

NC Pre-Kindergarten (NC Pre-K) Program Fiscal and Contract Manual

Effective SFY 2017-2018

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Section 1. Introduction

The North Carolina Pre-Kindergarten Program (hereafter referred to as NC Pre-K, NC Pre-K Program or the Program) is a program of the Division of Child Development and Early Education in the North Carolina Department of Health and Human Services. The NC Pre-K Program is designed to provide high-quality educational experiences to enhance school readiness for eligible at-risk four-year-old's. The purpose of this manual is to outline proper management of the fiscal and contracting aspects of the Program and to provide fiscal reporting requirements for DCDEE's 91 NC Pre-K financial assistance contracts.

This *NC Pre-K Fiscal and Contract Manual* and the *NC Pre-K Program Requirements and Guidance* may be downloaded from the Division of Child Development and Early Education website <http://ncchildcare.dhhs.state.nc.us/general/home.asp> under the NC Pre-K tab.

Contact Information
Division of Child Development and Early Education
NC Department of Health and Human Services
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Section 2. County/Region Plan and DCDEE Contracts With Local Entities to Administer the NC Pre-K Program

A. County/Region Plan

A County/Region Plan (hereafter referred to as the Plan) must be developed in accordance with the *NC Pre-K Program Requirements and Guidance*. The Division of Child Development and Early Education (DCDEE) pre-approves the Plan and any applicable changes to the Plan.

B. Contracts

The NC Pre-K Program procures, through financial assistance contracts with entities who administer the program at the local level, high quality pre-kindergarten education services for eligible children age who are four-years old by August 31st of the program year. All contracts and payments for services are subject to funding availability.

The contractual agreement is between the North Carolina Department of Health and Human Services (NC DHHS), Division of Child Development and Early Education (DCDEE) and the responsible county entity (Contractor) selected to administer the Program by the County/Region NC Pre-K Committee (Committee). As a rule, the Contractor will communicate with DCDEE for all matters pertaining to the contract unless otherwise indicated.

NC Pre-K contracts are with private and public agencies as determined by the Committee.

1. NC Pre-K Contracts

Using the guidelines for contract determination, DCDEE determined NC Pre-K contracts are Financial Assistance contracts. A Financial Assistance contract is subject to N.C.G.S. 143C-6-22 & 23 with the exception of the public school system. Any unspent funds remaining in the NC Pre-K Financial Assistance contracts at the end of the contract period must revert to DCDEE.

Financial Assistance contracts require more detailed information on how contract funds will be spent. DCDEE will request a breakout of how administrative and direct services allocations will be spent so that the contract budget can be established. In addition, NC Pre-K contractors may request an advance for payments as a Financial Assistance contractor.

Note: Smart Start partnerships with NC Pre-K contracts should follow the biennial financial and compliance audit requirement in N.C.G.S. 143B-168.14(b). Effective August 1, 2016, reporting will no longer be submitted in the NC Grants system. Reporting will be filed directly with your funding agency. DHHS guidance and procedures regarding implementation of these changes will be forth coming.

2. Plan Review, Approval, and Changes

The Contractor submits the County/Region Plan and applicable changes on-line to DCDEE. DCDEE reviews the Plan and all requested changes. An Administrative Letter, signed by the NC Pre-K System Administrator, is the official approval or denial notice for changes to the Plan, such as changes in site location and teacher credentials. Any Administrative Letters should be maintained with the original Plan.

3. Contract Development, Review, and Approval

DCDEE notifies the Contractor of its allocation for the next contract year and develops a contract based on the current allotment and the existing on-line Plan. DCDEE requests budget information from the 91 NC Pre-K contractors to process the contracts. DCDEE strives to have all contracts executed by July 1st.

a. Contract Development

A contract document consists of a contract template and other attachments as required. The *NC Pre-Kindergarten Program Requirements and Guidance*, this manual and the approved County/Region NC Pre-K Plan on file at DCDEE are incorporated by reference in the contract.

- **Contract Cover and Attachment A**

The contract cover and Attachment A of the contract include terms and conditions and the contract requirements. These include, but are not limited to, the following as applicable:

- Effective period of the contract
- Contractor duties;
- Contract amount (direct services, administrative and start-up)
- Division Duties
- Sales/use tax requirements
- Records retention requirements
- Reporting requirements

- **Other Attachments (as applicable)**

NC Pre-K contracts may also include the following attachments, depending on whether the contractor is a non-profit or public agency.

- The Scope of Work, which is a description of services and includes performance measures.
- The line item budget, budget narrative, and FTE sheet.
- Conflict of Interest and copy of Contractor's conflict of interest policy (as applicable)
- Certification of No Overdue Tax Debts (as applicable)

- IRS federal tax exempt letter or 501 (c) (3) verification form
- NC Vendor Certifications
- Federal Certifications (if applicable)
- Certification of Eligibility (Under the Iran Divestment Act)

NOTE: DCDEE accepts the signatures of the Principal or Site Administrator or authorized designee, in Section II of the Plan, as certification that the *NC Pre K Program Requirements and Guidance* have been read and that each NC Pre-K classroom will comply with the requirements.

b. Contract Review and Approval

Once the NC Pre-K contractors return all contract items to DCDEE, it is reviewed and approved by the NC DHHS and the Attorney General's office.

4. Contract Signatures

Signature steps are as follows:

- Once approved, the NC Pre-K Contract Administrator receives one (1) electronic contract to secure authorized signature. The signer of the contract must be the person with fiscal oversight responsibility within that local organization (i.e., Superintendent of Schools, Chairman of the Partnership Board or authorized designee, or CEO or President of a private organization or authorized designee).
- The NC Pre-K Contract Administrator returns two (2) original signed contracts and supporting documents to DCDEE; and
- Division of Child Development and Early Education Director signs contracts. The contract is now executed and one original executed contract is sent to the NC Pre-K for the contracting agency's files.

5. Contract Changes

Changes may be required during the effective period of the contract. The Contractor changes the information using the on-line Plan and Change Request process. Refer to the NC Pre-K Plan User Guide for detailed instructions of all changes to the NC Pre-K Plan <http://ncchildcare.dhhs.state.nc.us/general/home.asp>. The Guide lists where changes can be made, what signatures are required, and what DCDEE approval is needed.

NOTE: Email addresses listed in the Plan for the Contract Administrator, the Fiscal Administrator, the Program Contact, and Additional Contact, if applicable, need to be correct at all times. Automated emails associated with the on-line Plan are forwarded directly to the email addresses listed.

Changes that affect the effective period of the contract and/or the contract amount result in a contract amendment.

6. Contract Termination

A contract may be terminated for various reasons such as funding reduction or the Contractor's failure to fulfill the obligations under the contract or for other reasons as described in the contract.

If the contract is terminated, the Contractor must return any unearned and unspent start-up funds to DCDEE within 60 days of the termination date but no later than June 15th of the current state fiscal year (SFY), whichever is earliest.

Section 3. Pre-K Allocations, Allowable Uses of Pre-K Funds, and Children Served

A. Allocating Pre-K Funding

DCDEE allocates funding to serve children and funding for DCDEE's Contractor to administer the NC Pre-K program.

Contractors receive a per-child allocation for a 10-month school year (36 weeks). DCDEE reimburses for a child to be enrolled in NC Pre-K for a maximum of 10 months. Each contractor's base allocation was originally based on the low-wealth county supplemental funding formula used by the North Carolina Department of Public Instruction.

Contractors receive an allocation of direct services and administrative funds. Contractors are to serve the greatest number of children possible with their direct services allocation. However, the Contractor has to track and budget the number of children served so they do not exceed their contract amount. The direct services allocation is based on the number of children that Contractors estimated could be served by type of setting/payment rate, for a maximum of 10 months (36 weeks).

B. Types of NC Pre-K Funds Allocated and Allowable Uses

There are three types of NC Pre-K funds that a Contractor may receive from DCDEE: Direct Services Funds, Administrative Funds, and Start-up Funds. All NC Pre-K funds must be expended for services provided to children in NC Pre-K classrooms, or for support for the operation of the NC Pre-K program. NC Pre-K funds will be budgeted by expenditure category within the NC Pre-K Contract budget. Refer to the document **Instructions for Completing NC Pre-K Contractor Budget Worksheet** for details on what expenses may be included in the contract line-item budget.

1. **Direct Services funds:** Direct services funds are NC Pre-K funds paid to DCDEE's Contractor for serving children in approved NC Pre-K classrooms. Direct services funds that a Contractor receives must be passed to NC Pre-K providers for earned payment of direct services to children. This may be done through subcontracting, or by the Contractor providing direct services themselves, or a combination of the two situations. The total amount of direct services funds expended must correspond to the number of approved eligible children, established classroom rate, and actual classroom attendance by site. Contractors must expend direct services funds during the year for which they are awarded, and on the cost to provide direct services for NC Pre-K children in approved classrooms. Contractors need to inform any subcontractor of any rate change throughout the year.

For DCDEE's NC Pre-K contractors who are also providing direct services, the direct services funds may be used for operating NC Pre-K classrooms. This may include salary/benefits for teaching staff, equipment, supplies, curriculum and related materials,

developmental screening tools and assessment efforts, staff to conduct developmental screenings, staff training, mentoring of BK licensed teachers, transportation etc.

Direct services funds should be spent on NC Pre-K services and cannot supplant existing funds for pre-k educational services (See Section 5.C). However, with the advice and consent of the county's NC Pre-K Committee, NC Pre-K contractors may supplement the amount of the NC Pre-K payment with other resources to ensure the full cost of educational services is paid.

Beginning in SFY 2012-13, DCDEE determined the following maximum payment rates that Contractors may pay to operators of NC Pre-K classroom sites with NC Pre-K funds. Any request for a different payment amount must be approved by DCDEE as an exception rate. Requests must be submitted to Jenine Gatewood, NC Pre-K Program Manager, Early Education Branch which houses the NC Pre-K EESLPD and Workforce Education Units. (jenine.gatewood@dhhs.nc.gov). DCDEE will review the request on a case-by-case basis, and may require information on the impact of the proposed rate exception or how the rate was calculated. An 'exception' is defined as requesting a reimbursement payment for more than the approved maximum rates below for Head Start or Public School sites, or for paying a rate other than the rates below for private sites. A lower rate may be negotiated in Head Start or public school programs without review by DCDEE. The payment rate does not vary by the level of star license held by the Pre-K site.

- Operated by Head Start: Maximum \$400 per child per month
- Operated by Public Schools: Maximum \$473 per child per month
- Operated by private child care: \$600 per child per month for a Pre-K classroom with a lead teacher with a Bachelor's degree and \$650 per child per month for a Pre-K classroom with a lead teacher with a BK licensed teacher. When a lead teacher's education level changes during the year, this change should be entered in the Pre-K Plan and the payment rate changed accordingly.

Contractors may supplement these amounts with other funding, as approved by their local Committee.

DCDEE's NC Pre-K contractors will show their direct services funds on a line-item budget that is part of their contract. Contractors will show any direct services funds that they expend as a contractor on Pre-K classrooms, and any direct services funds that they subcontract.

Use of Unspent Direct Service Funds

Effective February 1, 2018, for SFY 17-18, unspent NC Pre-K direct service funds may be used to build and/or sustain capacity in preparation for maintaining current services and/or to increase service capacity to serve more eligible children. To allow contractors up to 6% for

administrative costs, the amount used may not exceed 2% of the contractor's allocation. This 2%, when combined with contractors' current 4% administrative allocations, will allow for a maximum of 6% for NC Pre-K program administration. The local NC Pre-K contract administrative agency must consult with and secure approval from the local NC Pre-K Committee for any proposed use of unspent NC Pre-K direct services funds. Proposals approved by the local NC Pre-K Advisory Committee should be submitted via email to the Early Education Branch to Jenine Gatewood (jenine.gatewood@dhhs.nc.gov).

Unspent direct service funds may be used to:

- Increase and/or sustain quality in existing programs to meet NC Pre-K program standards such as replacing and/or replenishing equipment, materials, curricula, assessment materials, developmental screening tools, supplies and staff professional development.
- Re-establish lost slots in eligible program(s) due to building and/or sanitation issues due to extenuating circumstances (e.g., floods, fire, and other weather-related conditions).
- Transportation costs (i.e., charges incurred by the Public Schools and costs at private sites).
- Pay for previous costs incurred by the contractor for administering the NC Pre-K program but not charged to the contractor's administrative allocation. DCDEE does not consider this supplanting since these are additional unspent funds made available for this purpose.

These funds may not be expended for real property, buses or motor vehicles.

The written proposal must include:

- The intended use of the funds and why the funds are needed for this purpose;
- Cost estimates for the intended use of the funds;
- Documentation that the local NC Pre-K committee has approved the proposed use of the funds.

Procedures for Requesting Use of Unspent Direct Service Funds

1. The NC Pre-K contract administrator presents a proposal for the use of unspent direct service funds to the local NC Pre-K Committee. The amount may not exceed 2% of the total contract allocation.

2. The NC Pre-K Committee approves proposal for use of unspent direct service funds.
3. The local NC Pre-K contract administrator submits approved proposal to the DCDEE Early Education Branch for approval (jenine.gatewood@dhhs.nc.gov).
4. DCDEE reviews proposal, budget and supporting documentation (e.g., committee minutes, product descriptions, price list, etc.).
5. DCDEE notifies local NC Pre-K contract administrator in writing with a decision (approved/need additional information/denied) within five (5) business days of receipt of proposal. When additional information is requested, the review period may exceed five (5) business days.
6. Upon approval, a budget revision must be submitted to move unspent direct service funds from the contract budget line Direct Services Contractor or Subcontracting and Grants Direct Services to contract budget line item 11 "Other" (h) "Not Otherwise Classified." Instructions for completing a budget revision can be found at the following link: http://ncchildcare.nc.gov/pdf_forms/NCPre-K_Budget_Revision_Instructions.pdf
7. The following documents must be submitted to dcdee_ncprekfsr@dhhs.nc.gov:
 - a. The budget revision justification form:
http://ncchildcare.nc.gov/pdf_forms/NCPre-K_Budget_Revision_Justification.pdf
 - b. The budget revision template:
http://ncchildcare.dhhs.state.nc.us/Excel_Forms/NCPRe-K_Budget_Revisions.XLS

Counties with outstanding FSRs WILL NOT be granted budget revision approval until all FSRs have been submitted up to the prior month of the budget revision request.

2. **Administrative funds:** Administrative funds are approximately four (4%) percent or a minimum of \$20,000 of the Contractor's initial total allocation. Administrative funds are the funds the Contractor receives for the administration of the NC Pre-K Program. They can be used to support costs at the Contract Administrator level, including staff salaries, benefits, staff travel, training, computers, equipment and/or supplies and other administrative costs related to the NC Pre-K Program. Indirect cost charges are not allowed. However, allocation of direct costs for a share of costs pertaining to the NC Pre-K program may be allowed if there is a cost allocation plan in place. Administrative funds must be spent in the year for which they are awarded and on costs for the NC Pre-K Program only.

NC Pre-K contractors will designate how their administrative funds will be spent on a line-item budget that is part of their contract. Administrative funds can be used to support staff, travel, supplies, and professional development costs (mentoring of BK licensed teachers) that the Contractor is providing or purchasing for its NC Pre-K teachers or classrooms. A Contractor, with the approval from their Committee, may use

a portion or all of the administrative funds for direct services to serve more children in Pre-K classrooms. They may also use administrative funds for contracted services such as transportation for children. These expenditures would be reported on the appropriate line item on the Financial Status Reports when submitted for payment and should align with the contract budget.

Administrative funds will not be reduced if the Contractor's direct services allocation is reduced. Administrative funds will not be increased if the Contractor receives reallocated direct service funding throughout the year. Additional administrative funds may be received if program expansion funds are allocated during the year.

3. **Start-up funds: There are no start-up funds allocated for SFY 2017-18.** When allocated the purpose of start-up funds is to equip new classrooms to serve new children when the Pre-K program is expanded. Start-up funds are available for program expansion through a one-time allocation per new child.

The Contractor, as advised by the County/Region Committee, decides if a subcontractor will receive start-up funds in the contract to purchase start-up items or if the Contractor will purchase the items for the subcontractor. The Contractor, as advised by the County/Region NC Pre-K Committee, may allocate start-up funds among the classrooms based on needs. The Contractor should decal any equipment that it purchases with start-up funds before sending it to the subcontractor.

Start-up funds are restricted funds. Contractors use the Generally Accepted Accounting Principles (GAAP) to document start-up fund expenditures. Start-up funds will be available upon execution of the contract or upon the allocation of expansion funds. Start-up funds must be used to prepare the NC Pre-K classroom, including but not limited to the purchase of instructional materials, curriculum, equipment and supplies. As restricted funds, start-up funds may not be expended for real property, buses or motor vehicles or office/administrative equipment. When a classroom terminates, all items purchased with start-up funds for that classroom must be redistributed to other NC Pre-K classrooms.

If start-up funds have been allocated, Contractors can be paid for start-up costs at anytime during the SFY.

4. **Quality Funds:** Contracting agencies may receive an additional 2% of Child Care Development Fund (CCDF) funds in the NC Pre-K administrative budget for quality activities and services. Activities and services that may be funded with these funds include:

- a. Mentoring and evaluation of NC Pre-K BK licensed teachers employed in private classrooms as required by EESLPD policies and practices. Contractors are encouraged to use funds to provide mentoring and evaluation services in partnership with the DCDEE's Early Educator Support, Licensure and Professional Development Hubs at East Carolina University or UNC at Charlotte to ensure that all NC Pre-K lead teachers have access to services to complete and maintain Birth-through-Kindergarten licensure requirements. Public schools may also use these funds to support teachers' educator performance requirements. (e.g, employ a BK licensed educator to provide mentoring services for NC Pre-K lead teachers with less than a continuing license.)
- b. Professional development for instructional and administrative staff in private and public programs to deliver required curricular, formative assessments, and early learning standards; address policies and best practices to prevent child suspensions and expulsions of Pre-K children. Instructional staff includes teacher assistants.
- c. Strategic program planning to support the delivery of comprehensive services to children and families (e.g. health and nutrition services such as SNAP, Shape NC; family engagement and support activities and services such as Triple P, wraparound care; and quality outdoor learning environments).
- d. Enhance and/or replace classroom and instructional materials, including addressing ECERS-R needs, children's cots for rest time, portable outdoor learning materials, another materials that are required to maintain NC Pre-K classroom quality.
- e. Provide ELL (English Language Learner) coaches for classroom and teacher support.
- f. Provide support to address children's specific health care plans (e.g., chronic illnesses), and to provide dental, vision, and hearing screening.
- g. Provide classroom specialists such as early childhood mental health and healthy social behavioral specialists to support children, classroom practices and teachers with children with behavioral and developmental emotional and social needs.
- h. Provide technical assistance to classrooms to maintain NC Pre-K Program Requirements.

Please contact a regional [NC Pre-K Program Consultant](#) for additional guidance about this policy.

Monitoring, Tracking and Reporting of CCDF Quality Funds

CCDF funded quality activities and services must be tracked and monitored separately from administrative activities, which are funded with NC Pre-K state funds. See Section 11 of the NC Pre-K Fiscal and Contract Manual for reporting and monitoring instructions.

C. Other Resources Identified by Pre-K Contractors

NC Pre-K policy requires that contractors must demonstrate that they are accessing resources other than NC Pre-K. Other resources may be cash and/or in-kind and are reported by funding source. Other resources consist of cash and in-kind from funding sources (State or Federal) such as Smart Start, Head Start, Title I, and local appropriations. Other resources are reported through the NC Pre-K Plan and through a report that Contractors submit to DCDEE. Other resources are not included in a Pre-K Contract budget.

There is no specific percentage required. Other resources should be used for necessary expenses for the NC Pre-K Program, should be allowable costs, and should not include services before and after the minimum 6.5 hour classroom per day. Cash resources should be actual cash deposited in the Contractor's account and in-kind resources are non-cash.

Other resources are divided into two categories for reporting purposes:

- **Estimated Other Resources Budget** - The estimated budget for other resources is reported to DCDEE in the on-line NC Pre-K Plan only. Estimated Other Resources are cash and non-cash (in-kind) resources. The amounts are listed by funding source and represent the best estimate of other resources that will be used to support the NC Pre-K Program for the state fiscal year (12 months). Although the estimated budget can be viewed on-line, it is not part of the contract document and does not need to be part of any subcontract for NC Pre-K services.

The annual estimated other resources budget assists DCDEE in capturing the full cost of the Program. Documentation of the amounts are not required for the estimated other resources budget and Contractor's annual estimates are not subject to audit. Contractors should examine the estimated other resources budget semi-annually (December 15 and May 15) and update the on-line Plan budget amounts based on actual expenditures of other resources.

The table below does not represent a complete list but does provide examples of other resources by funding source and how to estimate other resources:

Funding Source	How to Calculate Estimated Other Resources For the NC Pre-K Plan Budget Page
Smart Start	Total amount of Smart Start subsidy supporting NC Pre-K children Personnel costs of staff related to administering NC Pre-K Program
Title I	Amount for NC Pre-K Classroom (divide by total number of students then times NC Pre-K students)
CACFP (food program)	Number of NC Pre-K children qualifying for free or reduced lunch times rate
Exceptional Children	Amount for NC Pre-K classroom funding (divided by total number of students, times NC Pre-K students)
Head Start	Amount for NC Pre-K classroom (divided by total number of students, times NC Pre-K students)
Local Appropriations	Estimated value of classroom, playground and joint use space for NC Pre-K children in public facilities
Private Provider Funds	Amount provider normally charges for a minimum of 6.5 hrs. per day less the NC Pre-K child, less CACFP, and less any other funds that the provider receives to augment the NC

Pre-K classroom. This represents the provider's in-kind contribution and actual expenses of the provider that do not have to be tracked.

- **Certified Other Resources** – Contractors must report on certified other resources to DCDEE annually, representing up to 5 months of actual expenditures. These expenditures, listed by funding source, represent the amount of cash (not in-kind) that has been spent July 1 through November 30 from other sources to support the NC Pre-K Program. The Contractor must submit an ***Other Resources Certification Statement*** to DCDEE no later than January 15th and is required to have full documentation (as prescribed in the table below) on file to support the amounts listed. Certified other resources are included in the Compliance Supplement and are subject to audit.

The table below does not represent a complete list but describes the documentation required to certify other resources by funding source:

Funding Source	Supporting Documentation Needed for Certified Other Resources
Smart Start	Smart Start agency's accounting records
Title I	LEA accounting records showing actual expenditures for classroom, prorated to cover NC Pre-K students only
CACFP (food program)	CACFP receipts referencing children's names
Exceptional Children	Exceptional Children agency's accounting records showing actual expenditures for classroom, prorated to cover NC Pre-K students only
Head Start	Head Start agency's accounting records showing actual expenditures for classroom, prorated to cover NC Pre-K students only
Parent Fees (Transportation)	Agency's accounting records showing actual receipt of funds
Parent Fees (Nutrition)	Agency's accounting records showing actual receipt of funds.

Parent Fees: The only fees that may be charged to the NC Pre-K families for services are nominal fees described in the NC Pre-K Program Requirements and Guidance, unless the specific situation has been approved by DCDEE. Parent fees charged for wrap-around services provided outside the minimum 6.5 NC Pre-K classroom day, do not help finance NC Pre-K classroom day and should not be reported as "other resources."

D. Determining the Number of Children Served per County

Historically, the number of children served originally allocated to each Contractor was based on its county's share of the total population of eligible at-risk four-year-olds in the state that year. Free or reduced price lunch participation (which is based on family income) was used for this purpose. This method provided the base line of slots per county.

Contractors are now allocated direct services and administrative funds to serve as many children as possible throughout the year, instead of a certain number of slots. The children per classroom and classroom rates are entered into the NC Pre-K Plan by Contractors. The number of children

who can be served will depend on the settings where the children are placed, since there are different payment rates by type of setting.

- **Additional Children Served**

Contractors are encouraged to serve as many children as possible throughout the year with their direct services allocation. Approval is not needed from DCDEE to serve more children. The Contractors revise their budgets in the Pre-K Plan to adjust for serving more children.

Periodically, DCDEE will review how Contractors are spending their allocations. DCDEE may move funds from a Contractor who is projected to not spend all of their allocation to another Contractor who is able to use the funds. DCDEE will request information from contractors periodically about their capacity to serve more children. Based on this information, direct services funds may be reallocated and a contract amendment issued.

When notified by DCDEE that additional funds have been allocated, the Committee should be involved in planning how to budget the new funds and in identifying the sites where the children will be served.

- **Reduction of Children Served**

The number of children served throughout the year may decrease for different reasons.

1. A Contractor may voluntarily revert unspent direct services funds that they cannot spend throughout the year. This may result in fewer children served than initially anticipated. For example, the capacity of approved Pre-K classrooms may change during the year. This will be reflected in the Contractor's Pre-K Plan budget and the amount of funds that cannot be spent will be identified. The Contractor should notify DCDEE when this is the case, so that unspent direct services funds can be moved to another Contractor to serve children. The decision to voluntarily revert funding should be reflected in Committee minutes.
2. DCDEE reviews allocations and spending on a periodic basis and may revert direct services funds from under spending Contractors and reallocate the funds to Contractors with the capacity to serve more children.
3. A Contractor may monitor their budget and expenditures and choose to attrition services if they are overspending their allocation during the year. This means the Contractor will not immediately fill NC Pre-K funded spaces when children leave throughout the year. In this way, unspent funds can accumulate in their budget to help offset higher than anticipated direct services expenditures. This can be managed in the Pre-K Plan budget.

Section 4. Subcontracts

A. NC Pre-K Contractor Subcontracts

If not providing direct services, the DCDEE NC Pre-K contractor must execute subcontracts with providers of NC Pre-K services for a minimum of 6.5 hours per day for 10 months (36 weeks).

When subcontracting, DCDEE's contractor should use the subcontractor template(s) supplied by DCDEE and should have the template reviewed by its legal counsel to ensure it meets its agency's requirements.

DCDEE has developed a two-year template for NC Pre-K contractors to use with all subcontractors. The subcontracts include a two-year "not to exceed" amount, as well as a first-year amount for the contract. The two-year "not to exceed" amount is the NC Pre-K contractor's best estimate of the total funds that will be subcontracted during the two-year period.

NC Pre-K contractors may amend the subcontracts in response to changes in the needs of the children in the Provider's county/region. This includes amending the subcontract in the second year to reflect the amount for which the Pre-K provider will be funded for that year.

The subcontract template's General Terms and Conditions state that funding is contingent on available funds. Therefore, if NC Pre-K contractors do not receive the same allocation from DCDEE during the second year of the subcontract cycle, the subcontract may be amended to reflect the change in funding. The General Terms and Conditions also include provisions that explain how the subcontract may be terminated.

Any subcontracts issued by NC Pre-K contractors receiving direct service funds are considered Purchase of Service, since the subcontractor earns payment for providing NC Pre-K services for a certain number of children in NC Pre-K classrooms, at an established rate per child for up to 10 months. DCDEE does not require NC Pre-K contractors to have detailed budgets for their subcontracts that are Purchase of Service.

- The Contractor shall not subcontract any Pre-K educational services without prior approval from DCDEE. Prior approval consists of approval through the on-line NC Pre-K Plan.
- The Contractor, as advised by the County/Region Committee, decides if subcontractors will receive start-up funds, if applicable in a particular program year, in the contract to purchase start-up items or if the Contractor will purchase the items for the subcontractor. The Contractor should decal any equipment that it purchases with start-up funds before sending it to the subcontractor. The subcontractor should maintain an asset listing and decal any equipment that it purchases with start-up funds.

- DCDEE will not pay for services performed by an unapproved subcontractor.
- DCDEE can request complete copies of any agreements between the Contractor and any of its subcontractors.
- The Contractor must submit to DCDEE any additional clauses added to subcontracts.
- The Contractor must receive all subcontractor data (this includes, but is not limited to, request for payment and attendance reports with applicable child information) in a timely manner to ensure submission to DCDEE by due date.
- The subcontract templates should only be used to subcontract for the NC Pre-K children for a minimum of 6.5 hours per day for 10 months (36 weeks) per school calendar year, for which the Provider will receive reimbursement for children served.
- The Contractor is responsible for amending a subcontract when any changes are made that impact the subcontract that was initially executed.

DCDEE places no line item budget or accounting tracking requirement on subcontractors as the funds received by subcontractors are directly tied to attendance and an approved classroom with pre-established rates. However, the Contractor is responsible for monitoring the subcontractor to ensure compliance with attendance and all other applicable rules and regulations and is liable for repayment to DCDEE of any unallowable use of start-up funds or unearned direct services funds.

B. NC Pre-K Subcontractor Responsibilities

Subcontractors are purchase of service contracts and are not subject to financial audits under G. S. 143C-6-22 & 23.

Subcontractors are responsible for adhering to all terms, conditions, and provisions in the subcontract template. These include complying with NC Pre-K program standards and providing services to the number of children specified in the subcontract at the rate specified in the subcontract, for a maximum of 10 months. Subcontractors must submit accurate attendance records to the NC Pre-K Contractor in the timeframe specified by the Contractor.

Section 5. Related Funding Information

A. Related NC Pre-K Costs

NC Pre-K **does not** provide specific funds to offset the costs of transportation for children to and from the program, recruitment of eligible children and outreach to families and the community. However, these costs may be addressed by the administrative funds received by the Contractor, or by direct service funds received by the NC Pre-K site.

B. Leveraging Funding

Contractors leverage money from a variety of sources in order to fully fund NC Pre-K classrooms. Such funding includes NC Pre-K funds plus other resources including other state, federal or local sources. DCDEE encourages counties to leverage all eligible revenue sources to support the NC Pre-K classrooms, including other funding sources that support the mentoring of BK licensed teachers

C. Supplanting funds

NC Pre-K funding may not supplant other funds. Generally, NC Pre-K funds may not replace other funds but may supplement other funds to serve more eligible at-risk 4-year-olds or to improve the level of service to comply with NC Pre-K requirements. The pool of non-NC Pre-K funds available to the county for pre-k educational activities (local, state, and/or federal) should not be replaced with NC Pre-K funds.

If a request is made to support existing 4-year-old classrooms with NC Pre-K funds when current funding is eliminated, reduced or redirected, a specific, detailed explanation is required and must be reviewed and approved by DCDEE. This explanation must include the type of funds being eliminated, reduced or redirected.

D. Temporary Assistance to Needy Families (TANF) Maintenance of Effort and Child Care and Development Fund (CCDF) Match

TANF and CCDF block grants fund services and assistance to income-eligible families. Both block grants are administered by the North Carolina Department of Health and Human Services (NCDHHS). Both have an annual cost-sharing requirement, referred to as the Maintenance of Effort requirement (MOE), and CCDF has an annual requirement for matching grant dollars with state funds. Every federal fiscal year each state must spend a certain amount of its own money to help eligible families in ways that are consistent with the purpose of the TANF and CCDF programs. The NC Pre-K Program, designed to provide quality pre-kindergarten experiences that may allow parents to work, may count as MOE and Matching expenditures for North Carolina.

NC Pre-K Kids: NC Pre-K Child Reporting System (NC Pre-K Kids) captures the MOE and Matching information to assist the State in meeting its federal requirements for TANF and CCDF expenditures. Although this process is invisible to the Contractor, the Contractor provides the information in three ways:

- First, the Contractor enters the payment rates into the NC Pre-K Plan system. These rates represent the amount of NC Pre-K funds that are paid to the provider.
- Second, the Contractor collects and enters the child information into NC Pre-K Kids. NC Pre-K Kids determines TANF and CCDF eligibility. These eligibility criteria include:
 - The child is a US citizen;
 - The child is a resident of North Carolina;
 - The child is eligible based on CCDF and TANF income eligibility;
 - The child lives with an adult blood relative or with a non-relative who has legal custody or guardianship; and
 - The child's parent is employed, seeking employment, in post-secondary education, in high school or a GED program, or in job training.

If any of these data elements are missing the eligibility cannot be established. The Monthly Attendance Report generated by NC Pre-K Kids will show "CND" (can not determine) in the TANF/CCDF eligibility column. TANF or CCDF eligibility does not affect payment for NC Pre-K services.

- Third, the Contractor enters the amount of Smart Start funds spent on NC Pre-K Children in the NC Pre-K Kids system.

This process of capturing and calculating the number of eligible children and the amount of funds expended per-child is invisible to the Contractor. However, the Contractor is responsible to ensure that eligibility data is accurately entered into NC Pre-K Kids. The Contractor is responsible for maintaining eligibility documentation in each child's file.

NC Pre-K Kids automatically calculates the number of TANF and CCDF eligible children and the amount expended toward the state's MOE and Matching requirements. DCDEE reports these amounts to the NCDHHS, Office of the Controller for recording and reporting purposes.

Refer to the *NC Pre-K Program Requirements and Guidance*, for the required data elements determining NC Pre-K eligibility and acceptable documentation.

Section 6. NC Pre-K Payments

A. Payment Process

NC Pre-K contractors request payment through submitting monthly Financial Status Reports (FSRs) to the DCDEE Budget Unit. Contractors record their administrative and direct services expenditures (and any advance or start-up expenditures if available) for the month using the FSR template and instructions provided by DCDEE.

For prompt processing of payment, it is important that the FSR be completed correctly and received on the 10th business day following the end of the service month. Instructions for completing the FSR are found on DCDEE's website at <http://ncchildcare.dhhs.state.nc.us/general/home.asp>

Contractors should also submit classroom attendance report(s) and their summary of classroom attendance report with the FSR for payment. This documentation is used to verify the direct services expenditures on the FSR. Payments for direct services will automatically be calculated by the NC Pre-K Kids system based on children's attendance when the attendance reports are printed. The NC Pre-K Kids User Guide includes instructions for the Contract Administrator to approve payment exceptions, which may be downloaded from this link <http://ncchildcare.dhhs.state.nc.us/general/home.asp>

The Contractor submits the following items to DCDEE by the **10th business day** of the month **following** the month of service to receive payment:

- An Electronic or Original, signed ***Financial Status Report***. This form is not generated from NC Pre-K Kids therefore it must be prepared by the Contractor and signed by the Superintendent, Chairman of the Board, CEO, or designee, or the Chief Fiscal Officer or designee.
- A signed ***Summary of Classroom Attendance***. This form, signed by the Contractor, is generated from NC Pre-Kids after all classroom information for the month is entered.
- A signed copy of each ***Monthly Attendance Report***. This form is generated from NC Pre-K Kids and is completed as part of the monthly input into NC Pre-K Kids. After the classroom attendance information is entered and verified, the site director or designee should sign and date the report. The signature of the Contractor is also required prior to submission to DCDEE.

NOTE: DCDEE accepts the Site Administrator (or designee) and Contractor's signatures as certification of each child's attendance and that the classroom is in compliance with the NC Pre-Kindergarten requirements.

NOTE: The Contractor must submit a FSR each month during the contract period. However, Contractors do not need to submit their first FSR until they have incurred expenditures.

Contractors should email the documents listed above to dcdee_ncprekfsr@dhhs.nc.gov by the **10th business day** of the month following the service month. The earlier this information and supporting documents are received, the earlier payment will be made. Contractors may elect to use the US Postal Service or an overnight delivery service.

For US Postal Service use the following address:

NC Pre-Kindergarten Program
Attention: Budget/NC Pre-K
2201 Mail Service Center
Raleigh, NC 27699-2200

For overnight delivery service use the following address:

NC Pre-Kindergarten Program
Attention: Budget/NC Pre-K
820 South Boylan Ave.
Raleigh, NC 27603

Once the FSRs are approved for payment, the NC DHHS pays the Contractor by electronic funds transfer. The Fiscal Officer for the Contractor is notified by email of the payment.

B. Contract Advances

The NC Pre-K contract payment terms are for DCDEE to make payment within 30 days of receiving an approved invoice. However, the SFY 2017-18 NC Pre-K contracts also allow for funds to be advanced for up to 30 days. Advances are addressed on the FSR Instructions and Certification of Cash Needs Form.

NC Pre-K contractors may request up to one tenth of their total contract approved budget as an advance on the FSR for each month. Contractors will show the amount requested to be advanced on line “J” of the FSR. Line “K” on the FSR will automatically calculate the payment, based on the month’s reimbursement, the advance requested for the next month, and the amount the Contractor has already been paid to date.

In order to request an advance, Contractors must complete and submit a Certification of Cash Needs form, posted on DCDEE’s website. Contractors will only need to fill this form out one time for approval to have advances throughout the contract year.

The following are examples of the bottom portion of completed FSRs that include a request for an advance. Funds may only be advanced for a maximum of 30 days, therefore, the requested amount for a cash advance must not exceed 1/10th of the contract budget.

Example 1:

Here is a sample November FSR. The contractor spends \$10,000 each month for Pre-K. DCDEE has already paid the Contractor \$30,000 for August, September, and October services (Line “G”). They spent \$10,000 in November, so their total expenditures = \$40,000 (Line “H”). They request a cash advance of \$10,000 for December in Line “J”. They are paid the \$10,000 for what they spent in November (Line “I”) + the \$10,000 advance they are requesting for December, for a total of \$20,000 (Line “K”).

COMPUTATION OF CASH REQUIREMENTS	
G. Total Cash Received & Requested to Date	30,000.00
H. Total Year To Date Expenditures (Line F83)	40,000.00
I. Ending Cash Balance Amt. (Line 86 minus Line 87)	(10,000.00)
J. Estimated Expenditures advance not to exceed 30 day period	10,000.00
K. Cash Payment Requested (Line 89 minus Line 88)	20,000.00

Example 2: Here is the same Contractor’s FSR for December.

The \$50,000 in Line “G” reflects the \$40,000 they have received for Aug, Sept, Oct, and Nov, plus the \$10,000 cash advance they were paid in November. Their total expenditures for Aug – December = \$50,000 (Line “H”), so there is no balance owed by DCDEE on Line “I”. However, since they are requesting \$10,000 be advanced for January (Line “J”), the total payment from DCDEE = \$10,000 (Line “K”).

COMPUTATION OF CASH REQUIREMENTS	
G. Total Cash Received & Requested to Date	50,000.00
H. Total Year To Date Expenditures (Line F83)	50,000.00
I. Ending Cash Balance Amt. (Line 86 minus Line 87)	0.00
J. Estimated Expenditures advance not to exceed 30 day period	10,000.00
K. Cash Payment Requested (Line 89 minus Line 88)	10,000.00

C. Budget Revisions

The budget approved with your contract remains in effect unless you request a budget revision or an amendment is executed. A budget revision is needed when a line item unexpended balance shows a negative amount. All budget revision requests must be in writing on the appropriate forms. The forms and instructions are located on the DCDEE website at <http://ncchildcare.dhhs.state.nc.us/general/home.asp>.

Changes within line item amounts must be reported to the DCDEE Contract Administrator so that an adjustment can be made to the approved budget line item detail to correspond with the Contractor's budget. All changes must be reported at least quarterly and/or as early as they occur. Quarterly budget revisions should be completed and emailed to the DCDEE Budget Office at dcdee_ncprekfsr@dhhs.nc.gov by the middle of October, 2017 for the 1st quarter, the middle of January, 2018 for the 2nd quarter, the middle of April, 2018 for the 3rd quarter, and no later than June 10th, 2018 due to closeout.

D. Amended Financial Status Report

Amended Financial Status Report is submitted to modify minor changes to the original Financial Status Report. All changes should be amended and submitted with the current month of Financial Status Report along with supporting documentation.

Administrative/Operational – A memo is required identifying the month of the discrepancy along with an explanation of cost.

Direct Service – Summary of Classroom Attendance and Monthly Classroom Attendance must be submitted

E. Payment Policies for Direct Services

Monthly payments for direct services are calculated based on the number of children served multiplied by the per-child monthly rate, in accordance with the attendance policies below. The monthly payment rates are referenced in Section 3 B. Contractors and subcontractors may request reimbursement for a maximum of 10 months for each child enrolled (i.e., no reimbursement will be made for an individual child to be enrolled for more than 10 months). In general, the number of children for whom a Contractor is requesting payment should align with the number of children per site in the NC Pre-K Plan. However, it is possible for a site to serve more than that number of children for a particular month if a child left during the month and a new child enrolled. Contractors are responsible for approving any attendance exceptions. Contractors will need to manually note on attendance sheets if more than 18 children are served during the month.

1. NC Pre-K Program Daily Attendance Requirements

- a. Child attendance must be taken each day of the NC Pre-K program year.
- b. A child may be considered in attendance and recorded as present in NC Pre-K Kids when:
 1. He/she is present for the majority of the NC Pre-K program day.
 2. A home/community/education setting visit is conducted to meet with the child/family for initial program orientation and/or educational purposes (written documentation required).

Local programs are encouraged to work with families to support the child's attendance and participation in NC Pre-K. When a child has been absent for **three** consecutive days, the NC Pre-K site administrator should contact the family and determine the child's participation status. Site administrators must document attempts to contact the family, as well as decisions regarding the child's continued

participation in the program. Payment for occasional partial day attendance (majority of the NC Pre-K program day) is allowable if the Contractor determines this is appropriate; however, DCDEE will not reimburse for an extended basis for services provided to children attending part-day. Every effort should be made to maintain the child's placement and participation in NC Pre-K.

2. NC Pre-K Attendance Requirement for Payment Purposes:

1. Payment will be made at 100% of the monthly rate when a child attends at least 10 days or 50% of the operating days during the month.
2. Payment will be made at 50% of the monthly rate when a child attends between 25% - 50% of the operating days during the month.
3. Payment will **NOT** be made when a child attends less than 25% of the operating days during the month.
4. Payment will be made at 100% of the monthly rate for children attending **one day**
 - a. for the first and last month of classroom operation
 - b. for a new child enrolling in any Pre-K classroom during the year.

The NC Pre-K Kids System will automatically calculate payments for children who attend the less than minimum number of attending days based on exception rules selected for that child in the NC Pre-K System.

5. Payment may be made at 100% of the monthly rate for children with special circumstances that warrant an exception: e.g., child involved in debilitating accident or has prolonged illness limiting on-site NC Pre-K participation.

Note: If a child is served at two different sites within the same month and meets the attendance requirement for payment purposes for both, payment may be made to each site serving the child. However, two payments will not be made for the same child who moves from classroom to classroom within a site during the month.

Payment will not be made for children who are in unapproved classrooms, or with unapproved teachers according to the NC Pre-K Plan.

F. Electronic Funds Transfer

The NC DHHS Controller's Office issues NC Pre-K payments as set up by the payee with the Office of the State Controller.

Contractors receive payments electronically by submitting the Office of the State Controller Vendor Electronic Payment form as instructed on the form. Contractors must notify DCDEE of any deposit account changes, including physical address and name changes. A copy of the form can be found on the Office of the State Controller website at www.osc.nc.gov Forms & Policies, Electronic Commerce, and Vendor Electronic Payment Form.

G. Termination/Suspension of Payments

NC Pre-K payments may be subject to termination for failure by the Contractor or subcontractor to meet the DCDEE star-rated facility licensing requirements and/or actions by the Contractor or subcontractor that jeopardize the health and safety of children enrolled in the program. See the *NC Pre-K Program Requirements and Guidance (Section 7)* and the NC Child Care Rules for requirements on reported child abuse and neglect investigations.

Section 7. Equipment and Property Management

A. Property Management

The Contractor should assign a control number to any equipment that is purchased with NC Pre-K funds, including any equipment purchased with start-up funds that is sent to a subcontractor. If start-up funds are passed by the Contractor to a subcontractor, the subcontractor should decal each piece of equipment that is purchased with start-up funds with a permanent identification number. (See Section 2. Item B.5.) Items must be accounted for and movable from the time a site/classroom joins the NC Pre-K Program. Annual physical inventory shall be taken of equipment with value of \$500 or more and results compared to accounting and fixed asset records. When it is determined that the equipment is no longer needed to support the Program, written instructions should be obtained from DCDEE as to disposition. Also, Contractors may use NC Pre-K equipment to be replaced as trade-in against replacement equipment or may sell said equipment and use the proceeds to offset the costs of replacement equipment with prior written approval of the NC Pre-K Program.

1. Public Agencies

Public agencies will follow the policies of State Property Management.

2. Not-for-Profit Agencies

Not-for-profit agencies should have written policies and procedures, which provide proper control and accountability for equipment purchased with NC Pre-K funds. Refer to the NC DHHS Non-Profit Manual www2.ncdhhs.gov/control/nonp/nonpman.htm for further information. The Contractor must notify all subcontractors of their responsibility to comply with equipment conditions.

B. Care of Property

The Contractor is responsible for the proper custody and care of any furnished equipment or equipment purchased with NC Pre-K funds. The Contractor will reimburse DCDEE for loss or damage of such equipment. When the equipment provided or purchased is no longer needed for the NC Pre-K program or at the termination of the contract, the Contractor shall obtain written instructions from DCDEE regarding dispositions of such equipment.

C. Non-consumable Items

All non-consumable items purchased with NC Pre-K funds must remain with the NC Pre-K Program. Non-consumable items are defined as tangible products that can be stored or inventoried and have an average life expectancy of at least two years. Non-consumables must be accounted for and movable from the time a site/classroom joins the NC Pre-K Program. When a classroom terminates, all non-consumable items must be redistributed to other NC Pre-K classrooms.

Section 8. Program Income

Program income includes interest earned on any funds advanced and proceeds and interest from the sale of equipment and non-consumable items purchased with Pre-K funds.

When program income is earned during the contract period, the Contractor will report the amount to DCDEE on the Financial Status Report.

A Contractor should also have program income policies and procedures in place that would be applicable to subcontractors.

Section 9. Documentation and Records

Child Eligibility

DCDEE's Contractor is responsible for determining NC Pre-K Child Eligibility, including obtaining documentation of eligibility and attendance as specified in the *NC Pre-K Program Requirements and Guidance Section 3*. Responsibility for determining eligibility can be delegated to sub-contractor, however, the contractor is ultimately responsible for insuring that eligibility determinations by subcontractors are accurate and in accordance with NC Pre-K Eligibility Guidelines. Documentation for eligibility verification may be maintained at the Contractor or local site level. If maintained at the local site level, the Contractor is responsible for producing the documentation if requested by DCDEE or auditors.

In addition, some NC Pre-K expenditures are used by DCDEE to leverage federal TANF and CCDF funds, based on eligibility data entered by Contractors into Pre-K Kids. This is a seamless process for Contractors. This is another reason why maintaining documentation of eligibility is important, since expenditures that are counted for this purpose are subject to federal policy, regulations and audit.

Expenditures of NC Pre-K Funds

DCDEE's Contractor should maintain documentation on all NC Pre-K expenditures. This includes, but is not limited to the following:

- Invoices and payroll records for NC Pre-K administrative expenditures;
- Payments made for NC Pre-K services;
- Invoices for items purchased with NC Pre-K funds;
- Copies of Financial Status Reports and backup (attendance records) submitted to DCDEE for payment of NC Pre-K expenditures;
- Evidence showing the use of Contractor's current procurement policies; and
- Inventory records of equipment purchased.

Expenditures of Certified Other Resources

The Contractor should maintain documentation to support the amount of "other resources accessed" through November 30th as certified. The Contractor is responsible for maintaining records for certified other resources in accordance with Generally Accepted Accounting Principles (GAAP) and as specified in the contract. Contractors must have the necessary documentation, have computed it correctly, and show that it is for NC Pre-K. If Contractors do not supply the necessary information or uses a general statement such as "office space," or "personnel," it can not be determined whether this is an allowable resource. As a result, it will likely not be counted when audited.

Internal Policies

DCDEE's Contractors are responsible for establishing and maintaining internal controls, consisting of written policies, procedures, and methods that provide reasonable assurance that the following are met:

- Reliable operational and financial data;
- Safeguarding of assets and records;

- Operational efficiency; and
- Compliance with managerial policies and applicable laws and regulations

Records Retention and Disposition Schedules

DCDEE Contractors are responsible for certain record keeping. To ensure that agencies do not purge records inappropriately, contractors are required to follow the records retention and disposition schedule according to the source of funds received.

The following records retention statement is included in contracts:

Records shall not be destroyed, purged or disposed of without the express written consent of the Division. State basic records retention policy requires all grant records to be retained for a minimum of five years or until all audit exceptions have been resolved, whichever is longer. If the contract is subject to federal policy and regulations, records retention may be longer than five years since records must be retained for a period of three years following submission of the final Federal Financial Status Report, if applicable, or three years following the submission of a revised final Federal Financial Status Report. Also, if any litigation, claim, negotiation, audit, disallowance action, or other action involving the contract has been started before expiration of the five year retention period described above, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular five year period described above, whichever is later.

Funding over the years for More at Four/NC Pre-K contracts has included State funds and Lottery funds with two years including Federal TANF funds (Temporary Assistance for Needy Families). The Department of Health and Human Services started using SFY 09-10 More at Four expenditures as TANF MOE (Maintenance of Effort), therefore records must be maintained for a longer period of time.

NC Pre-K Contractors should use the following guide for records retention:

1. You must keep records starting with SFY 11-12 through SFY 16-17 at this time.
2. On July 1, 2018 you may destroy SFY 11-12 NC Pre-K records funded with 100% state dollars.
3. For TANF contracts only, for SFY 13-14 and later, any More at Four/Pre-K files must be maintained for 10 years due to a TANF record retention requirement of 10 years due to an infusion of federal dollars as a funding source. SFY 13-14 records may not be destroyed until July 1, 2025.

Note: Numbers 1-2 above apply to 100% state funded contracts, thus the 5 year retention period. Number 3 is when any part of a contract has been infused with partial or full federal funding, thus the 10 year retention period.

The Division of Child Development and Early Education will notify contractors when and if there are any changes to the records retention and disposition schedules.

Note: The 5 to 10 year retention period begins at the end of the SFY during which the record was created. For example, if you create a 100% state funded record on August 25, 2015, the 5 year retention begins on July 1, 2016 and concludes on June 30, 2021, and the record may be destroyed beginning July 1, 2021.

Note: The use of encrypted flash drives to store records electronically is permitted. The flash drive must be encrypted due to Personal Health Information (PHI) and Health Insurance Portability and Accountability Act (HIPPA).

Additional information on records retention and disposition schedules may be found via the following websites:

Office of the Controller – North Carolina Department of Health and Human Services
<http://www.ncdhhs.gov/control/retention/retention.htm>

Government Records Branch of North Carolina
<http://www.ncdcr.gov/>

Division of Child Development and Early Education Records Retention and Disposition Schedule
<http://www.stateschedules.ncdcr.gov/>

Section 10. NC Pre-K Reporting Systems

The Frank Porter Graham Child Development Institute at the University of North Carolina in Chapel Hill, under contract with DCDEE, developed NC Pre-K Child Reporting System. This online database includes NC Pre-K Plan, NC Pre-K Kids and NC Pre-K APP. It captures information to assist in program evaluation.

All three parts of the system are linked. NC Pre-K Plan (<https://maf.ad.unc.edu/ncprekplan1718/login.aspx>) is the online Plan, NC Pre-K KIDS (https://maf.ad.unc.edu/ncpre-kkids_1718/logon.aspx) is the part of the system that handles child attendance and reimbursement information, and NC Pre-K APP(<https://maf.ad.unc.edu/ncpre-kapp/login.aspx>) is used for applications, prioritization, and placement of children. The *Monthly Classroom Attendance Report* and the *Summary of Attendance Report* are generated from NC Pre-K Kids and are submitted with the monthly Financial Status Report.

All contract administrators are required to use NC Pre-K APP as a standardized child placement tool. NC Pre-K APP determines NC Pre-K eligibility based on data entered into the system. Data for eligible children are then sent to appropriate NC Pre-K classrooms in NC Pre-K KIDS.

Contractors are responsible for entering the child information in NC Pre-K APP when the child applies to enter the NC Pre-K Program and for entering the attendance each month in NC Pre-K Kids. The versatility of the NC Pre-K Child Reporting system allows any user with appropriate access to enter child information and attendance daily, weekly, or monthly.

Note: Contractor and/or subcontractors should submit attendance information for each month the child is served. Child information and attendance should be reported even if the Contractor is not requesting reimbursement from DCDEE.

User Guides for all three components of the system are accessible on the DCDEE Website.

NC Pre-K APP: http://ncchildcare.nc.gov/pdf_forms/NCPre-KAPPUserGuide.pdf

NC Pre-K Kids: http://ncchildcare.nc.gov/pdf_forms/NCPre-KKidsUserGuide.pdf

NC Pre-K Plan: http://ncchildcare.nc.gov/pdf_forms/NCPre-KPlanUserGuide.pdf

Section 11. Reporting Requirements

Submitting plans, reports, documents and other products as required, to DCDEE is a contract requirement. The following table lists the fiscal reporting requirements for Contractors.

	Form #	Form Name	Submission Instruction	Due Date
1	NC Pre-K Kids	NC Pre-K Kids	To report child information and attendance data must be submitted to the NC Pre-K Child Reporting System (NC Pre-K Kids) for <u>each</u> month the child is served (even if reimbursement is not requested).	By the 10th business day of the month following the month of services rendered dcdee_ncprekfsr@dhhs.nc.gov
2		Financial Status Report (NC Pre-K Funds)	An original, signed, completed Financial Status Report is submitted to request payment for direct services, administrative expenses, and start-up expenses (if applicable)	By the 10th business day of the month following the month of services rendered to dcdee_ncprekfsr@dhhs.nc.gov for July through May services
		Financial Status Report (CCDF-Quality Funds)	An original, signed, completed Financial Status Report is submitted to request payment for quality activities and services (Refer to Section 3 for guidance)	By the 10th business day of the month following the month of services rendered to dcdee_ncprekfsr@dhhs.nc.gov for September through May services Request for June services is due no later than June 10th
3		Summary Attendance Report	Submit the following as documentation for payment for direct services: • a signed, completed <i>Summary of Attendance Report</i> generated from NC Pre-K Kids.	By the 10th business day of the month following the month of services rendered to dcdee_ncprekfsr@dhhs.nc.gov for July through May services
4		Monthly Attendance Report	• a signed, completed <i>Monthly Classroom Attendance Report</i> generated from NC Pre-K Kids	Request for June services is due no later than June 10
5		Quarterly Start-Up Report	Contractors will report the expenditure of start-up funds by submitting: • one original <i>Quarterly Start-up Report</i> form signed by the Superintendent/Chairman of Board or designee. NOTE: If Contractor expends and reports all start-up funds prior to the fourth quarter, mark the last report as “final” and do not submit any subsequent quarterly start-up reports. Program income is also reported on this form. No submission is necessary if start-up funds were not received. Start-up expenditures should not be reported until the items are received and the invoice has been paid.	• 1st qtr is due 10-15 • 2nd qtr is due 01-15 • 3rd qtr is due 04-15 • 4th qtr is due no later than June 10

6		Other Resources Certification Statement	To report actual expenditures of resources accessed through November 30 submit: • one original <i>Other Resources Certification</i> Statement form signed by the Contract Administrator.	January 15
7	NC Pre-K Plan	Estimated Other Resources Budget	To update the estimated other resources budget submit through NC Pre-K Plan on-line. List annual amounts by funding source that represent the best annual estimate of other resources accessed to support the Program for the current state fiscal <u>year</u> .	Dec. 15 and May 15

In addition, Non-state entity Pre-K Contractors are responsible for reporting on expenditures and accomplishments. Effective August 1, 2016, reporting is no longer to be submitted in the NCGrants system. Reporting will be filed directly with DHHS Risk Mitigation & Audit Monitoring(RMAM) unit. This reporting is required on an annual basis following the end of the State Fiscal Year and is dependent on the level of funding:

Level 1 Reporting: Receiving less than \$25,000

- Certification Form
- State Grants Compliance Reporting Form < \$25,000
- Both forms above due within 6 months of organization's year end; submit to funding agency only.

Level 2 Reporting: Receiving at least \$25,000 but less than \$500,000

- Certification Form
- State Grants Compliance Reporting Form: > = \$25,000
- Program Activities and Accomplishments Report Form
- Schedule of Receipts and Expenditures Form
- All forms above due within 6 months of organization's year end; submit to funding agency only.

Level 3 Reporting: Receiving \$500,000 or more

- Certification Form
- State Grants Compliance Reporting Form: > = \$25,000
- Program Activities and Accomplishments Report Form
- "Yellow Book" Audit done by CPA to include Schedule of Federal and State Awards.
- All forms and report due within 9 months of organization's year end; submit these to the funding agency and to the Office of the State Auditor. Note: A-133 audit may be substituted for the yellow book audit.

Grantee Forms for Reporting are still available in NCGrants:

<http://www.ncgrants.gov/PublicReportsRegulations.jsp>

The new submission process for grant reporting to DHHS RMAM is as follows:

Grantees should submit their required annual reports to RMAM at the following service email account: NCGrantsReporting@dhhs.nc.gov. Submissions and correspondence should be directed to Lisa Pratt, RMAM's primary contact for grantee reporting. Lisa can be reached via email at lisa.pratt@dhhs.nc.gov or by phone at 919-527-6856.

NC Grants system reporting is **not** required for NC Pre-K subcontractors, since they are purchase of service contracts.

Section 12. Reversions and Refunds

DCDEE must reconcile all funds by the end of each state fiscal year. All unspent administrative, direct services, quality, or start-up funds from NC Pre-K Contractors revert to DCDEE at the end of the fiscal year. In addition, refunds of DCDEE payments made to Contractors are due to DCDEE no later than the due date for the June Financial Status Report (FSR) in order to complete fiscal year closeout.

A refund to DCDEE must occur in these situations:

a. Advances:

Any unexpended funds advanced to the Contractor must be returned or settled no later than the June FSR due date for the year. If the expenditures reported on the June FSR are not sufficient to cover the advance, a check representing the difference must be attached to the June FSR. The Division must receive this report no later than the June due date for the June FSR. When submitting the final report for the contract period, any remaining cash balance on hand must be returned to DCDEE with the final report.

b. Start-up funds:

- A refund of start-up funds paid by DCDEE must occur if the total number of children for whom the Contractor received start-up funds were not served. If applicable, DCDEE can reduce the subsequent monthly operating payment.
- A refund of program income/interest earned on start-up funds must occur if the Contractor does not expend the funds in the year they are earned.

c. Ineligible child(ren):

If a Contractor receives payment for an ineligible child(ren), it must refund the amount paid by DCDEE for the child's services as well as any related start-up funds, to DCDEE immediately but no later than the June FSR.

d. Sales/Use Tax:

A refund to DCDEE is due if the Contractor erroneously reports a refundable sales/use tax expenditure of start-up funds. If eligible, the Contractor and all subcontractors shall (1) ask the North Carolina Department of Revenue for a refund of all sales and use taxes paid by them in the performance of the contract, pursuant to G.S. 105-164.14; and (2) exclude all refundable sales and use taxes from all reportable expenditures before the expenses are entered in the quarterly

start-up reports. Also, the Contractor will certify that it and all of the subcontractors (if any) collect all required taxes, pursuant to N.C.G.S. 143-59.1.

e. Administrative Expenditures:

A refund to DCDEE is due if it is determined that an overpayment of administrative funds has occurred. The refund should be submitted no later than the June FSR.

f. Other Refunds

All other refunds due DCDEE should be received in accordance with these guidelines but no later than the June FSR.

The Contractor may return funds to DCDEE in one of two ways listed below:

- a. Reduce the amount of refund from a subsequent request for payment (unless it is the final payment month); or
- b. Submit a check payable to the NC DHHS for the amount of refund. The check should include the Contractor's name, contract identification number and reason for refund such as start-up or ineligible child.

The check should be mailed to the following address:

For US Postal Service use the following address:

NC Pre-Kindergarten Program
ATTN: Budget/NC Pre-K
2201 Mail Service Center
Raleigh, North Carolina 27699-2200

For overnight delivery service use the following address:

NC Pre-Kindergarten Program
ATTN: Budget/NC Pre-K
820 South Boylan Ave.
Raleigh, North Carolina 27603

Section 13. End of Year Requirements

NC Pre-K funds are available only for the SFY for which they are authorized. Therefore any payments to DCDEE NC Pre-K Contractors must be made within that SFY and any unspent Pre-K funds in the Contract revert to DCDEE. No unspent NC Pre-K contract funds will carry forward into next year. The amount in contract for administrative, quality, and direct services is the maximum amount that may be reimbursed.

The NC Pre-K Program contracts follow the SFY and terminate on June 30. Since DCDEE must reconcile all funds by the end of each SFY, all financial reporting, including Financial Status Reports and quarterly start-up reports, must be received in DCDEE prior to the end of the state fiscal year in order for payments to be made. **DCDEE will instruct Contractors each year on the June deadline for submitting final Financial Status Reports (FSRs), payment requests, and any reports on start-up expenditures.**

Financial Status Reports (FSRs) for May and June services, along with classroom attendance sheets and summary report, must be submitted by the June deadline required by DCDEE. Failure to submit by the June deadline may result in no payment.

For the last month of NC Pre-K classroom operation, Contractors will automatically be paid the monthly rate as long as the child attended at least half of the operational days. In addition, if it is the last month of program operation and the child attended less than half of the operational days in June, Contractors may check the exception box when entering the attendance so that the full monthly payment will calculate.

Contractors may claim reimbursement for administrative, quality, and start-up funds as long as the items have been received and the invoices will be paid by June 30 of the fiscal year. Contractors may request reimbursement of administrative or quality funds for personnel costs for payroll that will be made in June of that fiscal year.

If reporting on start-up expenditures is required, any program income earned on start-up funds will also be reported on the final quarterly start-up report form. Program income includes interest earned on start-up funds and proceeds and interest earned from the sale of equipment and non-consumable items purchased with start-up funds.

Reconciling Records

Contractors must finalize and reconcile records on the following:

- Expenditure of all Pre-K funds;
- Expenditure of certified other resources;
- Eligibility of children attending NC Pre-K classes; and
- Child attendance records

Section 14. Audit and Monitoring

A. Audit

The NC Pre-K Program contracts are financial assistance contracts and are subject to a fiscal audit under G. S. 143C-6-22 & 23, except for the public schools*. Contractors are subject to an audit of Pre-K expenditures, child eligibility and attendance, and the certified other resources accessed by local auditing firms.

Note: Smart Start partnerships with NC Pre-K contracts should follow the biennial financial and compliance requirement in N.C.G.S. 143 B-168.14(b). Effective August 1, 2016, reporting will no longer be submitted in the NC Grants system. The current reporting process is addressed in Section 11.

- * NC Pre-K Contractors who are public schools are subject to G.S. 159-34 for reporting and audit requirements.

B. Monitoring Local NC Pre-K Programs

DCDEE, local Contractors, and site administrators are required to monitor for compliance with the NC Pre-K program, fiscal and contract requirements. (See the *NC Pre-Kindergarten Program Requirements and Guidance, Section 7* for requirements on the monitoring process.)

DCDEE will conduct annual fiscal monitoring through on-site visits. The NC Pre-K Fiscal Monitoring Worksheet will be completed by Contractors and submitted electronically to DCDEE by January 15, 2018, prior to the DCDEE fiscal monitoring process. DCDEE will contact Contractors before conducting an on-site visit.

C. Subcontractor Monitoring

DCDEE NC Pre-K Financial Assistance Contractors are responsible for monitoring that their subcontracted sites appropriately earned the funds that they were paid – that the number of children billed for actually attended at the site, the site followed NC Pre-K program requirements, and the subcontracted rates were correctly paid.

Appendix

Appendix: Glossary of Terms: These terms apply specifically to the NC Pre-K Program.

Administrative Funds: Administrative funds are restricted to approximately four (4%) percent or a minimum of \$20,000 of the Contractor's original total allocation for SFY 2017-2018. Administrative funds are the funds the Contractor receives for the administration of the NC Pre-K Program. They can be used to support costs at the Contract Administrator level, including staff salaries, benefits, staff travel, training, computers, equipment and/or supplies and other administrative costs related to the NC Pre-K Program. Indirect cost charges are not allowed. However, allocation of direct cost for the cost of operating the NC Pre-K Program may be allowed if there is a cost allocation plan in place. Administrative funds must be spent in the year for which they are awarded and on costs for the NC Pre-K Program only.

The Contractor does not have to spend all of their administrative allocation on program implementation. A Contractor, with the approval of the Committee, may use a portion or all of the administrative funds for direct services or for contracted services such as transportation for children and report it on their reimbursement form. If the Contractor uses any of the administrative funds towards child payments it is reported on the Financial Status Report as direct services. If the Contractor uses any administrative funds for contracted services, it is reported on the Financial Status Report on line C. Contractor administrative funds can also be used to support travel, supplies, and professional development costs that the Contractor is providing or purchasing for its NC Pre-K teachers or classrooms. These expenditures would be reported on the appropriate line item on the Financial Status Report.

Administrative Letter: An official approval or denial letter, signed by the NC Pre-K System Administrator for changes to the Plan such as site location, teacher credentials, or reallocation of slots between sites. The letter should be maintained with the original Plan. An Administrative Letter **does not** change the total amount of NC Pre-K funds available.

Allocation: State NC Pre-K Program funds that are designated by DCDEE to counties for direct services, administration, or start-up.

Audit Trail: The ability to trace each transaction forward from the source of documentation through all journals and ledgers to the summary statements and financial reports, or the reverse.

Budget: A line-item contract document showing proposed NC Pre-K expenditures for a fiscal year. The contract budget includes funding from the State NC Pre-K Program for operating, administration and start-up.

Classroom Attendance Report: A form identifying student name, date enrolled in the NC Pre-K Program, and days attended during a given month. This form is required documentation submitted with the Financial Status Report and is generated in the NC Pre-K Kids (NC Pre-K Child Reporting System). The Attendance Report must be signed by the Site Director or designee and the Contractor on a monthly basis to verify attendance.

County/Region NC Pre-K Committee: A committee of local educators and representative from other groups interested in pre-kindergarten educational programs for eligible at-risk children. The committee must be chaired and convened by a school superintendent in a county/region or designee and the board

chair for the local Smart Start Partnership for Children or designee. The Committee determines the Contractor, approves the Plan and advises the Contractor during the contract period.

Contract: A mutually binding legal relationship between the NC DHHS NC Pre-K Program and the responsible county/regional entity to provide NC Pre-K classroom services to eligible children and receive payment based on the child's attendance and the approved payment rate for the classroom. The contract with DCDEE is a Financial Assistance Contract.

Contractor: The responsible county/regional entity entering into a Financial Assistance contract with the NC DHHS, NC Pre-K Program to administer the NC Pre-K program. The term includes public and non-profit organizations such as, but not limited to, local partnerships, school systems and Head Start agencies.

Contract Administrator: The person, designated by the County/Region NC Pre-K Committee, to oversee the NC Pre-K contract.

Contract Amendment: A written agreement, signed by all parties of the contract, which changes specifications of the contract, such as, but not limited to, period of coverage, the amount of funds, or the number of children to be served.

Cost: The direct and allocated expenses related to a particular service or program. Cost is determined on a cash basis. Cost does not include transfers of funds and may exclude other types of expenses as directed by the awarding agency.

Cost of Equipment: The net invoice price of the equipment including the cost of modifications, attachments or accessories. Other charges such as the cost of installation, transportation, taxes, duty or protective in-transit insurance, can be included or excluded from the cost according to the Contractor's regular accounting practices.

Direct Services Funds: Direct services funds are NC Pre-K funds paid to the Contractor for NC Pre-K services rendered to eligible children under the contract. Direct services funds that a Contractor receives must be passed to the provider for payment of direct services to eligible children unless the Contractor is a provider of direct services. These funds are a fixed payment rate per child per month of service delivered. Sites can choose to use this funding for items pertaining to NC Pre-K services such as: salary/benefits for teaching staff, equipment, supplies, curriculum and related materials, developmental screening tools and assessment efforts, staff to conduct developmental screenings, staff training, etc. Since the NC Pre-K Program does not pay the full cost of a quality pre-k program, the funds are generally used to offset part of the cost of providing the NC Pre-K program. The calculation is based on the number of children attending times the monthly classroom rate of payment.

Eligible Child: A child who meets the established criteria to participate in the NC Pre-K program as defined in the *NC Pre-K Program Requirements and Guidance* document.

Equipment: Tangible, nonexpendable, personal property having a useful life of at least two years and acquisition cost of \$500 or more per unit.

Expansion Funds: When funds are available for expansion of the NC Pre-K program, DCDEE will notify Contractors of information needed in order to allocate the funds. Typically, this has been done by DCDEE surveying contractors for data on the number of eligible children waiting for NC Pre-K services and the capacity for the children to be served. Based on this information, contractors have received a prorated share of available funds for expansion.

Financial Assistance Contract: Generally, a financial assistance contract represents grant funds dispersed by a State agency that are subject to N.C.G.S. § 143C-6-22 & 23. Some characteristics of a financial assistance contract include: the Contractor determines eligibility for services or funds; the Contractor undertakes certain administrative functions, such as program monitoring; and the Contractor has responsibility for overseeing compliance with program standards. NC Pre-K contracts with DCDEE are considered Financial Assistance contracts.

Fiscal Administrator: The person, selected by the County/Region NC Pre-K Committee, who is responsible for managing fiscal transactions using GAAP.

Generally Accepted Accounting Principles (GAAP): Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting- practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provide a standard by which to measure financial presentations. The primary authoritative body on the application of GAAP to state and local governments GASB, Governmental Accounting Standards Board.

Non-consumable items: All non-consumable items purchased with NC Pre-K funds must remain with the NC Pre-K Program. Non-consumable items are defined as tangible products that can be stored or inventoried and have an average life expectancy of at least two years. Non-consumables must be accounted for and movable from the time a site/classroom joins the NC Pre-K Program. When a classroom terminates, all non-consumable items must be redistributed to other NC Pre-K classrooms.

Not-for-profit Agency: Any corporation, trust, association, cooperative, or other organization that (a) is operated primarily for educational, service, charitable, or similar purposes in the public interest; (b) is not organized primarily for profit; and (c) uses its net proceeds to maintain, improve or expand its operations.

Other Resources Accessed: Required by the NC Pre-K Program and divided into two categories:

- 1) **Estimated Resources;** annual approximation accessed other than NC Pre-K funds available from state, federal and local sources for operating the NC Pre-K Program,
- 2) **Certified Resources;** actual expenditures supported by funds other than NC Pre-K funds received from state, federal and local sources for operating the NC Pre-K Program. Examples include, but are not limited to, Smart Start funds, Title I funds, Head Start funds and city/county appropriations.

Procurement: The process of purchasing goods and services used by the Contractor and subcontractors for the provision of services.

Program Income: Income earned by the Contractor that is directly generated by interest on and advanced funds and by the sale of equipment and non-consumable items purchased with Pre-K funds.

Public Agency: Any government agency, either local, state or federal, which acts on behalf of the people in general rather than private matters or interests.

Purchase of Service Contract (POS): An agreement in which a contractor performs routine or recurrent services requiring specialized knowledge, experience, expertise or similar capabilities for a state agency for compensation from NC Pre-K funds. NC Pre-K subcontracts for providing services to children in Pre-K classrooms are considered Purchase of Service contracts.

Quality Funds: Additional 2% of Child Care Development Fund (CCDF) funds in the NC Pre-K administrative budget for quality activities and services.

Restricted Funds: Funds received by the Contractor, which can only be used for the specific purpose, as indicated by DCDEE.

Site: A location approved by DCDEE to house one or more pre-k classrooms.

Start-up Funds: Start-up funds are a one-time standard allocation per child and are restricted funds. Contractors use the Generally Accepted Accounting Principles (GAAP) to document start-up fund expenditures. These funds must be used to prepare the NC Pre-Kindergarten classroom, including but not limited to the purchase of instructional material, curriculum, equipment and supplies. As restricted funds, start-up funds may not be expended for real property, buses or motor vehicles or office/administrative equipment. Items purchased with start-up funds stay with the NC Pre-K Program and as such must be portable and tracked. The Contractor is accountable for these funds. This accountability requires the Contractor to serve one new child for each amount in start-up funds received. Additionally, the Contractor must spend the amount received per slot. The Contractor, as advised by the County/Region NC Pre-K Committee, may allocate start-up funds among the classrooms based on needs. The Contractor, as advised by the County/Region Committee, decides if subcontractor will receive start-up funds in contract to purchase start-up items or if the Contractor will purchase the items for the subcontractor.

State Fiscal Year (SFY): 12-month period running from July 1 through June 30.

Subcontract: A purchase of service contract (see definition above) between the Contractor and another entity, to provide NC Pre-K services.

Subcontractor: The responsible entity, who has entered into a purchase of services contract with the Contractor to provide NC Pre-K services.

Summary of Attendance Report: A form identifying the Contractor's name and number, facility/site, classroom, teacher, number of children to reimburse and amount to reimburse. This form is required documentation submitted with the Financial Status Report and is generated in the NC Pre-K Kids (NC Pre-K Child Reporting System). The Summary Attendance Report must be signed by the Contractor or designee on a monthly basis to verify attendance.

Termination: The cancellation of a contract, in whole or in part, by DCDEE prior to the original date of completion.

NOTES PAGE