

**COUNTY OF LOS ANGELES – DEPARTMENT OF PUBLIC HEALTH
DIVISION OF HIV AND STD PROGRAMS**

Budget Preparation Instructions

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A. INTRODUCTION

Completion of the budget summary and justification forms is a contractual requirement of all agreements with the Division of HIV and STD Programs (DHSP). All documents must be completed in accordance with the instructions below, and submitted electronically to DHSP in Excel and PDF formats along with a hard copy submission. The instructions and guidelines are in part based on required federal monitoring standards and new Ryan White Program (RWP) standards.

For agencies receiving RWP Part funding other than Parts A or B (i.e. Parts C, D, or F), you are now required to submit copies of your Health Resources and Services Administration (HRSA) approved Parts C, D, or F budget(s) concurrent with your budget submission to DHSP.

For your DHSP-funded budgets, you must provide justification for all proposed costs at the level of detail requested in these instructions, or the budget(s) will be returned to your agency for corrections and resubmission.

The summary and justification forms have been revised to include new columns titled “Other Funding” and “Total.” The “Other Funding” column should be completed only if the line item for DHSP funding does not cover 100% of the costs associated with providing the services. For example, if the DHSP budget request supports 50% of a Case Manager’s salary, but the Case Manager devotes more than 50% of their time providing the service, use the “Other Funding” column to identify the amount of funding supported with non-DHSP funds (e.g. Ryan White Parts C, D or F, General Funds, other Federal or State grants, other County funds, Medicare or Medi-Cal). Use the narrative description section on each line to identify each funding source used.

Included below are *Guidelines for Determining Types of Costs* (Section C) and a *Summary of Unallowable Costs* (Section D), which you must read and follow carefully. If you encounter any difficulty completing your budget(s), please contact your DHSP Program Manager for assistance or further clarification.

B. GENERAL PROVISIONS

The following are some key points to remember when completing your budget(s):

1. The annual salary limit for staff listed on the budget is \$181,500.
2. A Cost Allocation Plan (CAP) must accompany your budget submission if shared or allocated costs are being requested. If the budget request does not include any shared or allocated costs, DHSP may require the submission of additional documentation that supports the costs requested. The CAP describes how an agency will allocate common or shared costs that support more than one program, and how those costs will be distributed to the different programs and payer sources in a consistent and uniform manner.
3. Based on federal guidelines, all rent/lease related expenses and utility costs are considered 100% administrative, with the exception of rent/lease and utility costs for Residential Care Facilities for the Chronically Ill; Transitional Residential Care Facilities; Substance Abuse Treatment, Residential

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Detoxification; Substance Abuse Treatment, Residential Rehabilitation; Substance Abuse Treatment, Transitional Housing; and Nutrition Support, Food Bank.

The following are general guidelines for completing your budget:

1. **Budget Categories and Budget Line Items:** Your budget is comprised of both *Budget Categories* and *Budget Line Items*. *Budget Categories* are the eight major classifications of expense shown on the Budget Summary page (Salaries, Employee Benefits, Travel, Equipment, Supplies, Other, Consultant/Contractual and Indirect Costs). *Budget Line Items* are the individual cost items within each budget category. For example, in the “Salaries” category, the budget line items are the individual positions listed to be funded. In the “Other” category, the budget line items can include such items as office or facility rent/lease, postage, and telephone.
2. **Administrative Cap:** Your contract budget is subject to an administrative cap of 10% for each of the contract budget amounts. You are asked to certify compliance with this requirement by having your Agency Head sign the *Certification of Maximum Administrative Cost* form. The budget narrative sections must include an estimate of the administrative cost contained in each budget line item (expressed as a percentage along with the associated dollar amount). If the administrative percentage is 0%, please indicate this by inserting 0% and \$0 in the columns provided. Further guidance is provided in the *Guidelines for Determining Types of Costs* (Section C).
3. **Indirect Costs:** The line item for “Indirect Costs” may only be included in the budget as an overall percentage rate along with the associated cost if your agency has a current approved Negotiated Indirect Cost Rate Agreement (NICRA) with a federal agency or a recent auditor-certified indirect cost rate (within the past two years). If you are requesting funding for “Indirect Costs,” a copy of the NICRA or auditor certification must be submitted with the budget. Please note that, although your federally negotiated indirect cost rate or auditor certified rate may be much greater, indirect cost is limited to 15% of total salaries and employee benefits. In addition, the sum of all administrative costs in your budget, both direct and indirect, may not exceed 10% of the total contract schedule funding.

C. GUIDELINES FOR DETERMINING TYPES OF COSTS

There are two types of costs: *program costs* and *administrative costs*. Within both the program and administrative costs categories, there are two classifications: *direct costs* and *indirect costs*. All program costs are considered to be direct, while administrative costs can be considered either direct or indirect.

Ask these questions when assigning a cost to the budgets:

- Is it allowed under federal and DHSP guidelines?
- Is it reasonable? Would a prudent person spend this amount on this item?
- Is it a program or an administrative cost?
- Can it be assigned to the program relatively easily and with a high degree of accuracy?
- Is it treated consistently as direct charges under similar circumstances across agency budgets?

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1. Program costs are defined as the costs incurred for direct service delivery. These costs are normally only incurred as a direct result of providing a specific service for a client, including his or her family members. Some examples include:
 - Salaries and related employee benefits costs for staff who provide direct services to clients, funded under the contract budget
 - Consultants funded under the budget who provide direct services to clients or perform direct program related functions
 - Program supplies, such as educational materials, medical supplies, and other supplies that are used specifically for this DHSP-funded program
 - Office supplies that directly support program activities and client care, such as paper and folders for client charts or binders used for client-related information
 - Travel costs for direct program staff identified on the budget whose travel is for the purposes of providing direct services, such as traveling to meet a client at their home
 - Printing and photocopying of medical forms, program materials, and other materials used by or for DHSP-funded program participants
 - Equipment used for direct client service delivery, such as a dental chair, x-ray machine, EKG machine, etc. Computers, printers, etc. are not considered equipment that are used for direct client service delivery.
 - General liability insurance associated with DHSP-funded program staff or space
 - Maintenance of DHSP-funded client records, as required by the contract

2. Administrative costs are defined as the costs incurred for usual and recognized overhead, including established and approved indirect rates for agencies; management and oversight of specific DHSP-funded programs; and other types of program support such as quality assurance, quality control, and related activities. Administrative costs must not exceed 10% of your total contract schedule budget. Some examples include:
 - Salaries and the related employee benefits for accounting, secretarial, administrative and management staff, including those individuals who produce, review, and sign monthly reports and invoices
 - Space costs and related expenses for facility space that is used only for DHSP-funded activities, for which expenses can be determined and substantiated on an actual or allocated basis consistent with the CAP

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- Consultants who perform administrative, non-service delivery functions
- General office supplies that are for activities or services that benefit more than one program
- Travel costs for program staff to travel to sites that are not directly related to providing services to clients, such as traveling to meetings, conferences, and other agencies; also, travel for administrative and management staff identified on the DHSP contact budget
- General office printing and photocopying related to the DHSP contract
- General liability insurance associated with administrative staff or space identified on the budget
- Audit fees related to the DHSP-funded contract

As mentioned above, administrative costs can be direct or indirect. Direct and indirect administrative costs combined must not exceed 10% of the budget contract schedule.

Both program and administrative costs, as defined above, can be direct costs if they are directly attributable to the DHSP-funded program.

3. Direct costs are costs that can be directly charged to the program and which are incurred in the provision of direct services. Direct costs can be either administrative or program costs. Direct costs are “those costs that can be identified specifically with a particular sponsored project or that can be directly assigned to activities relatively easily with a high degree of accuracy” (*OMB Circular A-21, Section D.1*). Some examples include:

- Salaries and the related employee benefits for staff who charge their time directly, on the basis of actual time worked, to the program or project for which they work. There may be staff that provide direct program services for a specific program, but who are considered an administrative staff person. For example, a staff person that provides direct management for a specific program but whose duties are administrative in nature is considered a direct administrative staff person and administrative percentage should be allocated to that person’s line item
- Expenses related to staff that are directly charged, including mileage, travel expenses, and recruitment costs
- Telephone expenses related to unique telephone numbers or extensions for directly charged staff for which these expenses can be determined and substantiated on an actual or allocated basis consistent with the CAP
- All program or medical supplies, as defined above
- Other expenses that are both directly attributable to the program and consistently treated, on an agency-wide basis, as direct costs

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4. Indirect costs are defined as the administrative costs that are incurred for common or joint activities that cannot be identified specifically with a particular project or program (*OMB Circular A-21, Section E.1*). Indirect costs are generally administrative in nature. Some examples include:
- Salaries and the related employee benefits for staff who do not charge their time directly to specific individual programs and/or projects, either because of the nature of the position or because it is not realistic to allocate their salaries, on the basis of actual time worked to numerous programs or projects funded by multiple sources
 - Expenses related to staff who are indirectly-charged, including mileage, travel expense and recruitment costs
 - Space usage, telephone, and utility costs that are not designated solely to the program, for which actual expense cannot be determined and/or substantiated
 - Other administrative expenses that are not specifically identified with the DHSP-funded program

Indirect costs are normally pooled to create an *indirect cost rate* which is then applied to individual grant and contract-supported projects. An Indirect Costs rate may only be included in the budget if your agency has a current NICRA with a federal agency or a recent auditor-certified indirect cost rate (within the past two years).

Indirect costs are calculated in a number of ways. In some cases, an agency's rate is determined without consideration of the costs of equipment and capital improvements. If your indirect rate has been determined using this method, it must be applied in a consistent manner – that is, by applying it to your proposed program costs less equipment and capital improvements. Other methodologies are also used, but in all cases you must apply your indirect cost rate to your DHSP-funded program costs in a manner that is consistent with the way it was calculated on your NICRA or auditor-certified rate.

The indirect cost percentage rate and dollar amount to be included in your budget should be manually entered on the Budget Summary Form.

D. SUMMARY OF UNALLOWABLE COSTS

Below is a summary of unallowable costs; please note that this is not intended to be a complete or exhaustive listing. Agencies are responsible for referring to the documents referenced below for complete guidelines. All references are to the RWP, and to policies issued by HRSA and the Division of Service Systems (DSS) clarifying certain provisions of the RWP. The following costs are not permitted under the RWP:

- Items or services covered by other funding sources are not reimbursable under the contract budgets. Reimbursement for any item or service where payment has been made, or can reasonably be expected to be made, for that item or service (a) under any state compensation program, under an insurance policy, or

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under any federal or state health benefits program; or (b) by an entity that provides health services on a prepaid basis [HRSA section 2605(a) (6)]

- Administrative costs that exceed 10% of your total contract schedule budget [HRSA section 2604(f)(1)]
- Purchase and/or improvement of land [HRSA section 2604(g)]
- Purchase, construction or permanent improvement of any building or other facility [HRSA section 2604(g)]
- Property taxes [DSS policy No.2.12]
- Cash payments to intended recipients of services [HRSA section 2604(g)]
- Clinical trials [DSS policy No. 2.3]
- Participation in general HIV/AIDS-related conferences or conferences with agendas that address issues other than the provision of contract-funded services provided to individuals infected by HIV
- Funeral and burial expenses [DSS policy No. 2.7]
- Syringe exchange [DSS policy No. 2.15(a)]
- Vocational, employment or employment-readiness services [DSS policy No. 2.17]
- Clothing [DSS policy No. 2.18]
- Basic household items, such as sheets, towels, blankets, and kitchen utensils [HRSA letter, 04/09/1998]
- Personal hygiene items, such as deodorant, razors, soap, etc.
- Gift certificates for clients [HRSA letter, 04/09/1998]
- Off-premises recreational and social activities [DSS policy No. 2.14]
- Costs associated with obtaining professional licensure or meeting program licensure requirements related to staff training [DSS policy No. 8]
- Legal services for criminal defense, or class action suits unrelated to access to services eligible for funding [DSS policy No. 2.9]
- Maintenance of privately owned vehicles for eligible individuals [DSS policy No. 2.8]

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The following costs are not permitted under the *Public Health Service Grants Policy Statement* and *OMB Circular A-122*:

- Bad debts
- Capital improvements
- Contingency provisions
- Contributions and/or donations to others
- Depreciation expenses as a direct cost and/or as related to federally-funded equipment
- Entertainment costs
- Fines and penalties
- Fund raising and investment management costs
- Interest expense, unless the expense meets the specific criteria outlined in the regulations
- Land or building acquisition
- Lobbying costs
- Refreshments
- Alcoholic beverages
- Stipends
- Taxes for which exemptions are available to the organization

In addition, DHSP has provided the following clarification concerning the purchase of condoms:

- Funds may be used to purchase condoms for clients of care programs to be used for secondary prevention. Before using funds for the purchase of condoms, agencies should exhaust all other resources, including other funding sources and free condom distribution options.

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E. BUDGET JUSTIFICATION SECTION

In the budget line item justification sections, provide clear and complete descriptions that explain:

- the purpose of each budget line item and how it is directly connected to the provision of a given service;
- the dollar amount requested for the item and the details showing the methodology and calculations used to determine how the amount requested was derived, including a listing of specific items and costs if appropriate;
- the administrative percentage associated with each budget line item; and
- the administrative dollars, if any, supporting each budget line item.

Several forms have been provided that include sections for a short but detailed descriptive justification for each budget category. A justification must be included for all proposed budget line items within that budget category. For example, the justification for “Salaries” must include a clear and complete description of each position to be funded under the contract schedule. The justification for “Other” should include individual budget line items such as space/lease rent costs, utilities, maintenance, postage, telephone, etc., along with a clear description of how the costs relate to the contract schedule and the methodology and calculations used to determine the dollar amount requested. Use the same budget category names from the budget summary page when writing the narrative (i.e. Salaries, Employee Benefits, Travel, Equipment, Supplies, Other and Consultant/Contractual). If indirect costs are being requested as a pooled rate, the dollar amount and percentage rate should be manually entered on the budget summary page. **Please round all annual salaries and line item amounts requested to the nearest dollar.**

Specific instructions for each budget category are as follows:

1. SALARIES

Separate budget category forms are provided for full-time and part-time staff salaries. If your agency has multiple employee benefit rates, please group staff according to the benefits rate received, and prepare a separate salary form for each group.

The following must be included on the budget form for each position:

- Current and exact title of each position (reflective of their function as it relates to the reimbursed budgeted services)
- First and last name of the individual filling the position

NOTE: If the position is vacant, label it as TBH (“To Be Hired”), and include the date you expect the position to be filled.

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- Annual salary of the individual rounded to the nearest dollar

NOTE: The current annual federal salary limit for staff listed on any DHSP-funded budget is \$181,500. Budget requests submitted with an annual salary that exceeds this amount will be returned. If a salary increase is scheduled to go into effect during the period covered by the contract schedule budget, indicate both salary levels and the number of months for each using the two salary lines available [for example: first line - Annual Salary \$25,000 (9 months); second line - Annual Salary \$25,750 (3 months)]. A staff person's salary should be consistent throughout all DHSP budgets that agency is seeking reimbursement for.

- Full-time equivalent (FTE) of the position (i.e. the amount of time the individual will devote to the DHSP-funded program)

NOTE: The FTE value should be listed in decimals. For example, if a 40-hour workweek constitutes full-time employment in your agency, then a full-time employee who works all 40 hours on this program would be 1.00 FTE; an employee who works a total of 20 hours per week on the program would be .50 FTE; and an employee who works a total of 30 hours per week on the program would be .75 FTE. FTE's may be calculated up to a maximum of three decimal places (example: .505 FTE)

- Number of months the employee is expected to work on the DHSP-funded program
- Amount of expenses requested to be funded by the DHSP contract schedule (rounded to the nearest dollar)

NOTE: Generally this should be the annual salary multiplied by the FTE, adjusted if needed for number of months of work. If you utilize another methodology to derive these costs, please describe it in detail and explain why it is being used.

- Percentage of time the position will spend on administrative duties. Administrative percentage time allocation should be reflective of the staff person's duties noted in the budget justification. For example, for staff who provide primarily administrative functions, such as administrative managers, it is expected that the administrative percentage allocation would be 100% administrative costs.
- Administrative dollar amount (calculated as the contract amount requested multiplied by the administrative percentage). Formulas have been entered on the forms to automatically calculate these amounts.

Describe the specific duties and responsibilities for each position being requested as it relates to the DHSP-funded contract services. If the position duties and responsibilities include both direct and administrative functions, clearly differentiate the direct service responsibilities of the position and the administrative functions of the position.

The employee benefits percentage should also be entered on this form. Formulas have been entered to automatically calculate the salary subtotal, the dollar amount requested for employee benefits, and total

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personnel costs. If multiple pages are needed for a group of staff receiving the same employee benefits package, please include the salary subtotal, the dollar amount for employee benefits, and the total personnel costs on the last page only. Be sure to verify that these totals are then carried forward to the budget summary page.

Examples:

Social Worker: (Smith, John, M.F.T.) Requested - \$13,000 (\$6,500 x 8 mos. x 25% FTE = \$13,000 @ 25% administrative service & 75% direct service) Responsible for providing clinical supervision to staff and for overall monitoring of the program's progress.

Case Worker: (Gonzalez, Irma) Requested - \$39,000 (\$3,250 x 12 mos. x 100% FTE = \$39,000 @ 100% direct service) Responsible for assessment of needs, service plan development, referrals and follow-up activities.

2. EMPLOYEE BENEFITS

A form for your agency's "Employee Benefits" budget category is included in the budget package. If your agency has multiple employee benefit rates, include a separate form for each rate.

Part I – Submit a copy of the "Statement of Functional Expenses" from your agency's most recent audited financial statement to support the agency's rate request. The "Statement of Functional Expenses" should identify the agency's audited actual salary expenditures, along with a separate listing of the total actual benefits costs. Dividing the total benefits costs by the total salary costs will determine the agency's final employee benefits rate for the year. On the "Employee Benefits" form, indicate the fiscal year ending date of the audited financial statement, the agency's actual rate based on the "Statement of Functional Expenses" calculations described above, and the rate being requested for this contract schedule funding term. If the rate being requested exceeds the agency rate, include a justification in the space provided.

Part II – On the "Employee Benefits" form, itemize all components of the employee benefit rate. Applicable components must be detailed by percent of salary expense, not by dollars expended. For most agencies, the F.I.C.A. rate would be 7.65% (4.2% social security contributions, and 3.45% Medicare contribution); however, some agencies may have a different F.I.C.A. rate. If your agency's F.I.C.A. is different than 7.65%, please provide a justification.

The "Employee Benefits" form must include a sentence that states that the rate is applied equally to all personnel line items or, if this is not the case, how the rate applies (i.e. "...applies equally to all personnel line items except...").

3. TRAVEL

A form for your agency's "Travel" budget category is included in the budget package. Out-of-town travel should be listed on the form separately from local travel (mileage). All travel must be directly related to

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accomplishing the objectives of the DHSP contracted program. DHSP will not use HRSA or Net County Cost funds to reimburse for international trainings or conferences held outside of the United States.

The out-of-town travel justification must include the following:

- Destination and projected dates of the travel
- Mode of transportation (i.e. air travel, private car, public transportation, taxi/car service, etc.) itemized separately
- Who or which positions on the budget will be traveling and how attendance at the conference will benefit the DHSP contract objectives
- Justification, including estimated costs for mode of transportation (e.g. flight costs), conference registration, hotel room fees, roundtrip transportation/taxi from airport to hotel, per diem meals
- Amount requested for each line item (rounded to the nearest dollar)
- Administrative percentage
- Administrative dollar amount (calculated as the amount requested multiplied by the administrative percentage). Formulas have been entered to automatically calculate these amounts.

Please note the restrictions on conference participation as outlined in the summary of unallowable costs. All requests for reimbursement of conference-related travel costs must clearly demonstrate that the conference addresses the services provided under the specific DHSP contract, and that participation in the conference will enhance service delivery.

The local travel (mileage) justification must include the following:

- Destinations and purpose of the travel
- Who or which positions on the budget will be driving
- Estimated number of miles needed for the staff to drive, multiplied by the lower of the agency's current mileage rate or the County's prevailing rate (the calendar year 2013 Los Angeles County mileage reimbursement rate is \$0.53 per mile). For example; 50 client appointments @ 25 miles round trip multiplied by \$0.53 per mile equals \$663. The mileage request should be calculated specifically for the budgeted staff who are required to drive to approved DHSP contract related activities.
- Amount requested for each line item should be rounded to the nearest dollar
- Administrative percentage, if applicable, should be entered in the administrative column

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- Administrative dollar amount (calculated as the amount requested multiplied by the administrative percentage). Formulas have been entered to automatically calculate these amounts.

A formula has been entered to automatically calculate the total amount requested for “Travel.”

Please note that the maximum allowable reimbursement rate for mileage is Los Angeles County’s prevailing rate, currently \$0.52.5 per mile. Agencies must use their internally approved mileage reimbursement rate for budgeting purposes, but that rate cannot exceed the County’s prevailing rate.

Requests for parking should be listed separately from mileage. Parking costs should be based on which positions on the budget will be attending appointments or meetings related to DHSP approved contract activities along with a reasonable estimate of cost based on the average parking rates for the locations staff will be driving to and the number of trips taken during the contract term.

Example:

\$50 *Local Travel:* ($\$0.45/\text{mile} \times 102\text{mi}/\text{mo} \times 12 \text{ mos.} = \50) For project staff traveling between participating agency locations, client home visits, and program meetings. Parking estimated to be reimbursed at a cost of \$50 per year, which includes an average of \$10 per parking event fee for 5 parking events (50% direct service and 50% administrative).

4. EQUIPMENT

A form for your agency’s “Equipment” budget category is included in the budget package. Equipment is defined as any single item with a useful life of more than one year and an acquisition cost that equals or exceeds the lesser of (a) the capitalization level established by your agency for financial statement purposes, or (b) \$5,000. The narrative justification for equipment requests should list each specific item of equipment with the purchase price, and should indicate the purpose of the equipment and who will use it. A brief purchase vs. lease analysis must also be included for any single item with a unit cost of \$5,000 or more.

Please note that equipment may only be included in the budget after pre-approval from DHSP and HRSA, and to the extent that it is used by the funded program for DHSP-approved contract-related activities. If, for example, a proposed photocopier will also be used by other agency programs, only a prorated share of the total cost of the photocopier may be included in the budget. This proration of shared costs must be consistent with your agency’s CAP.

DHSP has included an *Equipment/Services & Supplies* request form in the budget package. Any request for equipment must include the following:

- Listing of each item
- Copy of the current CAP, if referenced in the calculations
- Proposed use of the equipment, and by whom

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- Percentage of use in support of the proposed program
- Amount requested for each item (rounded to the nearest dollar)
- Administrative percentage, if applicable, entered in the administrative column
- Administrative dollar amount (calculated as the amount requested multiplied by the administrative percentage). Formulas have been entered to automatically calculate these amounts.

A formula has been entered to automatically calculate the total amount requested for “Equipment.” If additional pages are needed, please include the total on the last page only. Be sure to verify that this total is then carried forward to the budget summary page. Please note: An equipment inventory log must be submitted with the annual cost report at the end of the contract schedule term, detailing all equipment purchased with contract funds. Equipment is ONE item that totals \$5,000 or more, not a computer component system made up of several items totaling \$5,000.

Example:

\$6,500 Actual cost of dental chair. We obtained an estimate from a dental chair company, attached for reference.

5. SUPPLIES

A form for your agency’s “Supplies” budget category is included in the budget package. Supplies are grouped into two main categories: (1) *Program Supplies*, which includes items used in the actual delivery of direct client services funded under the contract budget (such as tongue depressors, cotton swabs, educational materials, promotional supplies, other various medical and clinical supplies), and (2) *Supplies*, which are those items that do not relate to the number of clients, such as general office supplies used by staff identified on the budget. In this budget section, you will need to itemize the cost of all supplies, and demonstrate that the supplies being requested are used for DHSP-funded activities for which the expenses can be determined and substantiated on an actual or allocated basis consistent with the agency’s CAP.

The Program Supplies justification must include:

- Sufficient information to clearly show how the supply costs were determined, including the methodology and calculations used to arrive at the requested amounts along with a brief listing of the supply items and historical spending amounts. If references to historical spending amounts are used to support the requested costs, the actual dollar amounts of the historical costs must be included in the justification. DHSP may request copies of the historical cost information (e.g. general ledgers, invoices, financial reports, etc.) for verification during the contract negotiation period. For supply requests that are considered shared program expenditures, the methodology and calculations used must be consistent with the agency’s CAP.
- Copy of the current CAP, if referenced in the calculations

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- Direct correlation between direct client-related supply costs and the proposed number of units of service
- Amount requested for each item (rounded to the nearest dollar)
- Administrative percentage of the program supply costs entered in the administrative column, if applicable
- Administrative dollar amount (calculated as the amount requested multiplied by the administrative percentage). Formulas have been entered to automatically calculate these amounts.

The Supplies justification must include:

- Sufficient information to clearly show how the supply costs were determined, including the methodology and calculations used to arrive at the requested amounts along with a brief listing of the supply items and historical spending amounts. If references to historical spending amounts are used to support the requested costs, the actual dollar amounts of the historical costs must be included in the justification. DHSP may request copies of the historical cost information (e.g. general ledgers, invoices, financial reports, etc.) for verification during the contract negotiation period. For supply requests that are considered shared program expenditures, the methodology and calculations used must be consistent with the agency's CAP.
- Copy of the current CAP, if referenced in the calculations
- Amount requested for each item (rounded to the nearest dollar)
- Administrative percentage of the program supply costs entered in the administrative column, if applicable
- Administrative dollar amount (calculated as the amount requested multiplied by the administrative percentage). Formulas have been entered to automatically calculate these amounts.

A formula has been entered to automatically calculate the total amount requested for all supplies. If additional pages are needed, please include the total on the last page only. Be sure to verify that this total is then carried forward to the budget summary page.

Example:

\$1,246 Program Supplies: Total agency cost for supplies is \$23,250. Cost allocated to this program is 5.36% (3 FTE/56 agency staff = 5.36%). $\$23,250 \times 5.36\% = \$1,246$. Includes cost of program office supplies allocated to this program to provide client services, such as, pencils, pens, paper, client files, stationary, envelopes, and fax paper. Program supplies are necessary to provide direct services to a minimum of 125 clients per year receiving services under this program, which is estimated at a cost of \$10 per client (100% direct service).

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6. OTHER

A form for your agency's "Other" budget category is included in the budget package. This category should include items such as office/facility rent or lease, utilities, facility maintenance, janitorial, security, computers, computer printers, postage, and telephone. A detailed description must be included indicating how the dollar amount was calculated for each line item identified in this category.

The narrative justifications must include:

- Sufficient information to clearly show how the supply costs were determined, including the methodology and calculations used to arrive at the requested amounts along with a brief listing of the supply items and historical spending amounts. If references to historical spending amounts are used to support the requested costs, the actual dollar amounts of the historical costs must be included in the justification. DHSP may request copies of the historical cost information (e.g. general ledgers, invoices, financial reports, etc.) for verification during the contract negotiation period. For supply requests that are considered shared program expenditures, the methodology and calculations used must be consistent with the agency's CAP.
- Copy of the current CAP, if referenced in the calculations
- Space costs (such as rent and lease) along with utility costs are now considered 100% administrative and are subject to inclusion in the 10% administrative cap calculation. A detailed narrative indicating (1) how the amount of space dedicated to the program was determined and (2) how the cost of that space was calculated must be provided and be consistent with the agency's CAP. Agency must also provide a copy of their current rent/lease agreement at the time of budget negotiations, or prior to full execution of the agreement if not yet in place during budget negotiations.
- Cost justification for computers and computer printers must indicate the make, model, and specifications of the computer being budgeted. This includes type of operating system, memory, type of processor, any software, and accessories.
- This budget limits the amount that can be charged for related party leases (i.e. less than an arm's length transaction) to the lower of property rent related cost or fair market rent. *OMB Circular A-122* defines a "less than arm's length" lease as one under which one party to the lease agreement is able to control or substantially influence the action of the other.
- Amount requested for each item (rounded to the nearest dollar)
- Administrative percentage of the program supply costs entered in the administrative column, if applicable
- Administrative dollar amount (calculated as the amount requested multiplied by the administrative percentage). Formulas have been entered to automatically calculate these amounts.

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A formula has been entered to automatically calculate the total amount requested for “Other.” If additional pages are needed, please include the total on the last page only. Be sure to verify that this total is then carried forward to the budget summary page.

Examples:

\$704 *Printing/Duplication: Total agency cost is \$13,125. Cost allocated to this program is 5.36% (3 FTE/56 agency staff = 5.36%). $\$13,125 \times 5.36\% = \704 . Covers the cost of duplication and printing needs of these services. This includes forms for clients, client record documentation, printing of correspondence and other photocopying needs.*

\$396 *Postage: Total agency cost is \$7,388. Cost allocated to this program is 5.36% (3 FTE/56 agency staff = 5.36%). $\$7,388 \times 5.36\% = \396 . Covers cost of program correspondence with clients and other social service providers.*

\$23,400 *Facility Rent: \$2.00/sq. ft. x 975 sq. ft. x 12 mos = \$23,400. Program occupies 100% of the service space noted above for direct client services at service delivery site address (100% Administrative costs).*

\$804 *Telephone: Cost allocated to this program is 5.36% (3 FTE/56 agency staff = 5.36%). Total agency cost is \$15,000 x 5.36% = \$804 for program telephone service to contact clients (100% direct service).*

7. CONSULTANTS/SUBCONTRACTS

A form for your agency’s “Consultant/Subcontractor” budget category is included in the budget package.

- A consultant agreement is defined as an agreement with an individual to provide a service, or an agreement with an individual or a firm to provide a support service, such as accounting, audit, clerical work or ancillary services such as laboratory or x-rays. A copy of the current consultant agreement must be submitted at the time of budget negotiations, or prior to full execution of the agreement if not yet in place during budget negotiations. **All consultant agreements must be reviewed and approved by DHSP prior to reimbursement of consultant services provided under the program budget.**

In this budget section, you will need to include brief scopes of work for all consultants and state how each assists the agency in meeting the program’s contracted service delivery objectives. The following must also be included for each consultant agreement:

- Generic type of service to be provided by the consultant (i.e. direct client service delivery, laboratory services, staff training, etc.)

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- Name of the individual or organization providing the service (if known)

NOTE: Individuals employed by your agency cannot serve as consultants to this program.

- Rate to be paid per hour or by unit of services to be provided
- Number of service hours/units of services to be provided
- Time frame for the consultant agreement
- Amount requested for each item (rounded to the nearest dollar)
- Administrative percentage of the program supply costs entered in the administrative column, if applicable
- Administrative dollar amount (calculated as the amount requested multiplied by the administrative percentage). Formulas have been entered to automatically calculate these amounts.

A formula has been entered to automatically calculate the total amount requested for “Consultant/Subcontractor.” If additional pages are needed, please include the total on the last page only. Be sure to verify that this total is then carried forward to the budget summary page.

Example:

\$3,000 Clinical Supervision: (\$50/hr x 15hr/mo x 4 mos. = \$3,000; 100% direct service). Agreement closed due to the elimination of this service being provided through a consultant. Agency staff will take over these duties as of July 1, 2013. Total amount expended as of June 30, 2013 is \$3,000.

- A subcontract is defined as an agreement with an organization or firm to deliver direct services. If you are proposing to subcontract with another organization, you must indicate the name of the subcontractor and the purpose of the subcontract on the “Consultant/Subcontractor” page. In addition, for each subcontract, you must attach a complete budget package that includes all budget forms and a current NICRA or auditor-certified indirect cost rate (approved within the past two years), if applicable. Please note that administrative costs incurred by the subcontracted agency counts towards the 10 percent administrative cap of the contract schedule for the lead agency. The agency name on the subcontract budget pages should include both your agency name as well as the name of the subcontracting agency.

All subcontractors are subject to the same federal, state and local regulations as your agency.

Please note that all subcontract agreements must be reviewed and approved by DHSP prior to reimbursement of subcontracting services provided under the program budget.

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8. INDIRECT COSTS

Indirect costs may only be included in the budget if your agency has a current NICRA with a federal agency or a recent auditor-certified indirect cost rate (within the past two years). If you are requesting funding for indirect costs, a copy of the NICRA or auditor certification must be submitted with the budget. Please note that, although your negotiated indirect cost rate may be greater, indirect cost is limited to 15% of the total salaries and employee benefits. In addition, the sum of all administrative costs in your budget (including subcontracted agencies administrative costs), both direct and indirect, may not exceed 10% of the total contract schedule funding.

The dollar amount and percentage rate (rounded to no more than 3 decimal places) of indirect costs to be included in your budget should be reported on the budget summary page.

9. BUDGET SUMMARY

Once you have completed the individual budget pages, the total of each budget will automatically carry forward to the “Budget Summary” page. Please verify that this occurs accurately. The indirect cost rate and amount must be entered manually on the budget summary page.

10. ADMINISTRATIVE COST CERTIFICATION

Once the budget summary has been completed and you have confirmed that your administrative costs do not exceed 10%, the *Certification of Maximum Administrative Cost* must be signed by your Agency Head or Chief Financial Officer/Fiscal Manager.

11. FEE-FOR-SERVICE CONTRACTS

An additional form for fee-for-service service providers is included in the budget. This form must include:

- the dollar amount of the contract (maximum obligation);
- the projected number of service units;
- the rate per unit of service; and
- the maximum monthly payment (equal to one-twelfth of the maximum obligation).

Please note, in the annual cost report submitted 30 days after the contract term year-end, fee-for-service providers must demonstrate sufficient actual costs to substantiate the established rate of reimbursement.