



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER

BUREAU OF ACCOUNTANCY

INTERNAL CONTROL AND ACCOUNTABILITY DIRECTIVES

**DIRECTIVE #10 – CHARGES TO THE CAPITAL PROJECTS FUND:
FREQUENTLY ASKED QUESTIONS/EXAMPLE SCENARIOS**

INTRODUCTION

Directive #10 – *Charges to the Capital Projects Fund* sets forth the guidelines for determining when capital funds may be used for the acquisition, construction, or improvement of a Capital Asset. These frequently asked questions (FAQs)/example scenarios were prepared by the staff of the Bureau of Accountancy to clarify common capital eligibility issues as they relate to the provisions of Directive #10. The FAQs should be used in conjunction with Directive #10 and Comptroller’s Memorandum #14-06 for determining capital eligibility.

The [Directives](#) are issued pursuant to the authority of the Office of the Comptroller as provided in Chapter 5, Section 93, of the [New York City Charter](#).

FREQUENTLY ASKED QUESTIONS/EXAMPLE SCENARIOS

- 1. An improvement to a theatre that occupies the north side of the first two floors of a building, including a balcony and a loge sitting area, is under construction. If the improvements to this area qualify as a comprehensive betterment, as defined in Directive #10, Section 4.1, what costs may be combined to meet the \$35,000 minimum cost eligibility for a Capital Project?**

Directive #10, Section 3.2, states that the \$35,000 minimum cost refers to the total costs of the project, excluding the cost of initial outfitting and surface treatments (such as painting and carpeting). The costs that may be combined in a theatre renovation may include, but is not limited to, improving the seating area (including the balcony and loge areas), the lobby, the stage, the dressing rooms, and lighting booth. The cost of renovations to different areas of the building may also be combined into a comprehensive betterment if certain eligibility requirements are met, see questions 2- 6.

2. **In addition to the betterment in question 1, for the convenience of the ticketholders, restrooms and a café are also being improved. The restrooms and café are located down the hall from the theatre and are opened only during show times and intermissions. May the costs of the improvements to the restrooms and café be combined with the theatre to meet the \$35,000 minimum cost eligibility?**

Directive #10, Section 4.1(a) allows, in a comprehensive betterment, for the cost of renovations in different areas of a building to be combined, if such areas are physically near and functionally related to each other. Because the primary purpose of the restrooms and café renovations are to make the theatre operational (for the benefit of the ticketholders), and they are located in close enough proximity to the theatre so that they can be used by the ticketholders, the cost may be combined to meet the minimum cost eligibility. Once it has been determined that the renovations to the different areas may be combined with the comprehensive betterment for minimum cost eligibility purposes, Directive #10, Section 3.4.1, lists the eligible expenditures that may be charged to the Capital Budget. Initial outfittings required for the different areas may be an eligible Capital Project if the outfitting meets the criteria in Directive #10, Section 5.0.

3. **If, in question 2, the restrooms and café are located in the basement of the building, may the costs be combined with the theatre improvements to meet the \$35,000 minimum cost eligibility?**

Yes, because the restrooms and café are in close enough proximity to the theatre to be used by the ticketholders.

4. **If, in question 2, the restrooms and café are opened at all times and are used for multiple purposes (for example, available for use by the public and building office employees), may the costs be combined with the theatre to meet the \$35,000 minimum cost eligibility?**

Because the restrooms and café are not being improved primarily to benefit the theatre, the cost may not be combined with the theatre, and each must meet the minimum cost eligibility.

5. **If, in question 1, improvements to the administrative offices and basement storage areas of the building are in construction for the general use of the building, may the costs be combined with the theatre to meet the \$35,000 minimum cost eligibility?**

Because the administrative offices and basement storage areas of the building are not being improved primarily to benefit the theatre, the cost may not be combined with the theatre and each must meet the minimum cost eligibility.

6. **If, in question 5, improvements are to the administrative offices, located down the hall from the theatre, and basement storage areas, and they will only be used for theatre business, may the costs be combined to meet the \$35,000 minimum cost eligibility?**

Because the administrative offices and basement storage areas are being renovated primarily to make the theatre operational, and are located in close enough proximity to the theatre to be used for theatre business, the cost may be combined to meet the minimum cost eligibility.

7. **Restrooms are being renovated in the basement of a library, which qualifies as a comprehensive betterment. May the cost to renovate the front doors of the library, costing \$25,000, be combined with the restroom renovation to meet the \$35,000 minimum cost eligibility?**

Directive #10, Section 4.1. (a), states that the cost of different areas of a building may be combined if those areas are functionally related to the comprehensive betterment, meaning that they are dependent upon each other and are necessary for the comprehensive betterment to function for its primary purpose. In this example, the restroom renovations are the comprehensive betterment; therefore, the front door renovation would have to be necessary for the restrooms to operate for its primary purpose. Since the restrooms are not dependent on the front doors to operate for their primary purpose, the cost of the front door renovation may not be combined with the restroom renovations, and must meet the minimum cost eligibility on its own.

8. **May the cost of replacing multiple light switches be combined to meet the \$35,000 minimum cost eligibility?**

The replacement of multiple light switches is neither a betterment, see Directive #10, Section 4.0, nor an equipment system, see Directive #10, Section 6.0; therefore, the cost may not be combined to meet the minimum cost eligibility.

9. **May a \$25,000 improvement to the front doors of a museum be combined with a \$10,000 bathroom improvement on the second floor to meet the \$35,000 minimum cost eligibility?**

At least one of the areas being improved must be a comprehensive betterment in order to combine the costs of renovations in different areas of a building to meet the \$35,000 minimum cost eligibility. Because neither of these improvements are comprehensive (neither improvement involves the complete redesign of space and meets the minimum cost eligibility on its own) the cost may not be combined, and each improvement must meet the minimum cost eligibility. Note: Comprehensive Betterments, as defined in Directive #10, Section 4.1, must meet the minimum cost eligibility on their own.

- 10. If, in question 9, the improvements are part of a statutory housing loan program, may the cost be combined to meet the \$35,000 minimum cost eligibility?**

For statutory housing loan or grant programs, the cost of work in an individual building may be combined to meet the minimum cost eligibility, excluding the cost of initial outfittings and surface treatments. The project must also meet the eligibility requirements of a betterment, as stated in Directive #10, Section 4.1.

- 11. In a combined use building that houses a theatre group and an art studio on the first floor, may a \$20,000 improvement to the theatre's restroom be combined with a \$15,000 improvement to the studio's restroom to meet the \$35,000 minimum cost eligibility?**

Neither of these improvements are comprehensive (neither one alone meets the minimum cost eligibility), therefore the cost may not be combined and each must meet the minimum cost eligibility. The two improvements also may not be combined to meet the minimum cost eligibility, because they are not functionally related.

- 12. In question 11, may the improvement to the theatre's restroom, costing \$35,000, be combined with the improvement to the studio's restroom, costing \$20,000, to meet the \$35,000 minimum cost eligibility?**

Renovations to different areas of a building must be constructed primarily for the benefit of the comprehensive betterment to function. Because the theatre group and art studio are separate functions and are not dependent on each other to function, the costs may not be combined and each must meet the minimum cost eligibility.

- 13. In a 286-acre park, may a \$60,000 comprehensive betterment, as defined in Directive #10, Section 4.1, of a historic house, be combined with the \$10,000 repaving of a path that leads up to the historic house and a \$15,000 mesh fence that surround the historic house to meet the minimum cost eligibility?**

Because the historic house needs the path and fence to operate (for access and to protect the historic house), the cost may be combined to meet the minimum cost eligibility.

- 14. If, in question 13, the improvement to the historic house is not comprehensive and consists only of a roof replacement may the cost to the path and fence be combined with the historic house to meet the \$35,000 minimum cost eligibility?**

At least one of the improvements must be comprehensive to combine the costs of renovations in a building to different areas of a building, facility, or elements of infrastructure to meet the \$35,000 minimum cost eligibility. Therefore, the cost of the road and fence may not be combined to the historic house roof replacement; each must meet the minimum cost eligibility.

- 15. If, in question 14, the path is 100 yards away from the historic house and leads to a public pool, and the mesh fence is at the entrance to the park, which is approximately a half mile from the historic house, may the cost be combined to meet the \$35,000 minimum cost eligibility?**

Because the improvements to the path and fence are not physically near to the historic house, nor are they primarily for the benefit of the historic house, the cost may not be combined and each improvement must meet the minimum cost eligibility.

- 16. For the improvement to a park nature center, may the following items be combined to meet the \$35,000 minimum cost requirement: installation of lighting fixtures in the main lobby, costing \$5,000; general installation of five total stainless steel stalls in two restrooms in the basement, costing \$3,500; installation of a tile floor in the basement restroom, costing \$1,800; installation of an exterior steel gate, costing \$6,000; painting the first floor, \$800; installation of floor tiles in the program area on the first floor, costing \$16,000; general construction work to the program area, \$20,000; updating the heating and electrical system in the program area, \$15,000; updating the plumbing to the program area, costing \$20,000; and installation of a new CCTV camera system, costing \$15,000?**

If the improvement of the park nature center meets the criteria as a comprehensive betterment, the cost of all of improvements, except the cost of painting the first floor, may be combined to meet the minimum cost eligibility.

- 17. If, in question 16, only the improvements to the program area of the park nature center qualify as a comprehensive betterment, may the costs to the different areas be combined to meet the \$35,000 minimum cost eligibility?**

The costs of the improvements to the different areas, that are physically near and are needed primarily for the program area to be operational, may be combined to meet the minimum cost eligibility. For example, if the restrooms in the basement are used primarily for the program area, then the cost may be combined to meet the minimum cost eligibility. All other improvements must each meet the minimum cost.

- 18. If, in question 16, none of the improvements qualify as a comprehensive betterment, may any of the costs be combined to meet the minimum cost eligibility?**

No, each improvement would have to meet the minimum cost eligibility.

- 19. In a science building, may a \$15,000 improvement to the biology department offices on the second floor be combined with \$20,000 of improvements to the biology department labs and classrooms on the fifth floor to meet the \$35,000 minimum eligibility?**

Neither of the improvements to the biology department offices and the biology department labs and classrooms are comprehensive betterments (neither meets the minimum cost eligibility as required in Directive #10, Section 4), therefore, the improvements may not be combined and each must meet the minimum cost eligibility. At least one of the improvements in a building must be comprehensive in order to combine the costs of renovations in different areas of a building to meet the \$35,000 minimum cost eligibility.

- 20. If, in question 19, the improvement to the biology department offices cost \$40,000, may the costs be combined to meet the \$35,000 minimum cost eligibility?**

If the improvements to the biology department offices qualify as a comprehensive betterment, then the costs of improvements to the different areas may be combined to meet the minimum costs eligibility if they are physically near and are needed primarily for the biology offices to operate. The biology department offices and labs and classrooms must be in close enough proximity so that biology office personnel could physically obtain what is needed from the labs and classrooms to function.

- 21. On a highway bridge, which is 200-feet-long, has two lanes, and curbed walkways four feet on both sides, may any of the following items be combined to meet the \$35,000 minimum cost eligibility: replacing a portion of masonry block on the South Pier, approximately six feet, costing \$27,000; rehabilitating/patching spalled concrete on each of four piers/abutments, costing \$42,000; a complete overhaul of the lanes, costing \$98,000; repairing walkway curb, costing \$12,000; and scraping/patching/painting steel elements, costing \$30,000?**

If one of the improvements qualifies as a betterment, and other improvements are needed for the betterment to operate, the cost of the other improvements may be combined with the betterment to meet the minimum cost eligibility. For example, if the complete overhaul of the lanes on the bridge qualifies as betterment, and the steel elements supporting the old lanes required repair for the new lanes to remain in place, the cost of this repair may be combined with the overhaul of the lanes to meet the minimum cost eligibility. If the other improvements are not needed for the new lanes to function, each improvement would have to meet the minimum cost eligibility.

- 22. If an improvement that qualifies as a betterment is only being done on a component of the bridge, may the cost of renovations to other areas of the bridge be combined to meet the \$35,000 minimum cost eligibility?**

The cost of improvements to other areas of the bridge may only be combined if they are needed to make the betterment functional. For example, if the lane repaving is only being done on the North end of the bridge, the cost to replace the masonry block on the South end of the bridge may not be combined to meet the minimum cost eligibility.

- 23. In a comprehensive betterment of a gymnasium located in a recreation center, may other smaller renovations, which are needed to service the general use of the entire recreation center (including the gymnasium) in related areas, such as the locker rooms and restrooms in adjacent halls, be combined to meet the \$35,000 minimum eligibility?**

If the locker rooms and restrooms are for the general use of the entire recreation center, including the gymnasium, they may be combined to meet the minimum cost eligibility because a recreation center has a single functional purpose.

- 24. May the replacement of different parts on a crane, costing \$40,000 and needed for the crane to operate, be combined to meet the \$35,000 minimum cost eligibility for an upgrade if the replacement will allow it to keep operating for five years?**

The cost of the parts may be combined to meet the minimum cost eligibility, because the replacement of the parts will extend the life of the crane for at least five years, which meets the requirements of an upgrade pursuant to Directive #10, Section 4.1.

- 25. May the replacement of several printers and computer terminals that form part of a computer network be combined as an upgrade to meet the \$35,000 minimum cost eligibility, if the replacement would allow the network to continue to serve the same number of users for five additional years?**

The replacement of different elements of a computer system (the network) may be combined, because the replacement would extend the life of the current network for five years.

- 26. An agency is in the process of implementing off-the-shelf software. Is this eligible for vendor/user final acceptance review/inspection as a capitalized expense?**

No. As per CM #14-06, although a vendor/user final acceptance review/inspection is an allowable capital expense for customized software and systems, the need for any significant vendor/user “demonstration” would only be expected to be necessary for such customized systems; it is not anticipated that off-the-shelf systems would require such demonstration phases.

- 27. If, in question 27 above, the off-the-shelf software required significant custom configuration by a vendor in order to meet agency specifications (such as to interface with the City's other systems), would the vendor/user final acceptance review of the configuration be eligible as a capitalized expense?**

Yes, a vendor/user final acceptance review of the configuration is an allowable capital expense.

- 28. An agency is in the process of implementing software with which none of the end-users have ever worked; users cannot use the system until at least some of them receive instructions. Would those instructions qualify as a capital cost?**

No, as per CM #14-06, that is a clear example of end-user-training and, as such, could not be capitalized.

- 29. A vendor is nearing completion of the development of a piece of customized equipment for an agency, and will soon demonstrate that the equipment functions as it should during the final acceptance review/inspection. Which agency staff could participate in the demonstration, without making it ineligible for capitalization?**

The personnel involved in the pre-acceptance demonstration, may include one or more relevant vendor representatives and the key agency staff with both the responsibility for acceptance of the customized equipment and sufficient knowledge of the specifications to determine whether such equipment functions as designed. Typically such staff would be limited to the project manager(s) and/or engineer(s) who oversaw design and development of all or part of the customized equipment, and the system supervisor(s).

- 30. If, in question 29 above, a vendor was nearing completion of the development of a customized system for an agency, would the answer be different?**

No, the same guidelines would apply for a customized system as for a piece of customized equipment.

- 31. What if a vendor includes training as part of the contract at no cost?**

The value of the training within the contract would not be eligible for capital funding; the vendor or the agency must quantify the relative value of training and allocate the total contract cost appropriately. That allocated amount must be funded with expense dollars.