

**REIMBURSABLE COST MANUAL (RCM)**  
**July 2023 edition**  
**July 1, 2023-June 30, 2024**

**Crosswalk of Changes**

Please use the following guide to reference content changes by section of the July 2023 edition of the Reimbursable Cost Manual, as compared to the July 2022 edition of the Reimbursable Cost Manual.

**SECTION II – COST PRINCIPLES**

1. Page 27: (14) Consultants (Addition):

(E) Costs associated with non-audit services provided by a registered public accounting firm or any person associated with that firm, during or within 365 days of required audit work (prior to the beginning of the fiscal period being audited or after the date of the audit report issued for the audit period), are not reimbursable. Any non-attest services that, under professional standards issued by the AICPA, would impair the CPA's independence are not reimbursable. Such non-audit services include:

- Bookkeeping or other services related to the accounting records or financial statements of the audit client;
- Financial information systems design and implementation;
- Appraisal or valuation services, fairness opinions or contribution-in-kinds reports;
- Actuarial services;
- Internal audit outsourcing services;
- Management functions or human resources;
- Broker or dealer, investment advisor or investment banking services;
- Legal services and expert services unrelated to the audit; and
- Any other service that the Board of the provider does not approve, or that the Department or other governing State agency does not approve as reasonable and necessary, consistent with applicable requirements and this Manual.

2. Page 34: (28) Interest Costs (Deletion):

- (A) Arm's-Length Interest expense on capital indebtedness and working capital is reimbursable provided the interest rate is not in excess of the prime rate plus one percent of the lending institution at the time the loan was made. Interest expense will be reimbursed on loans in excess of the prime rate plus one percent in cases where the entity can establish that it was unable to secure a rate of prime plus one percent or lower despite its good faith efforts to do so. For working capital loans, an entity shall demonstrate good faith efforts through documentation supporting annual attempts to obtain the most competitive rate available by requesting quotes from at least three lending institutions. For capital indebtedness, an entity shall demonstrate good faith efforts through documentation supporting attempts every five years to obtain the most competitive rate available by requesting quotes from at least three lending institutions. Loan procurement fees **[and credit card fees]** are not reimbursable.

- (B) Less-Than-Arm's-Length Interest expense on capital indebtedness or on working capital loans incurred in a LTAL transaction between the lender and the borrower will be reimbursed only with the prior written approval of the Commissioner upon establishment of the necessity and cost effectiveness of the transaction. A cost effective transaction relating to interest expense on capital indebtedness or on working capital loans is one in which the interest rate charged by the LTAL lender is less than or equal to the prime rate available from lending institutions and is greater than the actual cost of the capital rate to the lender. The borrowing LTAL entity must demonstrate that through a competitive bidding process from at least three arms-length lending institutions this LTAL transaction was necessary as a last resort to acquiring monies and that the interest rate charged by the lending LTAL entity was more favorable than could be obtained in the market place and that rate of interest must be demonstrated to be at prime or less from available lending institutions at the time the loan was incurred. Loan procurement fees **[and credit card fees]** are not reimbursable. Refer to [Section I. 1. B. \(5\). LTAL](#).

3. Page 36: (28) Interest Costs (Addition):

- (D)(7) **Credit card interest expenses, late payment fees, and annual fees for credit cards are not reimbursable.**

4. Page 43: (46) Severance Pay (Addition):

- (B)(2) The cost of severance pay does not exceed two weeks' pay for a full-time employee, **with the following exception:**

- a. **The cost of severance pay does not exceed four weeks for full-time direct care employees during a school's approved close-down period.**