

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

Effective SFY 2011-2012

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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-olds. 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.

This *NC Pre-K Fiscal and Contract Manual* and the *NC Pre-K Program Requirements* may be downloaded from the Division of Child Development and Early Education website:
<http://www.ncchildcare.net>

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NC Department of Health and Human Services
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Section 2. County/Region Plan and Contracts

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*. The Division of Child Development and Early Education (hereafter referred to as State Office) pre-approves the Plan and approves applicable changes.

County/Region NC Pre-K County/Region Committee: See – NC Pre-K Program Requirements Section 2

B. Contracts

The NC Pre-K Program procures, through contracts, high quality pre-kindergarten education services for eligible four-year-olds who are at risk of school failure. All contracts and payments for services are subject to fund availability.

The contractual agreement is between the North Carolina Department of Health and Human Services (hereafter referred to as NCDHHS), Division of Child Development and Early Education (State Office) and the responsible county entity (Contractor) selected to administer the Program by the County/Region NC Pre-K Committee (hereafter referred to as the Committee). As a rule, the Contractor will communicate with the State Office 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. Contract Determination

Using the guidelines for contract determination, the State Office determined NC Pre-K contracts are purchase of services contracts.¹

A purchase of service (purchase of goods or services) contract is not subject to N.C.G.S. § 143C-6-22 & 23 and thus a fiscal audit is not required. However, the Contractor and subcontractor are subject to an audit of administrative expenditures, start-up fund expenditures, child eligibility and attendance, certified other resources accessed and may be subject to a program audit.

NC Pre-K Pre-Kindergarten Program Audit Guidelines

2. Plan Review and Approval

The Contractor submits the County/Region Plan and applicable changes on-line to the State Office. The State Office reviews the Plan and all requested changes in accordance with the *NC Pre-K Program Requirements* and the *Fiscal and Contract Manual*.

County/Region NC Pre-K Committee: See - NC Pre-K Program Requirements Section 2

¹Circular A-133, Section .210

3. Contract Development, Review and Approval

The State Office notifies the Contractor of its slot allocation for the next contract year and develops a contract based on the current slot allotment and the existing on-line Plan. The State Office 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, this manual and the approved County/Region NC Pre-K Plan on file at the State Office are incorporated by reference in the contract.

- **Contract Template including Attachment A**

The contract template outlines the roles and responsibilities of the parties of the contract. These include, but are not limited to, the following as applicable:

- Effective period of the contract;
- Contractor duties;
- Amount of payment (operating/direct services, administrative and start-up);
- Division Duties;
- Sales/use tax requirements;
- Records retention requirements; and
- Confidentiality requirements

- **Other Attachments**

- NC Pre-K Program scope of work; and
- Private Not – for – profit agency verification of 501 (c) (3), as applicable.

NOTE: The State Office accepts the signatures of the Principal or Center Director, in Section II, as certification that the NC Pre K Program Requirements have been read and that each NC Pre-K classroom will comply with the requirements.

b. Contract Review and Approval

The intent to contract is approved by the State Office and the NC DHHS.

4. Contract Signatures

Signature steps are as follows:

- Contract Administrator receives two (2) original contracts 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).

- Contract Administrator returns two (2) original signed contracts and supporting documents to the State Office; and
- Division of Child Development and Early Education Director signs contracts. The contract is now executed.

The Contractor will receive one original executed contract for its files.

5. Contractor Subcontracting Responsibilities

The Contractor must execute subcontracts with providers of NC Pre-K services (6.5 – 10 hour day for slots) not under its auspices. The Contractor should follow its own procurement procedures for processing subcontracts. The Contractor should use the template(s) supplied by the State Office and should have the template reviewed by its legal counsel to ensure it meets its agency's requirements.

- The Contractor shall not subcontract any pre-k educational services without prior approval from the State Office. Prior approval consists of approval through the on-line plan.
- All subcontracts with providers for NC Pre-K services will be Purchase of Service contracts (subcontractor request payment based on filled slots not by line item, and operating/direct services funds do not have to be accounted for nor returned if unexpended).
- Any approved subcontract is subject to all conditions of the contract between NC DHHS DCDEE and the Contractor;
- The Contractor, as advised by the County/Region Committee, decides if 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 should decal any equipment that it purchases with start-up funds before sending it to the subcontractor. The subcontractor should decal any equipment that it purchases with start-up funds.
- The State Office will not pay for services performed by an unapproved subcontractor.
- The State Office can request complete copies of any agreements between the Contractor and any of its subcontractors.
- The Contractor must submit to the State Office 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 the State Office by the required date.
- The subcontract templates should only be used to subcontract for the NC Pre-K slot(s) (6.5 to 10 hr day) for which the Provider will receive reimbursement for a filled slot.
- The Contractor is responsible for amending a subcontract when any changes are made that impact the subcontract that was initially executed.

The Contractor is responsible for monitoring the subcontractor. The Contractor is responsible for ensuring subcontractor compliance with applicable rules and regulations and is liable for repayment to the State Office of misspent start-up funds or unearned operating/direct services funds.

Monitoring: See Section 13. Audit and Monitoring

6. 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. Refer to the Making Changes to NCPRe-KPlan User Guide for detailed instructions of all changes to the NCPRe-KPlan (www.ncchildcare.net) The Guide lists where changes can be made, what signatures are required, and what State Office approval is needed.

NOTE: Email addresses listed in the Plan for the Contract 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.

a. Contract Amendments

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

b. Administrative Letter

An Administrative Letter, signed by the State Office Director, is the official approval or denial notice for other changes to the Plan such as site location, teacher credentials, or reallocation of slots between sites. The Administrative letter is a part of the original Plan and should be maintained with the original Plan.

7. 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 other reasons as described in Section 5.D.

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

Section 3. Allocation of Funds

A. Funding

The State Office allocates the number of slots (children to be served), the operating/direct services payment rate, and the maximum administrative budget to each county.

The full cost of a high quality pre-kindergarten program is estimated at approximately \$10,000 – \$10,500 per-child per school year. NC Pre-K does not pay the full cost of a high quality pre-k program; therefore, communities are required, to access other resources.

Counties receive a per-child allocation for a 10-month school year. The current statewide average is approximately \$5,000 per slot (or \$500 per month). Each county's base allocation was originally based on the low-wealth county supplemental funding formula used by the North Carolina Department of Public Instruction. In interim years, other adjustments have been made to reflect higher percentages of private child care slots and higher child care market rates and/or funding reductions.

Although the State has a single payment rate per-county, the Contractor may decide, with the advice and consent of the County/Region NC Pre-K Committee, to use differential payment rates with their providers based on the need or other funding resources available.

There are four types of funding under the NC Pre-K Program:

- **Operating/Direct Services funds:** Operating/direct services funds are NC Pre-K funds paid to the Contractor for NC Pre-K services rendered (a filled slot) under the contract. Operating/direct services funds that a Contractor receives must be passed to the provider for payment of direct services. The total amount of direct services funds allocated by DCDEE to the Contractor must be subcontracted to service providers for filled slots. For Contractors who are direct service providers, the total amount of direct services funds must correspond to the number of filled slots.

Operating/Direct services funds should be spent on NC Pre-K services and cannot supplant existing funds for pre-k educational services (See Section 4.C). Providers of direct services may use operating/direct services funds for program support (i.e., transportation, recruitment, or outreach). Sites can also choose to use this funding for items 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.

- **Administrative funds:** 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 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 towards differential slot payment rates with their provider based on the need or other funding sources available; 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 slot payments it is reported as an administrative expenditure using the line item "Total Slot Payments." If the Contractor uses any administrative funds for contracted services, it is reported as an administrative expenditure using the line item "Total Contracts and Grants." 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 reimbursement form.

Corrections resulting in any unspent administrative funds will be credited against the next month's reimbursement and must be reconciled no later than June 15th of the current fiscal year.

- **Start-up funds:** The start-up funds are a one-time payment per new slot and are a standard allocation for all counties. Start-up funds are restricted funds. Start-up funds do not carry forward.
- **Other resources:** Other resources are blended with the NC Pre-K funds and directly benefit the operations of the NC Pre-K classroom/program. 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.

B. Determining the Number of Slots per County

The number of slots originally allocated to each county was based on each 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.

- **Additional slots**
Additional slots, when available, are allocated by the State Office to counties based on the county's need and its ability to establish and fill new slots.

If a county/region determines it needs more slots, it should request additional slots by completing the *Request for Additional Slots form* (signed by the two co-chairs (or

designees) of the Committee. A report of this action should be reported back to the Committee. When notified by the State Office that new/additional slots have been awarded, the Contractor completes the on-line Change Request placing the new/additional slots in the Plan. A contract amendment will be issued.

- **Reduction/Released slots**

A Contractor's slot allocation may be reduced by two methods:

1. If the County/Region NC Pre-K Committee decides not to use the total number of slots allocated, the Contract Administrator should submit an **Authorization to Release Slots form**. If slots are under contract an on-line Change Request reducing the slots in the Plan should be submitted. The Contract Administrator should keep the minutes of the Committee meeting that indicate decisions made, members present, and results of votes.
2. The State Office reviews allocated and filled (paid) slots monthly and may begin reallocating slots to another county if the slots remain unfilled in October. An Authorization to Release Slots form is not required if the State Office reduces allocated slots. The process must begin early in order to ensure continuation of maximum enrollment of eligible at-risk children. Note: When a child enrolled in the NC Pre-K program has been absent for three consecutive days, the site-level administrator should contact the family and determine the child's participation status. Any changes must be reported to the Contractor.

Slots that are released or reduced are re-distributed by the State Office to other counties based on the county's need and ability to establish and fill new/additional slots.

C. Operating/Direct Services Funds per County – Operating/Direct Services Allocation

The operating/direct services allocation is calculated by multiplying the number of slots times the monthly rate times the number of months of the program (not to exceed 10 months). This amount cannot exceed the total operating amount listed in the contract.

The State Office may adjust operating/direct services allocations to counties for unused slot months. An unused slot month is considered as a contracted slot for a past month where the Contractor is not paid for that slot. The slot is not used in that month and results in one "unused slot month." The slot allocation will not be reduced but operating/direct services funds from earlier months that can no longer be spent during the current contract period may be removed from the total contract amount. Contractors will be notified if this occurs and will receive contract amendments.

The State Office may adjust monthly operating/direct services payments to Contractors when a co-pay has been assessed prior to approving payment for that month's services.

Request for payment: See Section 5 - Payment Process

Parent Co-payments: See NC Pre-Kindergarten Requirements Section 3

D. 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 2011-2012. 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 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 towards differential payment rates with their provider based on the need or other funding source available; 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 slot payments it is reported as an administrative expenditure using the line item “Total Slot Payments.” If the Contractor uses any administrative funds for contracted services, it is reported as an administrative expenditure using the line item “Total Contracts and Grants.” 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 reimbursement form.

Corrections resulting in any unspent administrative funds will be credited against the next month’s reimbursement and must be reconciled no later than June 15th of the current fiscal year.

Administrative funds will not be reduced if the Contractor’s slot allocation is reduced, Administrative funds will not be increased if the Contractor receives additional slots through reallocation of existing slots. Administrative funds may be received if program expansion funds are allocated during the year.

The Contractor should request reimbursement of administrative funds the month following the expenditure, up to the contract amount.

The table below represents a list of administrative expenditures:

Total Personnel Cost:	Salary/wages/benefits, professional services, board member compensation and other temporary or emergency staff
Total Supplies and Materials	Office supplies and materials, computer supplies and software, janitorial supplies, educational/medical supplies, automotive supplies and other costs for supplies.
Total Current Obligations	Travel, communications (postage, telephone, etc.), utilities, printing and binding, repair and maintenance, computer services (accounting/payroll), employee training, advertising, Board member expenses (travel/per diem), and other costs for current obligations.
Total Fixed	Office rent, furniture rental, equipment rental, vehicle rental, dues and

Charges and Other Expenses	subscriptions, insurance and bonds, and other fixed costs.
Total Capital Outlay	Office furniture, computer equipment, vehicles, books (library reference materials) and other costs for capital outlay.
Total Contracts and Grants	Total of any contracts and grants not listed in other line items.
Total Slot Payment	Total amount Contractor expends for monthly slot payments from Administrative funds.
Total Other (list)	Total amount of other administrative expenditures. Please list or describe these expenditures.

E. Start-up Funds

Start-up funds are a one-time standard allocation per slot and are restricted funds. Contractors use the Generally Accepted Accounting Principles (GAAP) to document start-up fund expenditures.

1. Start-up Allocation

Contractors may receive start-up funds for each new slot. The start-up allocation is determined by the State Office. Established slots transferred to a new classroom do not receive additional start-up funds.

2. Allowances/Restrictions

Start-up funds will be available upon execution of the contract. 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. The Contractor, as advised by the County/Region NC Pre-K Committee, may allocate start-up funds among the classrooms based on needs.

All non-consumable items purchased with More at Four/NC Pre-K start-up 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.

Subcontracting: See Section 2

Requesting start-up funds: See Section 5 - Payment Process

Procurement and Property Management: See Section 6

Reporting start-up funds expenditures: See Section 10 – Reporting Requirements

Refunds: See Section 11- Refunds

Program Income: See Section 7 – Program Income

F. Other Resources (Estimated and Certified)

NC Pre-K policy requires that programs 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.

There is no specific percentage required. Other resources should be necessary expenses for the NC Pre-K Program, should be allowable costs, and should not include services before and after the 6.5 to 10 hour classroom 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 the State Office in the on-line NC Pre-KPlan 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 the State Office 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 NCPre-KPlan Budget Page
Smart Start	Total amount of SS subsidy supporting NC Pre-K children Personnel costs of staff related to administering NC Pre-K Program
Subsidy	Amount paid for NC Pre-K children for 6 .5 to 10 hour day
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 6.5 to 10 hr 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.
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- Certified Other Resources** – The certified other resources is reported to the State office annually and should represent 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 the State office no later than January 15 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 Audit Guidelines and are subject to audit.

The table below does not represent a complete list but does provide 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
Subsidy	Subsidy receipts referencing children’s names
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, unless the specific situation has been approved by the state office. In addition, the Program Requirements describes when a co-payment may be assessed to parents. Parent fees charged for wrap-around services provided outside the 6.5 to 10 hour NC Pre-K classroom day, do not help finance NC Pre-K classroom day and should not be reported as “other resources.”

Reporting other resources accessed: See Section 10 – Reporting Requirements
Blended Funding: See Section 4 – Related Funding Information
Fourth Quarter Reports: See Section 12– End of Year Requirements
Funding and Other Resources: See Section 3– Allocation of Funds
NC Pre-K Pre-Kindergarten Program Audit Guidelines

Section 4. Related Funding Information

A. Related NC Pre-K Costs

NC Pre-K funds must be spent on the NC Pre-K Program. The Contractor, with approval of the Committee, expends funds for direct services by allocating them to the individual NC Pre-K sites. Sites can choose to use this funding for items 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, transportation, and other costs related to the NC Pre-K Program. 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. The State Office encourages counties to leverage all eligible revenue sources to support the NC Pre-K classrooms.

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. Leveraging other funding sources is referenced in Section 5 of Governor Perdue's Executive Order 100.

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 the State Office. 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 (hereafter referred to as 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.

NCPre-KKKids: NC Pre-K Child Reporting System (hereafter referred to as NCPre-KKKids) 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 two ways:

- First, the Contractor collects and enters the child information into NC Pre-KKKids. NCPre-KKKids 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 for free or reduced lunch;
 - The child lives with an adult blood relative or with a non-relative who has legal custody or guardianship
 - 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 NCPre-KKKids 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.

- Second, the Contractor enters the payment rate into the NCPre-KKKids classroom form. **This rate represents the amount of NC Pre-K funds that are paid to the provider.** If the provider is a subcontractor, the amount may be different from the rate that the State Office pays to allow the Contractor to use some of the funds to offset other Program costs.

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 are accurately entered into NCPre-KKKids. Data should be verified during the course of the program and any changes in TANF/CCDF eligibility entered in NCPre-KKKids. The Contractor is responsible for maintaining eligibility documentation in each child's file.

NCPre-KKKids automatically calculates the number of TANF and CCDF eligible children and the amount expended toward the state's MOE and Matching requirements. The State Office reports these amounts to the NCDHHS, Office of the Controller for recording in the official accounting records of the state.

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

Database Reporting: See Section 9 - NC Pre-K Child Reporting System (NCPre-KKKids) – Database Monitoring: See Section 13, Audit and Monitoring

Section 5. Payment Process

All forms referred to in this manual are available on the DCDEE website (<http://www.ncchildcare.net>) in Word, Excel and/or pdf format.

NC Pre-K funds are disbursed to Contractors as operating/direct services funds, administrative funds and start-up funds. The NCDHHS pays the Contractor by electronic funds transfer. The Fiscal Officer for the Contractor is notified by email of the payment.

A. Operating/Direct Services Funds

The funds for services rendered are operating/direct services funds. Operating/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. Monthly payments are based on the number of slots filled times the per-slot rate. A slot is considered filled if it meets the qualifications defined in the Attendance Policy below for payment purposes. The number of slots filled in one month cannot exceed the number of slots in the contract. The total amount of operating funds requested during the contract period cannot exceed the total operating amount listed in the contract.

$$\text{Number of Filled Slots} \times \text{Direct Service Rate} = \text{Monthly Payment Amount}$$

Contractors and subcontractors will receive no more than 10 months of payment per slot filled based on child attendance. However, a Contractor could receive payment over 12 months, depending on when each slot is filled.

1. NC Pre-K Program Attendance Policy

- 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 NCPre-KKids when:
 1. He/she is present for majority of 6.5 to 10 hour NC Pre-K program day.
 2. A home/community setting visit is conducted to meet with the child/family for initial program orientation and/or educational purposes (written documentation required).

Note: 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. Local More at Four site administrators must document attempts to contact the family, as well as decisions regarding the child's continued participation in the program. 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:

- a. A child slot will be considered filled for payment purposes with **four** recorded attendance days within one month.
- b. A child slot will be considered filled for payment purposes with **one** recorded attendance day within one month in the following situations:
 - First and last month of classroom operation (limited attendance days available). The State Office will automatically apply (no exception necessary).
 - Child enrolled at/near the end of month (limited attendance days available). The State Office will automatically apply (no exception necessary).
 - Special circumstances warrant an exception: e.g., child involved in debilitating accident or has prolonged illness limiting on-site NC Pre-K participation. Exception requests must be made in writing by the Contract Administrator and submitted to Lucille Baker in the Administration Section of DCDEE, for consideration and approval. Decisions will be made on a case-by-case basis.

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. **Payment will not exceed the number of slots in the approved plan for a contractor.**

Contractors receive monthly payments for filled slots by submitting a ***Request for Slot Payment***. The State Office will review the Contractor's request verifying accuracy and conformance to the Plan before payment is made.

The State Office will reduce the monthly operating/direct services payment to the Contractor if the attendance report reflects the assessment of a co-pay that has not been waived.

The State Office will make no payments for slots that are not allocated according to the approved Plan, for slots in classrooms with unapproved teachers and for incorrectly submitted forms.

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

- An original, signed ***Request for Slot Payment Form***. This form is not generated from NCPRE-KKids therefore it must be prepared by the Contractor and signed by the Superintendent, Chairman of the Board, CEO, or designee **and** the Chief Fiscal Officer or designee.
- An original, signed ***Summary of Attendance Report Form***. This form, signed by the Contractor, is generated from NCPRE-Kids after all classroom information for the month is entered. The Contractor must **manually** enter the "Number of Slots for Payment" per classroom on this form.

- A signed copy of each classroom's **Monthly Attendance Report**. This form is generated from NCPre-KKids and it is completed as part of the monthly input into NCPre-KKids. After the classroom attendance information is entered and verified, the site director should sign and date the report. The signature of the Contractor is also required prior to submission to the State Office.

NOTE: The State Office accepts the Site Director and Contractor's signatures as certification of each child's attendance and that the classroom is in compliance with the NC Pre-Kindergarten requirements.

Contractors should send hard copies of the above documents to the State Office by the **10th working day** of the month following the service month. The earlier the Request for Slot Payment 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. Do not fax advance copies to the State Office.

For US Postal Service use the following address:

NC Pre-Kindergarten Program
Attention: Lucille Baker
2201 Mail Service Center
Raleigh, NC 27699-2201

For overnight delivery service use the following address:

NC Pre-Kindergarten Program
Attention: Lucille Baker
319 Chapanoke Road, Suite 120
Raleigh, NC 27603

Child eligibility: See - NC Pre-K Program Requirements, Section 3

Final reporting dates: See Section 12 - End of Year Requirements.

B. Administrative Funds

Administrative funds are restricted to approximately four (4%) percent or a minimum of \$20,000 of the Contractors original total allocation for SFY 2011-2012. 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 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 towards differential payment rates with their provider based on the need or other funding source available; 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 slot payments it is reported as an administrative expenditure using the line item "Total

Slot Payments.” If the Contractor uses any administrative funds for contracted services, it is reported as an administrative expenditure using the line item “Total Contracts and Grants.” 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 reimbursement form.

Corrections resulting in any unspent administrative funds will be credited against the next month’s reimbursement and must be reconciled no later than June 15th of the current fiscal year.

Administrative funds will not be reduced if the Contractor’s slot allocation is reduced. Administrative funds will not be increased if the Contractor receives additional slots through reallocation of existing slots. Administrative funds may be received if program expansion funds are allocated during the year.

The Contractor should request reimbursement of administrative funds the month following the expenditure, up to the contract amount.

To request Administrative funds, the Contractor must submit to the State Office the following:

- An original, signed, completed *Request for Payment of Administrative Funds* form. The signatures of the Superintendent/Chairman of Board or designee and the Chief Financial Officer or designee are required.

C. Start-up Funds

Start-up funds are one-time restricted funds used to prepare a NC Pre-K classroom and are available upon execution of the contract. The Contractor must request start-up funds to receive them, can request up to the amount listed in the contract and can do so anytime during the SFY (including before the Contractor expends them). The Contractor is accountable for these funds. This accountability requires the Contractor to fill one new slot for each amount of start-up funds received. Additionally, the Contractor must spend the amount of start-up funds received per slot.

To request start-up funds submit the following to the State Office:

- An original, signed *Request for Start-up Funds* form. The signatures of the Superintendent/Chairman of Board or designee and the Chief Financial Officer or designee are required.

Allocation, Allowances and Restrictions: See Section 3 – Allocation of Funds

Quarterly reporting start-up funds: See Section 10 - Reporting Requirements

Refunds: See Section 11 - Refunds

Final reporting dates: See Section 12 - End of Year Requirements

D. Electronic Funds Transfer

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

Contractors may receive payments electronically by submitting the Office of the State Controller Vendor Electronic Payment form to the Division of Child Development and Early Education NC Pre-Kindergarten Program, Attention Lucille Baker. Contractors must notify the NC Pre-Kindergarten Program 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 <http://www.osc.nc.gov> Forms & Policies, Electronic Commerce, Vendor Electronic Payment Form.

E. Termination/Suspension of Payments

NC Pre-K payments may be subject to termination for failure by the Contractor or subcontractor to meet 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 (Section 7) for requirements on reported child abuse and neglect investigations.

Section 6. Procurement and Property Management

A. Property Management

These policies apply to equipment purchased with start up funds, not operating funds from the time a site/classroom began participating in the More at Four/NC Pre-K Program. Start-up funds can not be used to purchase real property, buses or motor vehicles or office/administrative equipment. Equipment purchased with More at Four/NC Pre-K start-up funds belongs to the NC Pre-K Program. The Contractor should assign a control number to any equipment that it purchases with start-up funds before sending it to the subcontractor. The subcontractor should tag 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 More at Four/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 the State Office as to disposition. Also, Contractors may use More at Four/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 More at Four/NC Pre-K start-up funds. Refer to the NCDHHS Non-Profit Manual www.dhhs.state.nc.us/control 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 start-up funds. The Contractor will reimburse the State Office for loss or damage of such equipment. When the equipment provided or purchased is no longer needed for More at Four /NC Pre-K or at the termination of the contract, the Contractor shall obtain written instructions from the State Office regarding dispositions of such equipment.

C. Non-consumable Items

All non-consumable items purchased with More at Four/NC Pre-K start-up 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 More

at Four/NC Pre-K Program. When a classroom terminates, all non-consumable items must be redistributed to other More at Four/NC Pre-K classrooms.

D. Selection of NC Pre-K Classroom Services

NC Pre-K does not require competitive bidding in securing contractors to provide NC Pre-K classroom services. Rather, NC Pre-K requires that providers of classroom services are selected and approved by the County/Region NC Pre-K Committee. The Contractor may adopt this policy **UNLESS** their agency has policies and procedures that require bidding, in that case, those bidding procedures must be followed. If the Contractor does have such policies in place but would like to adopt the NC Pre-K policy, the Contractor must receive exception approval through proper channels in its agency.

Section 7. Program Income

Program income includes interest earned on start-up funds and proceeds and interest from the sale of equipment and non-consumable items purchased with start-up funds.

When program income is earned during the contract period, the Contractor will report income earned to the State Office on the quarterly start-up report. Since start-up funds are restricted funds, income from these funds must be used only for allowable start-up fund purchases as indicated in Section 3. These funds must be expended during the SFY in which they were earned. They may not be carried forward to the next SFY.

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

Refund of unspent earned income: See Section 11 – Refund

Section 8. Documentation and Records

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

The Contractor should maintain documentation of child eligibility and attendance as specified in the NC Pre-K Program Requirements Section 3. D.

The Contractor should maintain documentation on all administrative and start-up expenditures. This includes, but is not limited to the following:

- Itemized invoices and payment information;
- Evidence showing the use of Contractor's current procurement policies; and
- Inventory records of equipment purchased.

The Contractor should maintain documentation to support the amount of "other resources accessed" through December 30 as certified. (See Section 3. E.)

It is the responsibility of the Contractor to maintain records for administrative expenditures and 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 like "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.

Documentation of children eligible for TANF and CCDF is subject to federal policy, regulations and audit.

Section 9. NC Pre-KKids: NC Pre-K Child Reporting System

The Frank Porter Graham Child Development Institute at the University of North Carolina in Chapel Hill, under contract with the State Office, developed MAFKids/NC Pre-KKids. This online database captures information to assist in program evaluation.

NC Pre-KKids is linked to NC Pre-KPlan (the NC Pre-K online Plan) and collects information about NC Pre-K students. The *Monthly Attendance Report* by classroom and the *Summary of Attendance Report* that are submitted with the *Request for Slot Payment* are generated from NCPre-KKids.

NC Pre-KKids validates child eligibility based on input data. The validation check is performed when a child form is made Ready to Submit. In order for a child to be listed on the Monthly Attendance Report, the child form for that service month must be in “Ready to Submit” status or “Submitted” status.

Contractors are responsible for entering the child information when the child enters the NC Pre-K Program and for entering the attendance each month. The versatility of NC Pre-KKids allows any user with appropriate access to enter child information and attendance daily, weekly, or monthly.

Note: Contractor and/or subcontractors should enter child information and attendance for each month the child is served and submit data to NC Pre-KKids. Child information and attendance should be submitted to NC Pre-KKids even if the Contractor is not requesting reimbursement from the State Office.

- For technical assistance with NC Pre-KKids:
- Refer to the NC Pre-KKids 2011-2012 User Guide located on the NC Pre-KPlan Instruction page and on the DCDEE website (www.ncchildcare.net)
Trevon Lucas (trevon.lucas@dhhs.nc.gov)
- Phone: 919-890-7051

For assistance with data queries and reports contact:

- Trevon Lucas (trevon.lucas@dhhs.nc.gov)
- Phone: 919-890-7051

The State Office telephone number is 919-662-4499. The website address is:
<http://www.ncchildcare.net>.

Payments: See Section 5 – Payment Process
Reporting: See Section 10 – Reporting Requirements

Section 10. Reporting Requirements

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

	Form #	Form Name	Submission Instruction	Due Date
1	NC Pre-KKids	NC Pre-KKKids	To report child information and attendance data must be submitted to the NC Pre-K Child Reporting System (NC Pre-KKKids) 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
2		Request for Slot Payment	To request payment for filled slots submit the following: <ul style="list-style-type: none"> • an original, signed, completed Request for Slot Payment • an original, signed, completed Summary of Attendance Report generated from NC Pre-KKKids. The Contractor must manually enter the “Number of Slots for Payment” per classroom on this form. • a signed, completed Monthly Attendance Report per classroom form generated from NC Pre-KKKids 	By the 10th business day of the month following the month of services rendered for July through May services Request for June services is due no later than June 15
3		Summary Attendance Report		
4		Monthly Attendance Report		
		Request for Payment of Administrative Funds	To request payment of administrative funds submit the following: <ul style="list-style-type: none"> • an original, signed, completed Request for Payment of Administrative Funds 	By the 10th business day of the month following the month of expenditure
5		Quarterly Start-Up Report	To report the expenditure of start-up funds submit: <ul style="list-style-type: none"> • one original Quarterly Start-up Report form signed by the Superintendent/Chairman of Board or designee. <p>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.</p>	<ul style="list-style-type: none"> • 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 15
6		Other Resources Certification Statement	To report actual expenditures of resources accessed through December 30 submit: <ul style="list-style-type: none"> • one original Other Resources Certification Statement form signed by the Contract Administrator. 	January 15
7	NCPre-KPlan	Estimated Other Resources Budget	To update the estimated other resources budget submit through NCPre-KPlan 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

Request for monthly payment: See Section 5 - Payment Process

Final reporting dates: See Section 12- End of Year Requirements

Reporting System: See Section 9 – NC Pre-K Child Reporting System (NC Pre-KKKids) – Database

Start-up funds request: See Section 5 - Payment Process

Refunds: See Section 11 - Refunds

Documentation: See Section 8 - Documentation and Records

Other Resources Requirements: See Section 3 – Allocation of Funds

Section 11. Refunds

The State Office must reconcile all funds by the end of each state fiscal year. All refunds must be received in the State Office no later than June 15 in order for payments to be made within the state fiscal year as required.

A refund to the State Office must occur, if:

a. Start-up funds:

- A refund of start-up funds must occur if the total number of slots for which the Contractor received start-up funds is not filled (See Section 3.B.) If applicable, the State Office can reduce the subsequent monthly operating payment.
- A refund of start-up funds must occur prior to the final operating payment if a Contractor's start-up expenditures are less than the amount of start-up received. (The Contractor must return any unspent portion of the per slot allocation.)
- A refund of program income earned on start-up funds must occur if the Contractor does not expend the funds in the year they are earned.

b. Ineligible child(ren):

- If a Contractor receives payment for an ineligible child(ren), it must refund the operational amount received as well as any related start-up funds, to the State Office immediately but no later than June 15.

c. Sales/Use Tax:

- A refund to the State Office 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 G.S. 143-59.1.

d. Administrative Expenditures:

- A refund to the State Office is due if the Contractor determines an overpayment of administrative funds has occurred. The refund should be submitted no later than June 15.

e. Other Refunds

- All other refunds due the State Office should be received in accordance with these guidelines but no later than June 15.

The Contractor may return funds to the State Office in one of two ways listed below:

- a. Reduce the amount of refund from a subsequent request for payment; or
- b. Submit a check payable to the NCDHHS 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: Lucille Baker
2201 Mail Service Center
Raleigh, North Carolina 27699-2201

For overnight delivery service use the following address:

NC Pre-Kindergarten Program
ATTN: Lucille Baker
319 Chapanoke Road, Suite 120
Raleigh, North Carolina 27603

Payment of Start-up funds: See Section 5 – Payment Process

Start-up funds: See Section 3 – Allocation of Funds

Child Eligibility: See Program Requirements Manual, Section 3

Sales/Tax Use Refunds: See General Statute 105-164.14 and G.S. 143-59.1

Section 12. End of Year Requirements

NC Pre-K funds are available only for the SFY for which they are authorized. Therefore payments to Contractors for services rendered (operating/direct services and administration) must be made within that SFY. Remember: Operating/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 rating/direct services funds.

The NC Pre-K Program contracts follow the SFY and terminate on June 30. Since the State Office must reconcile all funds by the end of each SFY, all financial reporting, including Requests for Slot Payment and quarterly start-up reports, must be received in the State Office **no later than June 15** in order for payments to be made within the SFY.

A. Request for Slot Payments

Request for Slot Payment and supporting documentation for **June** services and any adjustments to earlier services are due no later than June 15. Failure to submit by June 15 may result in no payment.

Monthly request for payment: See 5 - Payment Process

B. Quarterly Start-up Reports

The **Quarterly Start-up Report** form for the last quarter of the SFY (April/May/June), plus any adjustments for earlier quarters, is due to the State Office no later than June 15. Final payment (operating funds) will be held until the 4th Quarter Start-up Report is received. Plan your purchases accordingly, so all items ordered can be received and paid prior June 15. Program income is also reported on this 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.)

C. Request for Administrative Funds

Request for Payment of Administrative Funds and any adjustments to earlier claims are due no later than June 15. Failure to submit by June 15 may result in no payment.

Requesting start-up funds: See Section 5 –Payment Process

Allocation, Allowances and Restrictions: See Section 3 – Allocation of Funds

Program Income: See Section 7

Documentation: See Section 8 – Documentation and Records

D. Reconciling Records

Contactors must reconcile records on the following:

- Expenditure of start-up funds;
- Expenditure of certified other resources;
- Expenditure of administrative funds
- Eligibility of children attending NC Pre-K classes; and
- Child attendance records.

Section 13. Audit and Monitoring

A. Audit

The NC Pre-K Program contracts are purchase of service contracts and are not subject to a fiscal audit under G. S. 143C-6-22 & 23. However, the Contractor and subcontractor are subject to an audit of administrative expenditures, start-up fund expenditures, child eligibility and attendance, and certified other resources accessed and may be subject to a program audit.

Documentation: See Section 8– Documentation and Records.

Start-up funds: See Section 3 Allocation of Funds.

Child Eligibility: See Program Requirements Manual, Section 3
See Audit Guidelines

B. Monitoring Local NC Pre-K Programs

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

Appendix

Appendix A: Forms List

1	The NC Pre-Kindergarten Program Request for Slot Payment
2	The NC Pre-Kindergarten Program Summary of Attendance Report
3	The NC Pre-Kindergarten Program Monthly Attendance Report
4	The NC Pre-Kindergarten Program Request for Payment of Administrative Funds
5	The NC Pre-Kindergarten Program Request for Start-up Funds
6	The NC Pre-Kindergarten Program Quarterly Start-Up Report
7	The NC Pre-Kindergarten Program Request for Additional Slots
8	The NC Pre-Kindergarten Program Authorization to Release Slots
9	The NC Pre-Kindergarten Other Resources Certification Statement
10	NC Pre-K Contractor Monitoring Tool
11	NC Pre-K Site Monitoring Tool

The Contractor and/or subcontractor should have a letter on file if any required signatures are delegated to other staff.

Appendix B: List of Related Resources

Private Not for Profit Manual		www.dhhs.state.nc.us/control
Office of State Controller Vendor Pay Form		www.ncosc.state.nc.us
2010-2011	MAFKids	http://maf.ad.unc.edu/MoreAtFour20102011/Logon.aspx
	MAFPlan	http://maf.ad.unc.edu/mafplan_1011/login.aspx
2009-2010	MAFKids	http://maf.ad.unc.edu/MoreAtFour20092010/Logon.aspx
	MAFPlan	http://maf.ad.unc.edu/mafplan_0910/login.aspx
2008-2009	MAFKids	http://maf.ad.unc.edu/MoreAtFour20082009/Logon.aspx
	MAFPlan	http://maf.ad.unc.edu/mafplan_0809/login.aspx
2007-2008	MAFKids	http://maf.ad.unc.edu/MoreAtFour20072008/Logon.aspx
	MAFPlan	http://maf.ad.unc.edu/mafplan_0708/login.aspx
2006-2007	MAFKids	http://maf.ad.unc.edu/MoreAtFour20062007/Logon.aspx
	MAFPlan	http://maf.ad.unc.edu/mafplan_0607/login.aspx

Appendix C: 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 2011-2012. 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 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 towards differential payment rates with their provider based on the need or other funding source available; 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 slot payments it is reported as an administrative expenditure using the line item "Total Slot Payments." If the Contractor uses any administrative funds for contracted services, it is reported as an administrative expenditure using the line item "Total Contracts and Grants." 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 reimbursement form.

Corrections resulting in any unspent administrative funds will be credited against the next month's reimbursement and must be reconciled no later than June 15th of the current fiscal year.

Administrative Letter: An official approval or denial letter, signed by the Director of the Division of Child Development and Early Education, 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 the State Office to counties for program operations.

Allocated Slots: The number of slots by county that can be funded with the allocation from the NC Pre-K funds.

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 Request for Slot Payment and is entered on the NC Pre-K Kids (NC Pre-K Child Reporting System). The Attendance Report must be signed by the Site Director and the Contractor on a monthly basis to verify attendance.

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.

Leveraging of Funds: The full funding of the NC Pre-K program by a mix of NC Pre-K funds, other state funds, federal funds, and community resources.

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.

Budget: A plan of financial operation showing an estimate of proposed expenditures for a fiscal year and the proposed means of financing them. The contract budget consists of funding from the State NC Pre-K Program for operating, administration and start-up.

Contract: A mutually binding legal relationship between the NCDHHS 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 a rate for each filled slot. The contract is a Purchase of Service Contract.

Contractor: The responsible county/regional entity entering into a purchase of service contract with the NC DHHS, NC Pre-K Program to deliver a service for 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 or payment rate or number of slots.

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. This applies to reporting the expenditure of start-up funds.

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.

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

Filled slot: The attendance of an eligible child (children) in the NC Pre-K Program classroom for during any given month of the contract that is paid by the NCDHHS.

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 start-up 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.

Operating/Direct Services Funds: Operating/direct services funds are NC Pre-K funds paid to the Contractor for NC Pre-K services rendered (a filled slot) to eligible children under the contract. Operating/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 slot per month of service delivered. Sites can choose to use this funding for items 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 pays approximately half of the 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 slots filled times the monthly rate of payment.

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 start-up funds and by the sale of equipment and non-consumable items purchased with start-up 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 an independent 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 (e.g., pre-kindergarten program for eligible at-risk children). The pre-approved service is not primarily for review, analysis or advice in formulating or implementing improvement in programs or services. The following organizational activities involve Contractors who are party to purchase of service contracts:

The contractor: (1) provides the goods and services within normal business operations; (2) provides similar goods or services to many different purchasers; (3) operates in a competitive environment; (4) provides goods or services that are secondary to the operation of the Federal program; and (5) is not subject to compliance requirements of the Federal program.

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

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

Start-up Funds: Start-up funds are a one-time standard allocation per slot 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 fill one new slot 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-kindergarten services.

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

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

NOTES PAGE