

New York State Consolidated Fiscal Reporting and Claiming Manual	Subject: Appendix X – Adjustments to Reported Costs	Section: 57.0	Page: 57.1
	Reporting Period: January 1, 2016 to December 31, 2016		Issued: 11/16

This appendix lists certain items of expense that are considered non-allowable. Where this manual and/or state codes, rules and regulations are silent, DMH will defer to the guidelines published in the Provider Reimbursement Manual, commonly referred to as PRM-15.

OPWDD providers should also refer to Appendix EE for Reimbursement Principles

SED providers should refer to the SED Reimbursable Cost Manual for specific items that are not allowable for SED programs.

If any of the following expenses have been included on Schedules CFR-1 through CFR-5 and DMH-1 through DMH-3, they should also be included on the line for Adjustments/Non-allowable costs. Examples include but are not limited to the following:

1. A cost must be reasonable and/or necessary for providing services in both its nature and amount. In determining the reasonableness of a given cost, consideration will be given to whether the cost is generally recognized as ordinary and necessary for the operation of the organization and the restraints or requirements imposed by Federal and State laws and regulations. Unreasonable and or unnecessary costs are not allowable.
2. Except where otherwise indicated in the CFR Manual, costs determined not to be in accordance with U.S. generally accepted accounting principles are not allowable.
3. Bad debts resulting from uncollectible accounts receivable and related costs.
4. Costs that are not properly related to program/site participant care or treatment and which principally afford diversion, entertainment, or amusement to owners, operators or employees.
5. Costs incurred by a service provider as a result of making a monetary or non-monetary contribution to another individual or organization (for example, political contributions, charitable contributions, etc.).
6. Costs applicable to services, facilities and supplies furnished to the provider by a related organization, as defined in Section 18.0 of the CFR manual, are excluded from the allowable cost of the provider if they exceed the cost to the related organization. Therefore, such cost must not exceed the lower of actual cost to the related organization or the price of comparable services, facilities or supplies that could be purchased elsewhere.
7. Costs resulting from violations of, or failure to comply with Federal, State and Local government laws, rules and regulations, including fines, parking tickets, or the costs of insurance policies obtained solely to insure against such penalty.
8. Dues or portions of dues paid to any professional association or parent agency whose primary function is of a political or lobbying nature and whose intent is to influence legislation or appropriation actions pending before Local, State or Federal bodies.
9. Cost increases created by the lease, sale or purchase of a program/site physical plant which has not received the prior approval from the appropriate state agency office.
10. Costs of providing services and/or treatment to individuals who have not met the required eligibility criteria for the program/site.

New York State Consolidated Fiscal Reporting and Claiming Manual	Subject: Appendix X – Adjustments to Reported Costs	Section: 57.0	Page: 57.2
	Reporting Period: January 1, 2016 to December 31, 2016		Issued: 11/16

11. Cost for contributions made to contingency reserve funds where such funds did not have prior approval by the appropriate DMH office. Contingencies do not include pension funds, self-insurance funds or funded depreciation accounts mandated by DMH offices.
12. Costs related to the purchase of alcoholic beverages.
13. Compensation to members of a Community Mental Health, Mental Retardation and Alcoholism Services Board, in excess of expenses incurred in the performance of official duties.
14. Costs associated with local governmental legislative bodies or executive staff not associated with the provision of services.
15. Costs of books, subscriptions or periodicals which are not addressed to the provider agency.
16. Costs associated with the conferring of gifts or providing cash payment to an individual when the primary intent is to confer distinction on, or to symbolize respect, esteem or admiration for the recipient. If such gifts or honoraria constitute acknowledgement for services rendered, such as a speaker's fee, such costs are allowable.
17. Real estate taxes (except if part of a lease agreement or if part of purchase agreement), excise taxes on telephone services and other use taxes where organizations are eligible for exemptions from such taxes.
18. Costs incurred prior to the approved beginning date of a new program/site or expansion of a program/site unless such costs are specifically approved in writing by the required state agency.
19. Costs incurred by a service provider that does not have an approved operating certificate or provider agreement where required, to render the particular services.
20. Costs associated with operating New York State Department of Motor Vehicle Drinking Driver programs including a prorated share of administration costs. (OASAS Only).
21. Fees for psychiatric examinations under the Criminal Procedures Law or Family Court Act including fees paid to State employees if the examination is conducted during normal working hours (except for reasonable transportation expenses); fees paid to State employees if not accompanied by documentation from the County Fiscal Officer that there is a shortage of examiners in the county; fees above \$200 for one (1) person including both an examination and court appearance.
22. Unless specified judicially, the cost of services provided to an agency or a program participant of an agency in legal actions against the State.
23. Agency payment of individual employee professional licensing and/or credentialing fees.
24. Where appropriate, costs that need approval by the Division of Budget and approval has not been received.
25. Fringe benefit expenses that are not reasonable and available to all employees including but not limited to Supplemental Executive Retirement Plans or any Non-qualified Deferred Compensation Plans subject to IRC Subsection §457(f).

New York State Consolidated Fiscal Reporting and Claiming Manual	Subject: Appendix X – Adjustments to Reported Costs	Section: 57.0	Page: 57.3
	Reporting Period: January 1, 2016 to December 31, 2016		Issued: 11/16

26. That portion of the cost of company-furnished automobiles that relates to personal use by employees (including transportation to and from work) is not allowable regardless of whether the cost is reported as taxable income to the employees.

OPWDD: Refer to Appendix EE for Reimbursement Principles regarding the use of automobiles for personal use.

27. Expenses that are prohibited by Federal, State or local laws.

28. Expenses included as a cost of any other program in a prior, current or subsequent fiscal period.

29. Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments.

30. Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only to the extent that the insurance represents additional compensation. The cost of such insurance when the organization is identified as the beneficiary is not allowable.

31. Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount that would be allowed had the organization purchased the property or asset on the date the lease agreement was executed. The provisions of FASB Accounting Standards Codification Section 840 shall be used to determine whether a lease is a capital lease. Non-allowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the organization purchased the property or asset.

OPWDD: Refer to 14 NYCRR Subpart 635-6 Allowability of Capital Costs and Costs of Transactions with Related Parties regarding costs allowable under capital leases and costs of transactions with related parties

32. Severance pay is not an allowable cost for OASAS. All other agencies impose limitations as detailed in Section 8.0 of the CFR Manual.

33. The following costs are not allowable on the CFR claiming schedules but are allowable on the CFR core schedules:

- a. Costs related to interest expense for programs receiving Aid to Localities funding that are in excess of an approved rate, fee, contract or funded amount. This also includes expenses associated with the cost of borrowing (however represented) and costs of financing and refinancing operations and associated expenses except where specific authority exists and prior approval has been obtained from the appropriate DMH office. Interest paid to a related individual is not allowable unless the provider is owned and operated by members of a religious order and borrows from the Mother House or Governing Body of the religious order.
- b. Costs for mental health clinics or other services operated exclusively in conjunction with schools (applicable to Aid to Localities funding only).
- c. For programs funded through Aid to Localities, costs representing capital additions or improvements are not allowable as operating expenses (Title 14 NYCRR) unless specifically authorized in a legislative appropriation.

New York State Consolidated Fiscal Reporting and Claiming Manual	Subject: Appendix X – Adjustments to Reported Costs	Section: 57.0	Page: 57.4
	Reporting Period: January 1, 2016 to December 31, 2016		Issued: 11/16

- d. For programs receiving funding through Aid to Localities, the costs associated with debt service, whether principal or interest are not allowable (Title 14 NYCRR). These operating costs may include that part of rental costs paid to those community health or mental retardation service companies that represent interest paid on obligations incurred by such companies organized pursuant to Article 75 and who participated in mortgage financing in accordance with Chapter 1304 of the Laws of 1969.

Costs associated with depreciation of assets purchased in whole or in part with State and/or Federal funds are not allowable. The provider's share of such depreciation is allowable based upon the proportional share of the asset purchased by provider funds. Do not make adjustments for assets purchased from fees, rates or net deficit funding. **Note: If asset purchases with a value of \$5,000 or more and a useful life of two years or more have been expensed for claiming purposes on Schedules DMH-2 and DMH-3, the corresponding depreciation should not be included as an expense on DMH-2 and DMH-3. Please refer to the equipment and property adjustment tables within DMH-2 instructions.**

34. A goodwill impairment loss is a non-allowable cost.
35. Costs of training afforded staff that does not relate to enhancing the performance of that staff in fulfillment of their duties to the organization are not allowable.