds be used to pay an attorney to help us update or review our personnel manual?

A: Yes, the Cost Principles do not prohibit reasonable expenditures for legal services such as consultation needed to update personnel policies, bylaws, or the like. Note that these would be allowable administrative expenses, not services.

Employee Salaries and Fringe Benefits

Q: In past years, our health insurance premiums were billed as $600 per employee per month. Due to changes in our insurance billing we now have employee-specific premiums; one employee's premium is $900/month, and others are as low as $350/month. Can we average health insurance costs across staff?

A: No, the actual known costs related to each activity and its staff are to be charged to each activity based upon actual staff time spent in each activity. Just like the salary for various employees cannot be averaged across staff, actual benefits costs are to be charged accordingly for each activity.

Q: The Cost Principles require personnel costs to be charged to activities based on actual time spent on each activity as documented by timesheets using "after-the-fact determination." If we have an employee split between two activities and the distribution of time fluctuates each bi-weekly pay period, must we charge their personnel expense differently with each pay period?

A: The total expense charged to each activity must reflect the actual staff time spent on each activity. However, you may choose to record the bi-weekly payrolls based on reasonable estimates IF you periodically 'true up' the expense based on actual time per the applicable

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approved timesheets. For example, this could be done on a quarterly basis with adjustments made as needed to correct personnel expense distribution. Note that if this approach is taken, special attention must be paid during the 4th quarter of the fiscal year in consideration of the final deadline to move funds between Smart Start activity budgets.

Q: Does the requirement to charge personnel costs based on "after-the-fact determination" using timesheets mean that we must have pay periods designed with a delay between the final workday of the pay period and the pay date to allow 'lag' time for timesheet review and approval? Currently our staff is paid on the last day of the month (for that month), but they have to turn in their timesheets a week prior to month end. Since the time recorded for the last few days of the month are estimated on their timesheets, any adjustments for time worked, sick time, and the like are adjusted as needed in their next paycheck.

A: No, there is no requirement for lag time to be built into your pay periods. However, there must be a procedure to ensure that all personnel expenses are recorded based on actual time per the applicable approved timesheets. If timesheets are submitted before the payroll period ends, personnel costs can be recorded based on reasonable estimates IF you periodically make adjustments to 'true up' the distribution to reflect time worked as documented by approved timesheets. Note that if this approach is taken, special attention must be paid during the 4th quarter of the fiscal year in consideration of the final deadline to move funds between Smart Start activity budgets.

Q: Can Smart Start funds be used to pay for employee bonuses?

A: Yes. The Cost Principles do not prohibit reasonable expenditures for employee bonuses. Note that all bonus compensation must be administered through the payroll system with appropriate tax treatment and reporting.

Food – In General

Q: When calculating the per person cost for food purchased for an event, does the cost need to be recalculated if a few of the people expected to attend do not actually show up? For example, if we expect 20 people based on training registrations and order food for 20, but only 17 attend the workshop, do we need to recalculate per person cost based on actual attendance?

A: No, if the circumstances require food to be purchased based on estimated attendance, the per person cost compliance is based on the number or persons expected to attend. The method used to determine the number of persons expected to attend must be reasonable and documented in your files. There is no need to recalculate based on the number who attended, even if there were no-shows.

Q: What items are considered "refreshments"?

A: Generally, refreshments would be food provided that is less substantial than a meal. Examples of refreshments provided in the State budget manual include coffee, soft drinks, cookies and doughnuts. Other items might include water, juice, fruit, crackers, granola bars, yogurt, protein bars, veggie chips, etc.

Q: We host family support events attended by both adults and children. Are there separate "child" per diem amounts when assessing food costs?

A: No, there is only one set of per diem amounts for food costs. There is no distinction between children and adults when calculating the allowable food costs.

Q: Throughout the Cost Principles provisions addressing food requirements, it notes that we are required to document the rationale or "legitimate business purpose" for providing food. Would the following rationales to provide food meet that standard: as an incentive for attendance, as a strategy to promote conversation and sharing, to sustain energy?

A: Note that the Cost Principles state that, in general, events should be planned not to conflict with meal times unless there is a specific need to plan an event at or overlapping a meal time.

It is helpful to consider meetings as falling into two categories: <u>required</u>, such as required trainings for staff and required meetings for Contractors/DSPs, and <u>optional</u>, such as a parent support group, optional provider training, board meeting, etc. The timing of the meeting is also an important factor.

A rationale of providing food as an incentive to attend or promote conversation and relationship building would make sense for a parent support group or similar event where the recipients of services are <u>not required</u> to be there or participate and when they would be unable to attend during a normal workday.

However, providing food for a <u>required</u> staff training as an incentive to attend is not a legitimate reason, as they are employees and are required to attend some trainings whether or not food is provided.

On the other hand, if there is a specific reason the required staff training must be set for a time that runs for an extended duration or interferes with a normal mealtime, refreshments may be appropriate.

Similarly, if a Partnership holds an all-day training/meeting for DSPs (even if it is required) and the Partnership includes a working lunch, providing lunch may be appropriate.

FOOD - BOARD OR COMMITTEE MEETINGS

Q: The Cost Principles state that food costs for board meetings are unallowable for direct service providers (DSPs), but the Partnership has four representatives of DSPs that serve on the Partnership Board. Can Smart Start funds be used for their meals at the Board meeting?

A: Yes, Smart Start funds can be used for all Partnership Board members (and required staff) at a Board meeting. The DSP is prohibited from using Smart Start funds for their organization's Board meeting expenses.

Meeting expenses (including food) may be allowable for DSP committee meetings if the committee's work is specific to the Smart Start funded activity. For example, if a Partnership funds a Professional Development Supplement activity with a DSP and that DSP holds quarterly Professional Development Supplement Program committee meetings with community stakeholders, the Partnership may view the related expenses as reasonable and necessary and therefore eligible for Smart Start reimbursement. The meetings must be referenced in the activity's CAD, as noted under Cost Principles ***B. 20. Meetings and Conferences***.

Q: Our Partnership does not require Board members to RSVP for each monthly Board meeting. We have a standing (documented) practice that all Board members are expected to attend unless they notify the Executive Director (ED) that they will not be able to attend at least 3 days in advance. How do we document the number of persons expected to attend for purposes of the per person food cost calculation without RSVPs?

A: If the 'regrets only' RSVP practice is documented as noted in the question, documentation must include how many Board members are on the Board, minus the number of Board members that notified the ED that they'll be unable to attend, plus the number (and which) required staff are expected to attend.

FOOD – EMPLOYEE TRAINING	**Q:** We will host a staff training for new software that will be implemented for the entire organization from 9am-1pm. The trainer's schedule was such that we could not start earlier or move the training to after lunch. Can we use Smart Start funds to purchase refreshments (snacks) for staff? **A:** Yes, refreshments can be provided for the staff training outlined above, since the training is at least 2 hours in duration and there is a legitimate purpose – providing refreshments because the training overlaps normal lunchtime and the trainer was not available to present the training at a different time. Documentation must include the agenda, meeting times, rationale for providing refreshments, RSVP list to support number of refreshments purchased, and calculation to document that the refreshments cost limit per person was not exceeded.
FOOD - EXTERNAL MEETINGS AND CONFERENCES	**Q:** We host a weekly Circle of Parents group meeting from 5:00pm-6:15pm, as our experience shows this timeframe works best for the families we serve and enables them to attend. We have learned that participating families have many barriers (transportation, unpredictable shift work, etc.) and it is extremely difficult and impractical for parents to reliably RSVP, so parents are encouraged to come when they are able. Additionally, we have learned that providing refreshments creates an atmosphere that is more conducive to parents' participation in group sharing. Due to unpredictable attendance, we provide individually packaged refreshments such as bottled water, soda, juice and protein bars, crackers, yogurt, and veggie chips. Items not used one week are saved for the next week's meeting so no food is wasted. Are these food purchases allowable? **A:** Yes, refreshments would be allowable. It is not practical to hold a meeting for families at dinnertime and not provide dinner or refreshments. Documentation must include agenda, meeting times, rationale for providing food, an explanation of how estimated attendance was determined, and calculation to ensure

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food cost limit per person was not exceeded. Since the refreshments are individually packaged, the refreshments cost for future meetings can be reduced.

Note: Food costs for dinner (instead of refreshments) would also be allowable for the parent group meetings described in the question above.

Q: Our Partnership is hosting our annual DSP Orientation Training from 9am-11am to review the contract and other requirements. DSPs are required to attend. Can we use Smart Start funds to purchase refreshments (snacks)?

A: No. Based on the description of this meeting, there is no discernable legitimate business purpose to provide refreshments. Learning about Smart Start contract provisions is a requirement and is part of the DSPs' staff work responsibilities. The training does not interfere with a normal mealtime, therefore it is not reasonable and necessary to purchase food or snacks for the training.

Q: Our Board Chair met with a prospective board member (Senior VP at a local bank) to discuss filling a board vacancy. The Banker suggested the Board Chair meet him at 9:30am at a local coffee shop. At the meeting, the Board Chair paid for both parties to have coffee and pastries. Can we use Smart Start funds to reimburse the cost of these meeting refreshments?

A: No. Smart Start staff and Board members do not have 'expense accounts,' as some for-profits might, to entertain or meet with potential donors, potential board members, existing board members, etc. and pick up the tab for private lunches, dinners, coffee or snacks. With ever-increasing scrutiny over the use of limited State funds, Partnerships covering food costs for themselves and 1-2 others for local private meetings, for example, is not considered reasonable and necessary. If these meetings cannot be held at non-meal times and the

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Partnership believes it is important to pay for these food costs, non-Smart Start funds must be used.

Q: We have a bottled water service and also purchase coffee in bulk; both are available on a daily basis for staff. Both have minimal cost and are charged to office supplies as needed when replenished. If we host a committee meeting or similar small gathering, we make a pot of coffee and offer coffee and water to the attendees. Is this okay, or is special documentation required?

A: Yes, this is okay. Minimal costs for coffee and water in your office that are regularly available do not need to be treated or documented differently when used on occasion for a meeting. You can leave the cost in office supplies rather than treat it as meeting/conference expense.

FUND RAISING

Q: We are planning a fundraising event where the proceeds will benefit Smart Start programs. Can all the event expenses be charged to Smart Start administrative funds?

A: No. Financial reporting guidance dictates that special event receipts (GL 4611) and related special event expenses (GL 4621) are netted for financial statement presentation, and generally recorded in an 8XX series fund.

Fundraising expenses <u>other than</u> special events may be charged to Smart Start administrative funds if the expected funds raised would be reportable as Smart Start program match. Such expenses may include payments to a grant writer, the cost of a grant writing workshop for a staff member, or a subscription service for funding opportunities.

Q: Why can't fundraising be treated as an expense of a service activity? If we conduct a fundraising campaign for

Parents as Teachers (PAT), isn't it appropriate to charge the expense to our PAT activity?

A: No. Smart Start accounting guidance states that costs must be directly related to the provision of services to be charged to those services. Examples include salary, travel, equipment, supplies, and other expenses that are reasonable and necessary to deliver the services. Expenses incurred to ***raise money*** to support a service are not considered 'direct costs' of any service program and must be accounted for separately. This classification of fundraising expenses is consistent with IRS required reporting of fundraising expenses separately from program services expenses.

Also, note that if the fundraising campaign is marketed as raising money specifically for PAT, the proceeds must be classified as restricted funds and used only for PAT.

GIFT CARDS AND OTHER PRE-PAID INSTRUMENTS

Q: Can we reward parents who attend at least 12 of the 14 Incredible Years (IY) sessions in the series with a $50 gift card to a store such as Wal-Mart or Target?

A: Yes, and any other stores or vendors that have age-appropriate early childhood toys and supplies and necessary parenting supplies. Gas cards would also be allowable to support the transportation costs of attending the IY sessions. It would not be allowable to provide gift cards to a store or any other vendor where the products would be limited to items prohibited as goods and services for personal use. (See Cost Principles ***B. 17. Goods or Services for Personal Use***.)

GOODS OR SERVICES FOR PERSONAL USE

Q: Reasonably priced approved service items for use by adults are allowable. How is "reasonably priced" defined?

A: Here are a few examples: tote bags under $10 for a provider conference may be considered reasonably priced; portfolios under $12 for child care providers would be considered reasonably priced. If you have a specific question about a planned purchase, we encourage you to contact NCPC for guidance.

INTEREST

Q: Credit Card interest charges that are "rare" are allowable for Local Partnerships (LPs) in "justifiable" and documented circumstances. What is an example of a justifiable circumstance?

A: In early 2016, NCPC had a major technical issue that resulted in the Abila MIP being unavailable for almost two weeks, preventing normal LP check processing for bill payment. If an LP incurred credit card interest because the payment was late in this case, with the circumstances beyond the LP's control, the interest would be an allowable (administrative) expense. However, if an LP paid credit card interest due to late payments for four out of six consecutive months, the LP's procedures should likely be reevaluated to promote timely payment as four months out of six would not be "rare." Under any circumstances, interest costs are unallowable for direct service providers and grantees.

Q: Can our Partnership use a line of credit with our bank in July, when cash flow is especially tight, to help cover payroll and other essential payments? If so, can the interest be paid with Smart Start funds?

A: While there is no prohibition against a Partnership obtaining and using a line of credit, this is considered borrowed capital and therefore related interest must be paid with non-Smart Start funds.

MEETINGS AND CONFERENCES

Q: One of the criteria in order for meeting and conference expenses to be charged to a service activity is that the event(s) must be identified in the CAD. How much detail is expected in the CAD? Do we have to state that food will be provided, or that a paid speaker will be contracted?

A: The intent is for the CAD to include a reference to the meetings, trainings, or events related to

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budgeted/expended meeting and conference expenses for hosted events. It is not required to itemize the types of meeting and conference expense (food, facility rental, speaker fees, etc.), but to simply include the nature of the events.

If you are hosting DSP trainings, a child care provider professional development conference, a community fair during the Week of the Young Child, parent education sessions, group trainings for providers by a Child Care Health Consultant, or the like, those types of events are to be listed in the CAD.

If a particular service activity requires group events for compliance with model fidelity, such as Incredible Years or Circle of Parents, no additional event references are required in the CAD beyond reference to the model as it is understood these programs include hosted events.

Note that this requirement only pertains to service activities; the Administration CAD need not reference events as it is expected that Partnerships will host Board and committee meetings, at a minimum. Also, the Administration CAD has standard text and is not editable.

If you have any questions about references to events with related meeting and conference expenses in service activity CADS, you are encouraged to contact NCPC for guidance.

PROMOTION AND PUBLIC RELATIONS

Q: How can we determine whether a proposed promotional expenditure is allowable or not?

A: If the cost is reasonable and the other requirements outlined in the Cost Principles are met, promotional expenditures are generally allowable if they connect families or providers to Smart Start services or educate the community about early childhood programs and their importance. If you have any questions about a proposed promotional expenditure, please contact NCPC for guidance and provide a draft of the item, as appropriate.

RENTAL COSTS

Q: Our Partnership is considering a 2-year lease of a vehicle for use by staff for business travel, as we believe it will reduce staff travel costs. Is it allowable to lease a vehicle, such as a compact car?

A: There is no prohibition against leasing equipment, including a compact car, if an analysis documents anticipated savings over alternatives, such as mileage reimbursement. Note that such a car lease arrangement would require careful consideration of insurance requirements and costs, maintenance costs, and the terms of the lease, including any termination provisions that might be available due to reductions in Smart Start funding.

TRAVEL – IN GENERAL

Q: The Cost Principles state that costs must be reasonable and prohibit excess costs "for the convenience or personal preference of the employee." How would this be applied to staff travel to a distant town the night before a meeting that begins the next morning?

A: Reasonableness is based on what a prudent person would do given the circumstances. For example, it is reasonable to travel the evening before and stay overnight in another town to attend a 9am meeting that takes place 3 hours away. It is not reasonable to travel the evening before for a 9am meeting that takes place 1 hour away.

Q: The Cost Principles state that no reimbursement shall be made for commuting. In this example, an employee works Monday through Friday at our office and then also travels to a park on the other side of the county to work a Smart Start sponsored community fair that Saturday (which is not part of their normal work schedule). The employee's normal round trip commute to the office is 20 miles, and the round trip travel to the park on Saturday is 44 miles, 24 miles more than their normal daily commute. What mileage is reimbursable?

A: Commuting between home and normal duty station is not reimbursable, even if it is for extra days outside of an employee's normal schedule. If travel is required (either on a normal work day or an extra work day) that is beyond the employee's normal commute (an extra 24 miles round trip, in the example above), the extra mileage beyond the normal commute is reimbursable.

Q: Must all staff complete a cost analysis between rental cars and personal mileage for all trips greater than 75 miles round trip?

A: It depends. Each Partnership is to establish a reasonable policy for its staff and its subcontractors to promote efficient travel at the lowest cost. Each Partnership, its activities, and its local options for resources such as rental cars are unique. Therefore, the Partnership must develop its policy and document the research and rationale used in developing the policy.

For example, if local rental car options are not available or practical, a mileage limit for a cost comparison analysis may be increased if the Partnership documents its rationale for using a higher threshold (and how its threshold was determined).

Q: We have two employees who conduct a home visiting program. Their travel to deliver services to families' homes all over the county is daily, or nearly daily. The number of miles they will drive each day is unpredictable, as families may sometimes cancel visits, or other unforeseen situations come up. It would be nearly impossible, and incredibly time consuming, for these two employees to rent a vehicle for most of their work days. We have done an analysis and determined that the employees' time alone for renting vehicles on such a frequent basis (time to complete a cost analysis, reserve the car, travel to the rental office, wait in

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line, complete paperwork, inspect the vehicle, and finally return the car) would result in 3-4 fewer home visits per week per employee based on the distance to the nearest rental agency. Can we exempt these two employees' travel for normal home visiting trips from the general Partnership policy?

> **A:** Yes, if there are extenuating circumstances (such as those described above) such that following the standard Partnership travel policy is not practical for a specific activity, and those extenuating circumstances are documented, the Partnership may exempt typical daily travel for that service activity from normal travel requirements. Note that even these employees would need to follow the Partnership's standard travel policy for unusual travel, such as a 300-mile round trip to an annual training in Virginia.

Q: Can our policy require a cost analysis between personal mileage and rental car cost (including fuel and any other related rental costs), but allow the employee to choose either option if the estimated cost difference is very small?

> **A:** Yes, if the estimated cost difference is small, for example, no more than 5% or $10 difference (whichever is less), either cost could be specified as allowable.
>
> Another option is to allow an employee to choose either travel option, but limit the reimbursable cost to the lower cost. For example, under NCPC's policy, an employee might choose to drive their personal car for a trip (estimated mileage reimbursement of $120) instead of renting a car (estimated rental cost plus gas of $80), but the travel reimbursement is <u>limited to $80</u> as that would have been the lower cost option.

Q: Can our policy set a lower reimbursement rate of $.34/mile for personal mileage (as noted in the State budget manual 5.1.26) if an employee chooses to drive their car when a rental would have been less expensive?

A: The $.34/mile reference in the State budget manual is for State employees who opt not to use a State vehicle when one was available for trips over 75 miles. The $.34/mile rate is the average motor fleet rate for permanently assigned State vehicles. Smart Start does not have access to State vehicles, therefore it would not be appropriate to use this rate. It would be more appropriate to develop a policy relevant to options actually available to the Partnership. If a Partnership chooses to apply a lower mileage reimbursement rate in certain circumstances, they must document how they determined that rate and in what circumstances it will be applied.

Q: Certain gratuities and tips are specified as allowable, and the Cost Principles state others may be reimbursable if reasonable. Are tips for housekeeping service in a hotel allowable? If so, how much?

A: Yes, housekeeping tips are allowable. As far as what is reasonable, the Emily Post Institute recommends $2-5 per day.

Q: The Cost Principles have several criteria for certain travel costs. What if an employee attempts to comply with a specific policy, but is unable to? For example, what if a rental car is chosen as the lowest cost option and reserved, but the rental agency does not have cars available at the time of the reservation and the employee is forced to drive their personal car or a higher cost rental car or miss the meeting? Or what if a hotel reservation is made within the state rate, but when the employee arrives the hotel is found to be under construction and the employee is presented with unforeseen issues of noise and safety, so they go across the street to a hotel that is $15 more (and over the state rate)? Are these 'excess costs' reimbursable?

A: Yes, in both examples the excess costs would be reimbursable, provided the employee's efforts to comply

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and the unforeseen circumstances are documented. (This is the same approach expected any time a standard policy cannot be followed due to a rare and unforeseen occurrence – document the circumstances for the file.)

TRAVEL – DAILY

Q: Regarding the requirement to "extend the workday by X hours" for certain meals to be reimbursable during daily travel, how is "extend the workday" measured?

A: A standard 8-hour workday is assumed, even if an employee has an inconsistent or flexible work schedule. For example, for breakfast to be reimbursable during daily travel, the employee must depart before 6am and work at least 10 hours (extend the workday by 2 hours).

Q: Lunch is reimbursable for daily travel if the employee is required to attend a meeting and the meal is preplanned and involves employees of different entities. If the meeting agenda states there is a lunch break and lunch is "on your own" is that reimbursable?

A: No, a lunch that is preplanned is one that is part of the meeting, for example, a working lunch where each attendee chooses lunch from a menu and is charged the cost. Such a working lunch would be reimbursable within per diem guidelines.

If an employee leaves a meeting for lunch on their own, or stops for lunch on their way to or from a meeting during daily (not overnight) travel, the lunch is not reimbursable.

TRAVEL – OVERNIGHT

Q: If overnight reimbursement requires prior written approval by the Executive Director (ED), what documentation is required for the ED's own overnight travel?

A: No specific written documentation is required unless the Partnership's travel policy requires written documentation, as it is assumed the ED approved their own overnight travel.

Q: If a purchase order is completed for an employee's overnight travel and signed by the ED in advance of the travel, is an additional form or email required to document the approval?

> **A:** No, if the ED has signed and dated the PO in advance, that meets the requirement of "prior written approval."

Q: An employee will be attending a 3-day conference in a city on the opposite side of the state. The conference hotel is an Embassy Suites and the rate is $94/night. There is a Quality Inn about 10 miles away from the conference hotel for $67/night. If the employee stays at the Quality Inn, the employee will incur additional travel time and expense to and from the conference venue, and may miss out on peer networking opportunities at the conference hotel in the evenings. Can the employee be reimbursed in full to stay at the conference hotel at the higher rate?

> **A:** Yes, if the above concerns about costs, time, and access to networking are documented and the Executive Director approves the excess lodging cost in advance, the employee can be reimbursed for the cost to stay at the Embassy Suites in this example.

Q: Who is required to approve a DSP staff member's excess lodging cost, the DSP Executive Director (ED) or their designee, or the Local Partnership ED or their designee?

> **A:** At a minimum, the excess lodging must be approved by the DSP's ED or designee. The Partnership has the authority to require the DSP to obtain advance approval from the Partnership; this would need to be clearly communicated to DSPs.

Q: If an employee attends an overnight conference and one evening there is a light reception and networking session where refreshments (light hors d'oeuvres) are served, is the employee still eligible for a dinner reimbursement?

> **A:** Yes, just as an employee is still eligible for breakfast reimbursement even if a hotel offers a continental breakfast, an employee is still eligible for dinner reimbursement if a reception with refreshments (but not dinner) is available.

Q: What is meant by the provision in the Cost Principles that the per diem allowances can be combined for reimbursable meals when in overnight travel status?

> **A:** If the entity reimburses based on flat per diems rather than actual receipts, this provision is irrelevant. However, if the entity's policy is to reimburse meals based on individual receipts (not to exceed per diems) this provision can be applied. For example, the per diem allowances as of June 2016 for breakfast and lunch are $8.30 and $10.90, respectively. For this example, an organization's policy is that meals are paid from receipts and an employee travels such that both breakfast and lunch reimbursement are allowable based on travel times. The employee's receipts are $4 for breakfast and $14 for lunch. The combined cost of $18 does not exceed the combined allowances for these meals ($19.20) and is therefore fully reimbursable.

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