



Invoice Policy Guide

Version 2.4
September 2026

This guide supersedes all prior versions of DEC's Invoice Policy Guide unless otherwise stated in the G-100, applicable funding requirements, or DEC supplemental written guidance (see page 14 for the Change Summary).



Dear Community Partners,

The Department of Early Childhood (DEC) is dedicated to ensuring San Francisco's youngest residents have a strong start in life. As we coordinate and evolve local systems and resources to support young children and their caregivers, your role in our mission is essential. We value your commitment to young children and appreciate your partnership in this vital work.

As stewards of local, state, and federal tax dollars, DEC is obligated to ensure that its work complies with applicable local, state, and federal requirements. As the City continues to strengthen oversight of grantee expenditures, DEC remains committed to supporting our partners in navigating evolving compliance, documentation, and reporting expectations.

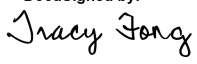
We are pleased to share DEC's updated Invoice Policy Guide, which supersedes prior versions and reflects clarified expectations for invoice submission, documentation, review, and reimbursement. This guide is designed to establish consistent fiscal requirements, review timelines, budget alignment standards, prior authorization requirements, and reimbursement practices to support consistent and timely invoice processing.

Financial reporting can be complex, and we aim to provide clear instructions and support to help you manage your funding and program expenditures. Complete and accurate invoice submissions help minimize delays, support timely payment, and ensure that grant funds are used effectively to serve children and families.

DEC is committed to open communication and partnership. Please review this guide thoroughly and contact your Program Officer if you have questions, need clarification, or encounter challenges with the invoice process. Your insight is invaluable, and we are here to support you.

Thank you for your dedication and collaboration. We look forward to continuing our productive partnership and ensuring that San Francisco's youngest residents receive the care, education, and support they need to thrive.

Sincerely,

DocuSigned by:

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9/24/2026

Tracy Fong

Date

Deputy Director of Finance and Operations
San Francisco Department of Early Childhood

Department of Early Childhood

Invoice Policy Guide

The San Francisco Department of Early Childhood (DEC) is committed to supporting our community partners in the invoice process by providing clear direction that sets grantees up for success. This guide establishes expectations for invoice submission, documentation requirements, and timing necessary for approval and reimbursement. The policies and procedures outlined in this guide are subject to state, federal, and City & County of San Francisco laws, policies, and formal guidance. This policy guide may change to comply with updates to applicable laws, policies, and guidance governing the information contained within this document. Grantees will be provided with timely updates from DEC regarding any changes to this guide.

General Guidelines

DEC grants are generally administered on a cost-reimbursement basis, meaning that grantees must first incur and invoice for program costs before being paid, rather than receiving all or part of the award at the start of the grant term. All invoices are submitted by grantees and reviewed and approved by Program Officers in one of DEC's electronic, web-based contract management systems ("CMS"). Payment is then issued electronically or mailed by check, typically one to two weeks after DEC's full approval of the invoice. Payments may be significantly delayed when invoices are submitted incorrectly, late, without appropriate documentation, or by not responding promptly to Program Officer invoice-related communications. DEC grantees administering direct client pass-through funding (as defined and approved by DEC's Finance Manager) may receive advanced funding. Per DEC's Policy for Advance Payments, those grantees must still follow the invoice submission guidelines below.

Invoice Policy and Grant Agreement [G-100]

The grantee agrees to follow all DEC guidelines and invoicing policies. Anything diverging from DEC's invoice policy must be negotiated and requires written approval from the DEC Program Officer prior to contract execution. An executed G-100 may supersede the guidelines outlined in this document; for questions, please consult with your DEC Program Officer. If this policy conflicts with state and/or federal guidelines DEC will adopt the more conservative policy. Should a disagreement arise between the Grantee and the DEC Program Officer regarding any of the policies iterated herein, the DEC Deputy Director of Finance and Operations or designee is the final arbiter.

Invoice Deadlines and Frequency

Grantees are required to submit monthly invoices, in the designated DEC financial reporting system, for each month of the grant term, including when the invoiced amount is \$0.

Deadlines: Invoices are due 30 days after the close of the month for all months July through May, except as otherwise delineated in the G-100 agreement or by written permission of the Program Officer. June invoices are requested to be submitted no later than July 15th so that DEC can close out the fiscal year by the City's deadline.

After July 31st, reimbursement for unbilled expenses may be considered on a case-by-case basis; however, DEC is not obligated to make any additional payments for these late/delayed requests, and any fund balances may revert to DEC. Please follow the guidance of your Program Officer.

Timely Invoice Submission: Grantees must submit invoices before the deadlines outlined in the grant agreement so that DEC can manage and issue payment in a timely manner. Persistent failure to submit invoices on time could have multiple impacts, including reimbursement delays, financial penalties, placement of the Grantee on a corrective action plan, and, in serious cases, “default” per Section 11.1 (Events of Default) of the Grant Agreement.

Performance: Grantee invoicing performance will be documented, and persistent issues and/or non-compliance may be considered by DEC in any future Grantee funding requests.

Invoice Submission Requirements

Expense Reporting Period: Expenses must be invoiced in the month when costs are incurred, regardless of when the costs are paid. Annual subscriptions and/or contracts that are billed monthly should be noted in CMS.

This ensures that expenses are reported in the appropriate month for reimbursement.

Actuals vs. Budget Estimates: Invoiced expenses must be based on actual expenditures (not estimates), such as simply billing 1/12th of the line-item budget or a negotiated/benchmarked rate such as the fringe benefit rate.

Prior Authorization: Certain expenses or programmatic decisions require prior authorization before the expense is incurred or applicable decision/change is implemented. Grantees must follow the Prior Authorization Policy, this guide, and use of the applicable prior authorization forms.

Period of Performance / Grant Term: The period during which grant activities may occur and eligible costs may be incurred under the approved grant agreement. Costs incurred outside the grant term are not reimbursable. Cost invoiced outside of an annual fiscal year budget period are not reimbursable unless expressly approved by DEC.

Prior & Future Expenses: Grantees are not allowed to include prior months’ expenses without prior approval from their assigned Program Officer. Grantees must receive prior authorization to include any future expenses in an invoice (e.g., field trips, pre-approved travel, special events, etc.). Please complete the DEC invoice Exception Request Form for any prior or future month expenses.

Invoices & Program Budgets: Invoiced expenses must match the budgeted expense types to be eligible for reimbursement. Program Officers will review invoices for accuracy and eligibility of expenses before approval. Some expenses require prior authorization from your assigned Program Officer even when included in the Grantee’s approved budget. These specific expense types are listed in this document.

Personnel Cost Changes: Changes to salaries, fringe benefits, or staffing structure, including those resulting from internal decisions (such as promotions) or external factors (such as union or collective bargaining agreements), must align with the approved grant budget. Such changes do not automatically result in increased reimbursement from DEC, nor do they trigger a budget revision or modification to increase funding. Any personnel-related cost increases must be reviewed and approved in advance by DEC. Costs that are not approved or aligned with the budget may not be eligible for reimbursement, and DEC reserves the right to deny reimbursement for such costs.

Fringe Benefit Calculation Guidelines: Fringe benefit costs charged to DEC must be based on actual employer-paid costs incurred during the applicable reporting period. Budgeted, estimated, negotiated, or benchmarked fringe benefit rates may be used for budget development purposes only and may not be used as the basis for invoice reimbursement.

- Grantees may calculate actual fringe benefit costs using either an organizational actual-cost allocation or an individual employee actual-cost calculation. The selected method must be reasonable, documented, consistently applied in accordance with Generally Accepted Accounting Principles (GAAP) and the Grantee's established written policies, and allocated in proportion to the salaries and wages charged to the grant unless DEC approves another equitable allocation method.

Grantees must maintain records showing the actual fringe benefit costs, calculation method, allocation basis, and amount charged to DEC.

Budget Variance Requirements: Grantees must ensure that invoiced expenditures remain within approved line-item budgets.

The following thresholds apply:

- Expenditures less than or equal to **\$1,000 and 10%** of the line-item budget may be processed without additional approval
- Expenditures greater than **\$1,000 but less than or equal to 10%** require written justification in the CMS
- Expenditures exceeding **10% of a line-item budget or \$10,000** (whichever is less) require prior approval and may require formal budget revisions before additional invoicing

These thresholds determine when DEC approval or a budget revision may be required due to overspending against an approved line-item budget. They do not limit DEC's ability to request written justification or supporting documentation for invoice review.

Grantees may not exceed total approved fiscal year budgets or funding category totals without an approved budget revision or modification, as applicable.

Written Justification Requirements for Invoice Review:

Written justification requirements are separate from budget variance requirements. Budget variance requirements determine when an invoiced amount exceeds or may exceed an approved line-item budget and may require prior approval or a formal budget revision. Written justification requirements support invoice review by explaining unusual, non-recurring, or higher-than-expected expenses, even when the expense remains within the approved budget.

Grantees must provide written justification in the CMS for any invoiced expenses under the following circumstances:

- Expenditures greater than \$1,000 and greater than 10% or more of a line-item budget
- Non-recurring expenses that are over \$1,000
- **Recurring monthly** expenses that exceed 20% of the line-item's annual budget
- Any expenditure requiring prior authorization under DEC policy

Written justification does not replace required prior authorization and must clearly explain the nature of the expense, the reason for the variance, and how the cost supports program delivery.

Program Narrative and Progress Reports: A grant may require the Grantee to submit a Narrative or Progress Report detailing the services and activities during the monthly or quarterly reporting period as determined by DEC and included in the G-100 agreement.

Failure to submit Program Reports, Narratives or other Programmatic Requirements as delineated in the following sections of the G-100 Agreement may result in delayed or denied payment.

- Article 6.1 Regular Reports
- Article 6.9 Compliance with Monitoring – Fiscal Requirements, Performance Assessment, Program Management and Technical Assistance
- Article 6.10 Online Requirements
- Appendix B – Definition of Grant Plan
- Appendix G (or F in templates dated March 2026 and later) – Department of Early Childhood Reporting Instructions

A report is recognized as submitted on the date it is uploaded and signed in CMS.

Participant & Activity Data: Grantees are required to demonstrate that the program is meeting the established performance measures based on the required reporting timeline.

Reporting must be supported by identified and approved data sources and/or regularly entered participant and activity data in the CMS to verify services are occurring as agreed upon. Unless the program is on a scheduled break or as specified in writing by DEC's Program Officer, DEC reserves the right to delay the processing of invoices if Grantee has not entered the required performance measures and/or participant activity data.

Impact on Invoice Processing: Failure to comply with invoice submission requirements, including missing documentation, required justifications, or prior approvals, may result in delayed or rejected invoices.

DEC Invoice Review Process

Once the Grantee has submitted an invoice through the CMS, invoices will undergo a structured review process.

Fiscal Review:

DEC will conduct a fiscal review prior to Program approval to ensure:

- Mathematical accuracy and completeness
- Alignment with approved budget line items and funding categories
- Compliance with budget variance thresholds
- Adequate supporting documentation, when required

Program Review and Approval:

Program Officers will review the invoice to ensure:

- Expenses are allowable, reasonable, and aligned with program objectives
- Services were delivered during the invoiced period
- Required program reports, narratives, and performance data have been submitted
- Required prior approvals and justifications are documented

Program Officers will either:

- Approve the invoice for payment, or
- Reject the invoice and return it to the Grantee for revisions or additional documentation
- Rejected invoices must be corrected and resubmitted through the CMS.

Payment Processing:

Once an invoice is fully approved, DEC's Accounting team will process payment. In most cases, funds are electronically deposited within five to ten business days.

Invoice Holds:

Invoices may be delayed or placed on hold if additional information is required, including but not limited to:

- Missing or incomplete documentation
- Missing program reports or performance data
- Unresolved budget variances
- Vendor compliance issues (e.g., expired insurance, registration issues)

Invoices with correctable deficiencies may be rejected and returned, while invoices pending compliance or documentation issues will be placed on hold until resolved.

Review of Supporting Documentation for Invoiced Expenses

When submitting invoices through CMS, Grantees are generally not required to provide supporting documentation for general expenses, excluding advances for pass-through funds. However, DEC does require supporting documents on certain occasions during the fiscal year and for specific program expenses. This documentation helps DEC to confirm that the expenses presented for reimbursement are accurate and allowable.

Regardless of whether DEC requests backup documentation, Grantees must maintain all records of expenditures in a manner consistent with applicable laws, standard accounting practices, grant agreement, and the Grantee's fiscal policies.

Frequency for the Provision of Supporting Documentation

Fiscal & Compliance Monitoring: During DEC's participation in the Citywide Nonprofit Fiscal & Compliance Monitoring process, Grantees are required to provide supporting documentation for at least two months which will be selected by the department. Any concerns observed will be discussed and resolved as part of the monitoring process. Discrepancies or questions on submitted material may lead DEC to request supporting documentation for additional invoices on any DEC grant with the Grantee.

Annual Invoice Review: DEC may conduct an annual invoice review for any grantee regardless of whether they are selected through the Fiscal & Compliance Monitoring process. Per the Office of the Controller to comply with Executive Directive 20-04 all grantees receiving \$200,000 or more from DEC, are required to receive an invoice review of at minimum two months.

Monthly Invoice Review: Grantees with significant issues as observed through Citywide Nonprofit Fiscal & Compliance Monitoring and/or through the monthly and annual invoice review process, may be placed on a Corrective Action Plan which may include submitting supporting documentation to their Program Officer each month for all or portions of submitted invoices.

This requirement will stay in place until the following year's fiscal visit, or when the Program Officer has determined that the Grantee has satisfactorily resolved their invoicing issues.

Upon DEC Request: DEC reserves the right to request supporting documentation for any items invoiced during the grant cycle. Grantees must be able to produce backup documentation within three business days of a request from DEC, including a clear methodology for shared costs reflecting the allocation to DEC.

DEC Grantees Receiving State, Federal, Interdepartmental Funding: Grantees funded by State, Federal, or Interdepartmental work orders may be required to submit additional supporting documentation for invoiced expenses in accordance with the terms and conditions of the grant.

Required Supporting Documentation for Funding Advances

Grantees approved for advanced funding must follow the documentation requirements delineated above. Approved invoice amounts will be deducted from the advanced funding as expenses are incurred. Invoices will be noted as “Paid by Advance,” and no additional payment will be issued unless/until expenditures exceed the advanced amount.

All required backup documentation regarding distribution of client pass-through funds must accompany each invoice, as delineated by your agreement and Program Officer. Failure to submit appropriate documentation will cause delays in approving invoices and future funding advances.

Documentation Expectations & Submission Guidelines

Grantees are expected to store and submit the information in a well-organized, clearly labeled, and secure manner. DEC’s expectation is to receive all requested documentation within three business days of the initial request.

Documentation must include copies of original records, such as a general ledger (GL), invoices, receipts, proof of payment, and must include the following:

- Detailed GL that ties to the grant invoice
- Dates of purchase and receipt of goods/services, as applicable
- Description of the materials or services received
- Agendas, flyers, meeting confirmations, sign-in sheets or participant lists for events and/or catering expenses
- Clearly identifying any unallowable or non-grant related expenses of a receipt or bill not being invoiced to the grant (e.g., sugary beverages, alcohol, exceeding federal GSA per diem rate and plastic bottled water 21oz. or less per City Ordinance No. 28-14 [click here](#) for the full ordinance)
- The cost allocation methodology used to determine the amount invoiced to the grant
- Authorization for payment, as required by the Grantee’s fiscal policies (e.g., purchases of over \$10,000, \$50,000, etc.)

The table below indicates the following:

- The frequency expected for submission of documentation.
- Specific items required to have prior authorization from the DEC Program Officer, even if the expense is listed in the Grantee’s budget.
- Grantees should provide proof of prior authorization when supporting documentation is required or requested.
- The types of documentation expected.
- Grantees may receive additional instructions for required documentation depending on funding source requirements or programmatic needs.

INVOICE DOCUMENTATION MATRIX

Expense Category <i>See Cost Categorization Matrix for descriptions and allowable/unallowable expenses</i>	Documentation Submission Frequency and Required Prior Authorizations		Required Documentation
	Minimum Frequency	Prior Authorization Required <i>Record of prior authorization must be submitted to DEC for any month with these expense types.</i>	
Salaries/Payroll	Annually and/or upon request	Changes to negotiated FTEs or increases /decreases to employee hourly/salary rates require DEC Personnel Change Request Form. Changes in staffing that do not change fte allocation, or compensation should be communicated to your Program Officer and updated in CMS.	Payroll records provided by a payroll service. Records should match timesheets indicating the hours and salary paid, including withholdings for mandated payroll taxes. Timesheets are required for all staff including all exempt or salaried staff. If staff members are paid by more than one funding source, functional timesheets or time studies are required. Changes to negotiated salaries must include documentation of the authorization authority (board minutes, employee handbook, approved policies), rationale, affected staff, effective date, and duration. One-time temporary increases are not allowable under DEC policy, consistent with applicable City Controller's Office and OMB cost principles.
Fringe Benefits	Annually and/or upon request	Changes to or a request to repurpose fringe benefits or negotiated rates.	Mandated payroll taxes (FICA, SUI)- Payroll records from Grantee's payroll service. Worker's Compensation may require proof of the organization's rate. Health benefits and other pre-approved fringe benefit expenses may require proof of payment, invoices, or other statements from the benefit provider (e.g. health, retirement). Taxes and other withholdings must be withheld from wages during the term of the grant to be allowable. Changes to negotiated fringe benefits including employer incentives such as commuter, cell phone, gym, etc. must include documentation of the authorization authority including board minutes, employee handbook/approved written policies, rationale, affected staff, effective date, and duration. One-time temporary increases are not allowable under DEC policy, consistent with applicable City Controller's Office and OMB cost principles. DEC requires documentation of actual employer-paid fringe costs, calculation method, allocation basis, and amount charged to DEC.
Stipends	Annually		Signed acknowledgment of receipt of stipend by participant and/or canceled check. Records should match a corresponding timesheet or other signed record of reason and calculation for stipend.

INVOICE DOCUMENTATION MATRIX

Expense Category <i>See Cost Categorization Matrix for descriptions of allowable/ unallowable expenses</i>	Documentation Submission Frequency and Required Prior Authorizations		Required Documentation
	Minimum Frequency	Prior Authorization Required <i>Record of prior authorization must be submitted to DEC for any month with these expense types.</i>	
Subcontractors, Consultants, and Professional Services	Subcontractors: Annually Consultants: Monthly Professional Services: Monthly	Subcontractors, Consultants & Professional Services	Signed contract or MOU containing rate and scope of services provided upon request. Invoice detailing the work performed, hours worked, and rate are required and must include proof of payment.
Materials & Supplies	Upon Request		Must include invoice/receipt and proof of payment
Facilities/ Occupancy	Upon Request	Non-recurring building/office maintenance expenses	A lease/mortgage must be in place for any rented space and be made available upon request. Ongoing documentation of proof of payment must be maintained. If applicable, monthly invoices clearly stating the address, rate, and month of invoice must be provided
Utilities	Upon Request		Must include invoice/receipts and proof of payment (PG&E, SFPUC, Recology). Parking and moving violations are unallowable.
Equipment/ Furniture	Upon Request	Electronics Equipment Furniture	Must include invoice/receipts and proof of payment
Local Transportation/ Local Travel (Within 9 Bay Areas Counties)	Upon Request	Vehicle expenses of any type	Local travel should include mileage log, amount paid per mile, signed documentation of staff receiving Clipper Cards, BART tickets, or Muni Tokens. Must include invoice/receipts and proof of payment
Conferences/Training /Travel	Upon Request	All conferences require prior authorization form. Local training and staff development exceeding \$1,000 total require completion of the prior authorization form.	Documentation must include description/flyer, staff attending, cost per staff, receipts, proof of payment, and signed Prior Authorization Form. International travel is unallowable all out of area travel must follow GSA rates.
Events and Food	Upon Request	-Organization-wide events -Food specifically for meetings -Restaurants/Catering events Generally, food for staff is not allowed.	Must include itemized invoice/receipts, proof of payment, agenda/flyers, and sign-in sheet for all attendees

INVOICE DOCUMENTATION MATRIX

Expense Category <i>See Cost Categorization Matrix for descriptions and allowable/unallowable expenses</i>	Documentation Submission Frequency and Required Prior Authorization		Required Documentation
	Minimum Frequency	Prior Authorization Required <i>Record of prior authorization must be submitted to DEC for any month with these expense types.</i>	
Gift Cards/Honoraria/ Participant Incentives	Upon Request	Gift Cards, Honoraria, & Participant Incentives require prior authorization.	Documentation of participant eligibility and participation in relevant program. If the incentive is a gift card a signed DEC Gift Card Acknowledgement Form is required and all documentation should be readily available.
Telecommunications	Upon Request		Must include invoice/receipts and proof of payment
Capital and Mortgage	Upon Request	All capital expenses	Must include invoice/receipts and proof of payment
Professional Licenses, Recruitment and Background Checks	Upon Request		Must include invoice/receipts and proof of payment
Basic Needs	Upon Request		Must include invoice/receipts and proof of payment
Barrier Removal	Upon Request		Must include invoice/receipts and proof of payment
Contractual Services/Temp Staff	Upon Request		Must include invoice/receipts and proof of payment
Bank Fees	Upon Request		A bank statement showing fees associated with the Grantee's account.
Insurance	Upon Request		Must include invoice/receipts and proof of payment
Miscellaneous Expense	Upon Request	Generally, not allowable, requires pre-approval	Must include invoice/receipts and proof of payment. Detailed explanations are required for each miscellaneous expense and how the costs are related to the contract's deliverables.

Change Summary

This updated Invoice Policy Guide supersedes prior versions and clarifies DEC's expectations for invoice submission, documentation, review, budget alignment, prior authorization, and reimbursement.

Key updates include:

- Expanded definitions to support consistent interpretation of fiscal, budget, invoice review, compliance, and federal cost-principle terms.
- Clarified that invoices must be based on actual expenditures, not estimates, budget averages, or negotiated/benchmarked rates.
- Added fringe benefit calculation guidance requiring reimbursement to be based on actual employer-paid costs, with documentation of the calculation method, allocation basis, and amount charged to DEC.
- Strengthened budget transparency by clarifying that rolled-up, bundled, or aggregated line items are not allowed.
- Added budget variance thresholds and clarified when written justification, prior approval, or formal budget revision/modification may be required.
- Separated written justification requirements from budget variance requirements to distinguish invoice-review explanations from budget authority controls.
- Clarified prior authorization expectations for certain expenses and programmatic decisions.
- Added a structured invoice review process, including fiscal review, program review, payment processing, invoice holds, and invoice rejections.
- Expanded supporting documentation expectations, including documentation required during monitoring, annual or monthly invoice review, DEC requests, state or federal funding requirements, and funding advances.
- Updated the Invoice Documentation Matrix, including strengthened salary/payroll and fringe benefit documentation requirements.
- Added corrective action plan language aligned with the Citywide Nonprofit Corrective Action Policy.
- Clarified prior authorization requirements for Conferences, Training & Travel, including conference requirements, the \$1,000 threshold for local training/staff development, and the prohibition on international travel.
- Separated Local Transportation/Local Travel from Conference/Training/Travel and clarified prior authorization and documentation requirements for vehicle and local transportation expenses.
- Updated Gift Cards, Honoraria & Participant Incentives requirements to include the DEC Gift Card Acknowledgment Form and participant eligibility/participation documentation.
- Added standardized DEC approval forms for applicable personnel changes, fringe benefit changes, and invoice exceptions to support consistent review and documentation.

These revisions are intended to improve consistency, transparency, compliance, and timely invoice processing while helping grantees understand the documentation required to support reimbursement.

Definitions

The following list defines some key terms frequently used by the Department of Early Childhood and referenced in the OMB Uniform Guidance- 2 CFR part 200. This list is not comprehensive, and definitions found in specific funding sources or executed grant agreements that apply to specific programs may take precedence over the following definitions. Grantees may review OMB guidance for complete definitions, as applicable. For purposes of this document, the following definitions apply:

Accounting and Reporting Concepts

Accrual-Based Accounting – A method of accounting in which expenses are recorded when they are incurred, regardless of when payment is made. For purposes of DEC invoicing, expenses must be reported based on the month in which they were incurred.

Cash-Based Accounting – A method of accounting in which expenses are recorded when payment is made. While grantees may use this method for internal accounting purposes, invoices submitted to DEC must be on an accrual basis and reflect expenses incurred during the reporting period.

Cost Allocation – The process of assigning a cost, or group of costs, to one or more cost objectives in reasonable proportion to the benefit provided or other equitable relationship.

Cost Objective – A program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure costs.

Allocable Cost – A cost that can be assigned to a DEC grant or other cost objective based on the relative benefit received. A cost is allocable when it is incurred specifically for the grant, benefits both the grant and other work and can be distributed using a reasonable method or is necessary to the grantee's overall operation and assignable in part to the grant under applicable cost principles.

Proportional Benefit – The share of a cost that may be charged to a grant based on the extent to which the grant benefits from the goods, services, activity, or personnel cost. Shared costs must be distributed using a reasonable, documented allocation method that reflects the proportional benefit received by DEC and other funding sources.

Generally Accepted Accounting Principles (GAAP) – Accounting standards established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

Indirect Cost – Costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to a specific cost objective without disproportionate effort. This term may be used interchangeable with “administrative” cost.

Budget and Financial Management Concepts

Allowable Cost/Allowable Expense – A cost that may be reimbursed under a DEC grant because it is included in or otherwise permitted under the approved budget or grant agreement and meets applicable cost-principles requirements, including being necessary and reasonable for the grant, allocable to the grant, consistent with applicable laws, regulations, DEC policy, the grant agreement, and the Grantee's written policies, treated consistently, and adequately documented.

Applicable Credits – Reductions to costs that offset or reduce expenses charged to a grant, such as purchase discounts, rebates, refunds, insurance recoveries, or adjustments. Applicable credits must reduce the amount charged to DEC when they relate to costs invoiced to the grant.

Budget – The approved financial plan for the grant, including approved cost categories, line items, funding categories, and any approved revisions or modifications. OMB defines budget as the financial plan for an award approved during the award process or in later amendments.

Approved Budget – The most recent DEC-approved budget for the grant, including any approved budget revisions, modifications, or amendments. Invoiced expenses must align with the approved budget to be eligible for reimbursement.

Funding Category – A grouping of grant funds within the approved budget that may be subject to separate restrictions, spending limits, reporting requirements, or approval requirements. Grantees may not exceed funding category totals without an approved budget revision.

Line-Item Budget – A detailed budget entry that identifies a specific expense type, cost category, position, service, good, or activity approved for funding under the grant. DEC does not allow rolled-up, bundled, or aggregated line items that combine multiple unrelated costs into a single budget entry. Budget submissions must provide sufficient detail, including cost basis and calculation assumptions, to support transparent DEC review and expenditure monitoring.

Reasonable Cost – A cost that, in its nature and amount, does not exceed what a prudent person would incur under the circumstances at the time the decision was made. Factors include whether the cost is ordinary and necessary, consistent with sound business practices and legal requirements, comparable to market prices, reflects prudent decision-making, and follows the grantee's established written policies and procedures.

Budget Variance – The difference between the approved budgeted amount for a line item and the actual amount invoiced. Variances may be subject to thresholds requiring justification, prior approval, or budget revision as defined in this policy.

Budget Revision or Modification – A formal change to an approved grant budget that reallocates funds between line items (revision) or adjusts the total award amount (modification). These changes must be submitted and approved in accordance with DEC's Budget Revision and Modification Policy.

Eligible Expenses – Expenses included in an approved budget that are incurred and paid by the Grantee during the term of the Agreement in implementing the Grant Plan. The Department determines whether expenses are allowable, reasonable, allocable, and proportionate to the benefit received.

Established Written Policy – A formally adopted organizational policy, employee handbook, board-approved policy, collective bargaining agreement, or other written policy that governs how the grantee incurs, approves, allocates, or pays costs. This is especially important for fringe benefits and leave because OMB Uniform Guidance ties allowability to established written policies.

Fringe Benefits – Allowances and services employers provide to employees in addition to regular salaries and wages, including leave, employee insurance, pensions, unemployment benefits, workers' compensation, and similar benefits.

Fringe benefit costs are allowable when reasonable and required by law, an organization-employee agreement, or the grantee's established policy.

Fringe Benefit Rate – A percentage used for budget development and planning purposes to estimate employer-paid fringe benefit costs associated with salaries and wages. A fringe benefit rate may be based on the Grantee's historical actual fringe costs, organizational experience, or other reasonable planning assumptions. The budgeted fringe benefit rate does not determine the amount reimbursable by DEC. Fringe benefit costs invoiced to DEC must be based on actual employer-paid costs.

Personnel Costs – Salaries, wages, fringe benefits, and related employer-paid costs for staff performing work under the grant. Personnel costs must align with the approved budget, be supported by payroll records and timekeeping documentation, and be allocated based on the approved FTE allocation.

Functional Timesheet / Time Study – A documented method used to support the allocation of personnel costs across programs, functions, funding sources, or cost objectives when an employee's time benefits more than one activity. The purpose is to demonstrate how the employee's salary and related costs are distributed based on work performed or benefit received.

- A functional timesheet records actual time worked by function, program, funding source, or cost objective. A time study uses a representative sample or defined review period to support a reasonable allocation of time. The method used must be documented, consistently applied, and sufficient to support the amount charged to DEC for both staff and administrators working in direct service of the grant.

Invoice Review and Compliance Terms

Contract Management System (CMS) – The electronic system designated by DEC for the submission, review, and approval of invoices and related documentation. All invoice activity, including submission, review, justification, and communication, must be conducted within the system unless otherwise directed by DEC.

Questioned Cost – A cost that requires further review because it may be unsupported, inadequately documented, unreasonable, unallocable, inconsistent with the approved budget or grant agreement, or potentially prohibited by applicable laws, regulations, DEC policy, or funding requirements. A questioned cost is not automatically disallowed but may become disallowed if the grantee does not provide sufficient support or if DEC determines the cost is not allowable.

Unallowable Cost – A cost that may not be charged to the grant because it is prohibited by applicable laws, regulations, DEC policy, the grant agreement, or funding requirements, or because it is not reasonable, allocable, adequately documented, consistently treated, or incurred for an approved grant purpose.

Disallowed Cost – A cost DEC determines to be unallowable after review. Disallowed costs may be denied for reimbursement, removed from an invoice, offset against future payments, or subject to repayment if already reimbursed.

Vendor Compliance Issues – Outstanding vendor or grantee compliance matters that may delay invoice processing, including expired insurance, registration issues, delinquent required filings, missing required documentation, or other compliance conditions identified by DEC.

Invoice Hold – A temporary delay in invoice processing due to missing documentation, compliance issues, or other outstanding requirements. Invoices on hold will not be processed for payment until all issues are resolved.

Invoice Rejection – The return of an invoice to a grantee for correction due to errors, missing information, or noncompliance with DEC requirements. Rejected invoices must be revised and resubmitted for review.

Written Justification – A documented explanation provided in the Contract Management System (CMS) describing the nature of an expense, the reason for any variance from budget or expected expenditures, and how the cost supports program delivery.

Prior Authorization – Written approval obtained in advance from DEC for certain expenses or programmatic decisions. Grantees must use the applicable prior authorization form and maintain documentation of approval in CMS or with invoice support, as directed by DEC.

Program Report/ Narrative / Progress Report – A required programmatic submission describing services, activities, participant data, progress toward performance measures, or other grant deliverables for the reporting period. Failure to submit required reports may delay or prevent invoice approval when those reports are required by Appendix B, the G-100, CMS, or DEC written guidance.

Performance Measures – The outputs, outcomes, service targets, participant activity data, or other measures used to determine whether the grantee is delivering services as agreed under the grant.

Proof of Payment – Documentation showing that a cost was paid by the Grantee, such as a canceled check, bank statement, credit card statement, payroll-service record, electronic payment confirmation, or other record sufficient to verify payment. Proof of payment must correspond to the invoice, receipt, payroll record, benefit statement, or other supporting documentation for the cost charged to DEC.

Corrective Action Plan – A formal plan developed in accordance with the Citywide Nonprofit Corrective Action Policy to address fiscal, administrative, compliance, invoice, or programmatic performance concerns. A corrective action plan may include identifying findings, required actions, milestones, timelines, technical assistance or capacity-building support, and monitoring check-ins. DEC may require additional invoice documentation, increased monitoring, or other grant-specific conditions while a corrective action plan is in effect.

Budget Structure and Federal Terms

Advance Payment – A payment DEC provides to a grantee prior to the grantee incurring expenses.

Audit Finding – Deficiencies that an auditor is required to report in the schedule of findings and questioned costs.

Direct Client Pass-through – Expenses incurred by a grantee and paid to a qualifying entity that are the direct expenses of the funder and unrelated to the cost of administering the grant.

Equipment – Tangible personal property (including information technology systems) with a useful life of more than one year and a per-unit acquisition cost equal to or exceeding the lesser of the capitalization threshold established by the recipient or \$10,000.

Supplies – All tangible personal property other than equipment.

Capital Expenditures – Expenditures to acquire capital assets or to make additions or improvements that materially increase the value or useful life of an asset.

Real Property – Land and land improvements, including structures and related legal interests, excluding movable equipment.

Information Technology Systems – Computing devices, ancillary equipment, software, firmware, and related procedures, services, and resources.

Computing Devices – Machines that acquire, store, analyze, process, and publish data and other information electronically, including accessories for printing, transmitting, and receiving or storing information.

Telecommunications Costs – Costs associated with communication technologies such as mobile phones, landlines, and internet services.

Internal Control – Processes designed and implemented to provide reasonable assurance regarding operational effectiveness, reporting reliability, and compliance with applicable laws and regulations.

Participant – An individual participating in program activities who is not responsible for implementation of the grant.

Recipient – An entity that receives a grant award directly from DEC.

Subaward – An award provided to a subrecipient to carry out part of a grant received by a pass-through entity.

Subrecipient – An entity that receives a subaward to carry out part of a grant award.