

**BUDGET MANAGEMENT**

---

**I. PURPOSE**

This chapter explains the budget format, development, approval, and revision process to be used.

**II. GENERAL**

- A budget is an action plan expressed in figures. It indicates how financial resources will be used to accomplish sub-recipient's objectives. The plan itself may be simple or complex based on the sub-recipient's size and complexity. As the objectives or sources of funds change, the budget may need to be revised. Therefore, it is essential to periodically review and evaluate the budget. Further, the budget should be regularly reviewed against revenues and expenditures. Significant variations should be investigated and budget revisions made as necessary.
- For cost-reimbursement contracts, the budget will consist of line-item expenditure categories such as salaries, fringe benefits, travel, and rent. This budget is the basis for expenditure and payment. For fixed-price contracts, a line-item budget may be required in order to justify the rate requested for payment.

**DEVELOPMENT OF CONTRACT BUDGETS**

- Funds are awarded through a planning process. Proposals submitted to DHCD must include a budget and a scope of services. DHCD's notification to applicants of an award of funds requires that a second budget be submitted by a specified date. This budget is to reflect the proposed contract award amount and to provide detailed information that will allow DHCD to develop the contract.
- Budgets submitted to DHCD must follow the instructions and format in Attachment A.
- In preparation of the budget, the prepares needs to be aware that costs must be allocated on the basis of services rendered and not on the basis of revenue or on the basis of funds available under government grants or contracts. Expenditures are costs, both direct and indirect, incurred in order to fulfill the contracted services. Costs must be necessary, reasonable, allowable, allocable, and properly, documented.
- Allowable and allocable costs must conform to several standards:
  1. Costs must be necessary and reasonable for administering the contract properly and efficiently with respect to specific contract objectives.

2. Costs must be authorized under the contract and not specifically prohibited under state, federal, and county laws and regulations.
3. Costs must be consistent with the policies and, regulations set by the governing body of the sub-recipient
4. Costs must not be allocated or included as a cost of any other federally financed program insofar as the allocated costs are not specifically approved by the federal grantor.
5. The inclusion of detailed information relative to the general operational service agreement (communications, equipment, maintenance, leases, etc.) in the DHCD approval budget eliminates the need to subsequently seek DHCD approval for these agreements. Instead, DHCD will review the agreements during routine monitoring visits.
6. To facilitate payment, sub-recipients/contractors must submit a photocopy of the agreement with the first invoice submitted to DHCD for payment. This will allow verification of the agreement against the amount approved in the budget and eliminate delays in processing payments.
7. The inclusion in the budget of sufficiently detailed information for travel and for goods to be purchased eliminates the need to seek DHCD approval prior to traveling or making purchases. Attachment A of this chapter displays the type of information needed.
8. The budget is reviewed by DHCD against the scope of services. All proposed costs must be allowable, reasonable, and necessary to the rendering of the services.
9. Once the budget has been reviewed and approved by DHCD, it is made a part of the contract. The contract is then processed for review and approval by the contractor and county authorities. Until the contract is fully executed, no expenditures should be incurred against the award.

#### **IV. BUDGET REVISIONS**

- Budget revisions may be necessary during the contract year to accommodate changes in anticipated revenues/organizational needs. The procedure for revising the budget requires:
  - A. Sub-recipients should submit to DHCD a budget revision request explaining the changes and a fully revised budget which includes all projected costs and all actual costs incurred to date. The line-items to be increased, decreased, or created must be included in the revised budget DHCD will respond in writing noting approval or disapproval.

- B. Sub-recipients are allowed a 10% leeway within each budget category. (See Chapter 18 - Processing Payment Requests) Sub-recipients are responsible for tracking payments made under this 10% leeway and are required to submit a budget revision request once the accumulated total of payments exceeds the budgeted costs.
- C. The final budget revision request must be received by DHCD no later than 45 calendar days prior to contract expiration.
- D. If the request for a final budget revision will effectuate a contract amendment, then the sub-recipient must contact DHCD no later than 75 calendar days prior to contract expiration.

## V. REFUNDS

For a discussion of refunds due DHCD, refer to Chapter on Fiscal Closeout Procedures.

## VI. BUDGET INSTRUCTIONS

- Use the attached formats for the Budget Summary and Sample Budget. In the Sample Budget, each category provides cost items which appear frequently in budgets. The cost items are examples and are not meant to be all inclusive. Do not round off costs higher than the nearest dollar.
- If your organization is multi-funded, a total organization budget must be submitted. If there are too many sources to list in a single budget document, they may be summarized and simplified (e.g., personnel section) as in the attached sample, provided that a second budget, identifying all costs, and the amount and/or percentages of each charged to, each funding source is shown. This second budget need not contain the level of explanatory detail of the required DHCD budget. The total organization budget, which is required, does not substitute for the requirement of a cost allocation plan for those contractors to whom this may apply. When the cost allocation plan requirement applies, the total organization budget is submitted generally as a separate document. Whether the non-DHCD costs need to be shown, in part or full, in the DHCD budget is determined on a case-by-case basis. Seek the assistance of your administrative-fiscal Project Manager.
- See Attachment A Budget Preparation, Multi-funded organizations.
- In reviewing the Sample Budget note the following:
  - (1) If there are two or more activities, the activity columns throughout the budget need to follow the same sequence in which they appear in the scope of services.

- (2) Only the DHCD program funded activities and DHCD contract award funds are to be included in the budget summary page. If only one activity is funded, the title for the activity needs to be shown as part of the "total amount" heading, and this would be the only column shown.
- (3) The percent(s) stated for the DHCD funds on each line-item must add up to 100% of the costs charge to DHCD. If more than one funding source will support an item of cost, the sum of the percents from all sources will then be greater than 100%. When a percent is shown, this means that the DHCD share of all invoices submitted under that line of cost will be distributed consistently among the DHCD activities according to the stated percent. DHCD will verify your calculations of activity costs against the budget percentages.
- (4) When a dollar amount is shown, rather than a percent, on any given line it items the invoicing will be based either on a 100% charge to the benefiting activity (and funding source) or on a case-by-case distribution of benefit as the expense is incurred. The corresponding percent and amount and the federal activity that benefits from the cost must be shown on the invoice and the payment request form. Your organization may vary this ratio from invoice to invoice. DHCD will verify your calculations of the DHCD amounts against your stated percentage distribution.
- (5) Note also that for each major budget category, the dollar amount must be shown for each activity listed. This amount must be the accurate calculation of the percents and amount listed for all the line-items included in that major category. The sum of all the categories is then listed on the total cost section for each activity. These totals must agree with the amounts funded for each activity, except when otherwise approved by DHCD. If space permits and you wish to also indicate the dollar amount distribution on a line-by-line case, you may do so. However, when the distribution will follow a set percent for the line, the percent must also be shown as in the sample budget.
- (6) In the personnel section, the heading "Percentage of Cost" is to be used for cost sharing budgets only. When a cost allocation plan is required, the corresponding heading to be used is "Percentage of Time."
- (7) Note that the personnel section shows a line labeled "other (3)." This is a simplification. If you choose to submit a single budget to fulfill the DHCD budget and total organization budget requirements, a complete listing of all staff and all costs (even those not shared with DHCD) must be included. The fringe benefit section does not include percent per activity charges only because

these must be calculated and charged (billed) on- a employee per employee basis utilizing the same ratio as is used for the salary. A composite rate and/or appropriate total salaries base may be used for budgetary purpose only.

- (8) If DHCD is the only funding source and/or there is only one program activity, adapt or simplify the sample budget accordingly.

Additional Budget Instructions:

- Each budget must adhere to the below-stated requirements. A budget summary and detailed line-item budget with justification must be submitted.
- When submitting your scope of services and budget for contract development purposes, do not number the pages.

1. Budget Summary

- (a) This is a summary, by major category, of the detailed budget. The subtotals on this form must agree with those in the detailed budget. Use the format included in this attachment.

2. Detailed Budget and Justification

- (a) This must include proposed items of cost that are necessary for the provision of services. Calculations must be included to demonstrate how costs were derived. In the detail and calculations, do not commingle one-time cost items with recurring cost items. All items must be clearly explained and well justified. Justifications must show why proposed costs are reasonable and necessary for the operation of the activity. The format to be used follows the Budget Summary in this attachment.
- (b) In all cases where a cost is to be distributed among two or more DHCD CDBG activities, the total DHCD percent share is to be distributed among the CDBG activities as a function of 100%.
- (c) Justification must include information such as appropriate rates and factors, lease or purchase analysis.
- (d) Cost of living and merit increases are allowable but should be considered only within the framework of the amount of funding available for the program. This is necessary in order to maximize the amount of money available to deliver services and will also be taken into consideration when the DHCD negotiates the amount of money that will be allowed for salary increases for each sub-recipient. Those sub-recipients that show a higher administrative cost relative to program cost may be rated lower.

- (e) If the cost of items will be shared by other funding sources, provide a cost allocation plan or a cost sharing budget, whichever is appropriate. (A cost allocation plan is the document identifying and justifying the procedure for accumulating and distributing allowable costs under the contract, together with the allocation methods used. There are various cost distributing methods which can be used to determine the percentage share of costs between each funding source. The method applied should be the most rational and systematic in light of the purposes of the contract.
- (e) Indicate how payroll is made, (i.e., monthly, bi-monthly, bi-weekly). The budget should include Miami-Dade County's codes and subject codes. These may be found in the "expenditure classifications" which is a part of Chapter 15 Processing Payment Requests.
- (f) The following are common examples of cost items incurred by contractors and some pertinent comments about their presentation in the detailed budget:

### 3. Budget Categories - Selected Items

#### (a) Personnel Services:

List each direct paid staff position. Include each position title and name. Include the number of pay periods and maximum pay per period to be charged to DHCD. If on a hourly basis, list their hourly salary, number of hours per week, number of weeks to be worked. For each staff, include percentage for time devoted to each activity, (annualized salary from all funding sources, percentage for time benefiting each DHCD activity (distribute the DHCD share as a function of 100%), and salary allocated to DHCD contract. Each fringe benefit item must be listed with its respective rate, limitation or percentage and its amount to be allocated to DHCD.

#### (b) Contractual Services:

Building Space - this represents the cost of space used by the activity to administer its program.

It should present the following for each site:

1. Address and purpose.
2. Square feet, percentage of available item used, (i.e., if the space is only used four hours per day then the percentage of available time would be fifty percent (50%), cost per square foot.

3. Monthly rental for space used. If utilities or janitorial costs are included in the rent or lease agreement, this should be stated.
3. If the space in a building is allocated to more than one activity, the basis and method used to distribute the cost must be shown or be in a separate schedule.

(c) Operating Expenses:

Local Travel - This is travel within Dade County and within the applicant's service area. It should be identified by position classification and show:

Include for each anticipated trip:

- Number of travelers
- Estimated miles each traveler will drive during a stated period (i.e, week, month) and number of such periods in proposed contract period
- Approved mileage rate (currently \$0.55 per mile)
- Other costs incidental to travel (e.g., highway tolls, parking)
- Out-of-County Travel - This is travel outside of Dade County
- Purpose of trip
- Mode of travel
- Number of identification of travelers
- Mileage per trip and rate per mile if automobile is used (no more than \$0.55 per mile)
- Coach fare per round trip if airplane is used
- Trip duration in days and 50 per diem (use in lieu of itemized projected expenditures)
- Other incidental costs (e.g., highway tolls, parking)
- If out-of-county travel is anticipated but details are unknown, include cost allocated to DHCD, state that details are unknown, and that written approval from DHCD will be requested prior to the trip

- Communications
- Telephone costs should the number of lines, number of instruments, and type of system used
- Telephone costs should be subdivided to show:
  - Installation and other one-time costs
  - Monthly services costs
- Long-distance cost
  - Include destination and
  - purpose of this type call
- Utilities
- The cost of utilities per site should be shown separately and, unless circumstances to the contrary exist, should be allocated to other activities on the same basis as building space. Include the address of each site per utility

(d) Commodities:

List each of the following separately.

- Office Supplies. Provide examples for supplies to be bought and include monthly cost (or formula for calculating total cost)
- Printing Supplies. Provide examples of supplies to be bought and include monthly cost (or formula for calculating total cost). Do not include printing equipment rental in this item. It should be shown under the equipment rental category
- Vehicle Supplies. The calculation for gasoline and lubrication costs must be based on these formulas:
  - Estimated miles per year for each vehicle (=) expected miles per gallon(x)anticipated cost per gallon (-) annual gasoline cost for each vehicle
  - Estimated miles per year for each vehicle (+) lubrication service interval (manufacturer's recommendation) (x) anticipated cost per lubrication service visit (=) annual lubrication service cost per vehicle
- Expendable Personal Property Equipment which cost less than \$500 per unit. Each time to be purchased must be listed with its respective cost and fully described and justified to demonstrate need.



(e) Capital Outlay:

- Non-expendable Personal Property: Equipment, fixtures, and other tangible personal property of a non-consumable nature, the value of or cost of which is \$500.000 or more per unit and the normal expected life of which is one year or more. These items are not fixed in place and are not an integral part of a structure, facility, or another piece of equipment
- A short description, including the capabilities and dimensions of units to be purchased must be included for each line-item (e.g., one typewriter, electric with 14"; carriage @750.00; one desk, secretary, 30" x 50" with 28" typing extension at \$500.00, one conference table with side chairs at \$1,200.)
- Inventory records must be maintained on each capital outlay item.

4. Job Descriptions

Submit a job description for each position that will have responsibilities in carrying out the DHCD activity. The description must relate directly and specifically to the activity and must include:

- a. A job title that agrees with the title in the budget
- b. Specific responsibilities
- c. Method of supervision and title of immediate supervisor
- d. Training, minimum education and experience requirements and any other bona- fide requirements (example: personal transportation)
- e. Minimum – maximum pay range or hourly rate

## BUDGET SAMPLE

	<i>PP</i>	<i>Non HCD</i>	<i>HCD</i>	<i>Total HCD</i>	<i>Total All Sources</i>
Regular -Salaries			<b>Bi-Weekly</b>		
Jane Doe, President/CEO	26	7,500	692.3	18,000	\$25,500.00
John Doe [7/1/03-12/22/03] O.S.S.	13	2,713	384.61	5,000	\$7,713.00
Johane Doe [7/1/03-12/22/03] Off. S. Spl.	13	2,585	384.61	5,000	\$7,585.00
		0	0	0	\$0.00
<b>Subtotal Salaries</b>		<b>12,798</b>	<b>0</b>	<b>28,000</b>	<b>\$40,798.00</b>

<b>04012 Fringe Benefits</b>					
Fica: 28,000x.0620=1,736x100%		0	0.00	1,736	\$1,736.00
Mica:28,000x.0145=406		0	0.00	406	\$406.00
<b>Subtotal Fringe</b>		0	0.00	2,142	\$2,142.00
<b>Total Personnel</b>		<b>12,798</b>	<b>0.00</b>	<b>30,142</b>	<b>\$42,940.00</b>

<b>Contractual Services</b>					
21011 External Audit		0	0.00	0	\$0.00
21012 Environmental Audit		0	0.00	0	\$0.00
21030 Other Professional Svc.		0	0.00	0	\$0.00
23210 Insurance {General Liability}		1,000	0.00	2,000	\$3,000.00
23220 Insurance [Auto Liability]		1,000	0.00	4,000	\$5,000.00
25511 Building Rental		7,425	0.00	2,475	\$9,900.00
Internet Access		500	0.00	0	\$500.00
<b>Total Contractual</b>		<b>9,925</b>	<b>0.00</b>	<b>8,475</b>	<b>\$18,400.00</b>

<b>Operating Expense</b>					
22010 Electrical Services		300	0.00	1,200	1,500
31020 Telephone Regular		600	0.00	1,800	\$2,400.00
31021 Telephone Long Distance		100	0.00	400	\$500.00
31110 Advertisement/Print		350	0.00	1,000	\$1,350.00
31611 Postage		200	0.00	600	\$800.00
60220 Transportation Clients [Field-Trips]		1,000	0.00	500	\$1,500.00
<b>Total Operating Expense</b>		<b>2,550</b>	<b>0.00</b>	<b>5,500</b>	<b>\$8,050.00</b>

<b>Commodities</b>					
31510 Outside Printing		150	0.00	584	\$734.00
47010 Office Supplies/Outside Vendors		1,000	0.00	2,799	\$3,799.00
49630 Project Materials		1,000	0.00	1,500	\$2,500.00
61644 Computer lab Software		2,000	0.00	1,000	\$3,000.00
Special Events Activities		7,059	0.00	0	\$7,059.00
<b>Total Commodities</b>		<b>11,209</b>	<b>0.00</b>	<b>5,883</b>	<b>\$17,092.00</b>

<b>Capital Outlay</b>					
61620 Basic Architectural fees		0	0.00	0	\$0.00
61620 Prime Contractor		0	0.00	0	\$0.00
<b>Total Capital Outlay</b>		<b>0</b>	<b>0.00</b>	<b>0</b>	<b>\$0.00</b>

<b>TOTAL BUDGET</b>		<b>36,482</b>	<b>0.00</b>	<b>50,000</b>	<b>\$86,482.00</b>
---------------------	--	---------------	-------------	---------------	--------------------

**BUDGET PREPARATION  
MULTIFUNDED ORGANIZATIONS**

Organizations that receive funds from more than one source have additional budget preparation requirements. In large part, these requirements will be dependent on how the services to be provided under DHCD's contract interrelated to the other activities for which the contractor is responsible. (Refer to OMB Circular A-122.)

**A. COST SHARING BUDGETS**

- The budget is a cost sharing budget when all activities of the contractor are considered to be part of the DHCD funded project. In this case, a total organization budget with prorated costs needs to be provided to DHCD, but provided all other cost *allowability requirements are met, the percentage of a given cost charged to DHCD does not need to be justified.*
- The method for developing this budget and prorating costs to each funding source should be the most rational and systematic one that will, facilitate the project's needs. Costs that are applicable to or restricted by a funding source can be taken into account in developing the cost sharing budget.

**B. SEPARATE COST OBJECTIVES BUDGET**

- The budget is a separate cost objectives budget when DHCD funds a distinct and separate set of activities from that of the other funding sources. A total organization budget and a cost allocation plan (CAP) need to be submitted.
- The total organization budget shows all budgeted costs and the amounts of each charged to each funding source. The CAP is the plan that justifies how the amounts budgeted to each funding source were determined. Note that the CAP cannot be developed using the level of funding (dollar awarded) as the measure of benefit received from a given cost by an activity.
- The CAP identifies all costs, it classifies them into direct or indirect costs, it accumulates costs into separate cost groups, and it distributes allowable costs according to the benefit received .by each major function or activity of the contractor. To arrive at the level of benefit received from the indirect costs, an indirect cost rate is calculated. Note that costs shown in a budget are a projection into the future; as such, budgeted amounts generally cannot-be used as the basis of the development of the indirect cost rate and CAP. Rather, actual costs from the prior period (usually the contractor's fiscal year) are used for this purpose. The type of services rendered, the diversity and number of functions, the level of uniformity of benefit received by each function from the indirect costs are factors that determine the appropriate method of allocation. Only the simplified allocation plan method will be discussed.

### C. SIMPLIFIED ALLOCATION PLAN METHOD

- Under this method, all costs, inclusive of most joint or shared costs, are treated as direct costs, except general administration and general expenses. When the simplified allocation plan method is used, capital expenditures and unallowable costs must be excluded from the direct costs and the indirect-cost.
- Direct costs - these are costs incurred solely on behalf, i.e., for the benefit, of a specific award or activity. The CAP groups these and charges them directly and 100% to the benefiting award or activity.
- Joint or shared costs - these are costs that benefit concurrently or at discrete periods two or more awards or activities, and the level of benefit to each activity can be accurately measured. The simplified allocation plan method treats them as direct costs. To determine the amount to be allocated to each activity, a distribution base must be selected for each cost or group of costs so that each activity is deemed to benefit from each joint or shared cost to the same level as the benefit they receive from the base selected.
- Indirect costs - these are costs that commonly benefit two or more awards or activities at the same time and to approximately the same degree. But the level of benefit to each activity cannot be easily measured.
- Base period - this is the span of item over which the costs included in the indirect cost rate determination were incurred. The base period should coincide with the organization's fiscal year. In any event, it must be a current period for which accurate and verifiable and selected so as to avoid inequities or extremes in the allocation of costs.
- Distribution base - the base is a factor common to all activities that share in the benefit received from a specific cost or a group of costs. The base selected for the direct distribution or allocation of joint costs or for the determination of an indirect cost rate must be measurable, must be capable of translation into dollar amounts, must bear a close relationship to the cost(s) to be allocated, and must result in an equitable allocation. For indirect costs, the base selected must always be a function of a direct cost.
- Suggested bases for cost distribution - note that these bases are not mandatory for use. Any other base may be used provided it is suitable for the particular cost which will result in an equitable allocation of cost. In selecting one base over another, consideration should be given to the additional effort required to achieve a greater degree of accuracy. The CAP must justify in narrative descriptive form the appropriateness of the base selected for the particular cost.
  - Description for Cost to be Allocated
  - Basis for Allocation

- Central Administration  
Number of employees per operating activities/awards/ departments,  
units of service
- Data processing
- System usage, hours used, document processed
- Motor pool  
Miles driven, (rate per mile must be determined by an actual study  
of cost per mile driven or days used)
- Local telephone  
Number of telephone instruments
- Long-distance telephone  
By the activity making the call
- Office space & related costs Square footage of space occupied  
(light, janitorial, etc. occupied)
- Payroll services  
Number of employees
- Fidelity bond  
Employees subject to bond
- Duplicating equipment  
Service hours or number of pages duplicated per activity
- Salaries & fringe benefits  
Number of hours devoted to each activity, number of clients served
- Office supplies  
Number of employees, number of labor hours
- Insurance, general liability  
Number of employees, number of labor hours, total direct salaries  
and wages
- Postage  
Number of employees, total direct salaries, wages, number of clients
- Accounting Services  
Number of transactions processed per activity or award, number of  
employees
- Indirect costs
- Total direct salaries and wages or total direct salaries and wages  
plus applicable fringe benefits or total direct costs less capital  
expenditures, unallowable costs, and one - time costs.

- ❑ Indirect cost rate - this is the ratio of a sub-recipient's indirect costs to some element of its direct costs. Once determined, the rate is used to compute the sub-recipient's indirect cost chargeable to each activity funding source.
- ❑ This chargeable amount is calculated by multiplying the indirect cost rate by the dollar amount of incurred direct cost of the selected base.
- ❑ Basic steps involved in preparing a CAP using the simplified allocation plan method:
  - a. Identify all activities carried out by the sub-recipient. All activities must be included regardless of the source of funds used to pay for them. Identify the base period. Prepare a narrative of each activity, their similarities and differences. Classify the activities and their costs as direct, jointly or indirect.
  - b. Eliminate from the indirect costs capital expenditures, all unallowable costs, and one-time costs. (Refer to OMB Circular A-122.)
  - c. For joint costs, identify the base for each cost or group of costs, explain/justify the appropriateness of the base selected, i.e., why is it an accurate measure of the benefit received by each activity, how does the selected base correlate to the benefits received from those cost to be so distributed.
  - d. For indirect costs, identify and justify the base selected.
  - e. Allocate all indirect costs among all the sub-recipient's activities using the selected base. For example:
    - Total No. of Employees per Activity No. 1 x Total Indirect
    - Total No. of Employees in Organization
    - Costs = Amount of Indirect costs to be Allocated to Activity No.
    - Repeat for each activity. Then select a direct cost base such as total direct salaries or total direct costs (less unallowable costs, capital expenditures, and one-time costs)
  - f. Compute the indirect cost rate by dividing the total remaining indirect costs by the direct cost base selected for distribution of the indirect costs. The rate should be expressed as the percentage which the total amount of allowable indirect costs bears to the base selected.
    - For example:
    - Total Indirect Costs = Indirect Cost Rate  
Total Direct Costs  
\$100,000 = 11.11% Indirect Cost Rate  
  
\$900,000

□ The indirect cost rate is determined from actual costs during the selected base period but is charged against the actual costs incurred for the base selected for the period of the contract.

- For example,

Actual Total Direct Costs for the contract period = \$700,000.

Thus, Indirect Cost chargeable to each activity/funding source is:

$\$700,000 \times 11.11\% = \$77,770$

g. When the indirect cost rate is deemed to be either a fixed or a provisional rate, at the end of the first fiscal year occurring during the contract period but not more than sixty days thereafter, the CAP must be recalculated. The recalculated amount must be based on the actual cost for that period. At that point, the indirect cost amount is adjusted and the sub-recipient is paid the balance due or DHCD is refunded the overpayment or, with DHCD's approval, the difference is carried forward as an adjustment into the next period. When the sub-recipient's fiscal year differs from DHCD's contract year, a second adjustment, following the same process, is made at the end of the next fiscal year.

The selected method and frequency of the indirect cost rate adjustment and rationale for the selection needs to be included in the CAP proposal and be approved by DHCD as part of the CAP approval process.

h. When the indirect cost rate is deemed to be a predetermined rate, the indirect cost rate is final and not subject to adjustment. A predetermined rate can be negotiated if there is reasonable assurance - based on past experience and reliable projection for the organization's costs - that the rate is not likely to exceed a rate based on actual contract period costs. This rate is usually based on costs from a prior period but can include projected costs.

□ Sample format of a CAP - Indirect cost rate proposal - Simplified allocation plan method. Exhibit 1 is a sample cost allocation format that assumes there are seven activities/funding sources under one umbrella organization. Only the CAP and indirect cost rate for one activity (Activity B) is shown and costs have been grouped under major headings for simplicity. In an actual submission, all federal/county activities would be shown and generally combined to produce a single indirect cost rate. Costs could also be grouped in the summary indirect cost rate proposal provided the groupings are consistent with the manner in which the financial statements or other supporting documentation submitted with the proposal is organized and the elements of each group can be readily identified within the total organization budget.

Indirect costs may consist only of central administration costs or, as in the sample CAP, it may include other joint costs which cannot be readily measured or directly correlated to a distribution base common to all benefiting activities. This is a sample only and is not intended to prescribe methods of charging costs.



## SAMPLE COST ALLOCATION FORMAT

## PART I

ACTIVITY B (reflective of one activity or one funding source)

SUMMARY INDIRECT COST RATE PROPOSAL FOR THE FISCAL YEAR ENDED  
JUNE 30, 20\_\_

Costs	Total Costs Incurred	Unallowable Cost, Capital Outlay	Salaries & Wages	DIRECT COSTS Joint Costs	Other	INDIRECT COSTS
Program Admin	\$103,300	\$21,900	\$61,100	\$16,100(3)	2,200	\$2,000
Program Serv.	163,000	5,000	110,000	32,000(4)	12,000	4,000
Contractual	30,000			13,500(5)	15,000	1,500
Oper. Expen.	10,000			10,000(6)		
Subtotal	<b>\$316,458</b>	<b>\$26,900</b>	<b>\$171,100</b>	<b>\$71,600</b>	<b>\$29,200</b>	<b>\$7,500</b>
Central Admin. CAP Activity B	<b>10,158</b>					10,158
	<b>\$316,458</b>	<b>\$26,900</b>	<b>\$171,100</b>	<b>\$71,600</b>	<b>\$29,200</b>	<b>\$17,658</b>
<b>RATE CALCULATION</b>						
Indirect Costs Activity B			<b>\$ 17,658</b>	<b>- 10.32%</b>		
Direct Salaries & Wages Activity B			<b>\$171,100</b>			

- This amount is set out simply because it is the base upon which the indirect cost rate is calculated. (The proration of joint costs as a direct charge activity would be calculated using a methodology consistent with that of the central administration CAP that allocates indirect costs to each activity.
- This amount includes rental of space and equipment and related costs. The base selected for proration to each activity is the relative number of employees; it is selected because these costs are a function of the number of employees.
- Included here are outside transportation, instructional materials and related costs provided directly for the benefit of clients. Since the costs are a function of the relative number of clients, the number of clients served was selected as the appropriate base.
- These are programmatic and technical types of contractual services related to the activities. Since the primary beneficiaries are the clients served, the relative number of clients was selected as the base for proportion
- Included here are office and housekeeping supplies, staff educational seminars, postage, and other general operating costs. The users and primary beneficiaries are the employees, thus the proration base selected was the relative number of employees.

**SAMPLE COST ALLOCATION FORMAT**

**PART II  
CENTRAL ADMINISTRATION COST ALLOCATION PLAN  
STATEMENT OF FUNCTION AND BENEFIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 20\_\_.**

- The central administration (CA) is responsible for overall administration of all activities. The CA negotiates all awards received by the contractor and prepares all necessary documentation prior to submission to its board of directors. The CA also carries out its fund raising functions.
  
- The CA is responsible for the public information and public relations function for all the contractor's activities. It coordinates administrative and programmatic functions and serves as a clearinghouse for all activities to avoid duplication of effort, thereby increasing the effective utilization of all resources. It monitors client services and maintains summary data on services rendered.
  
- The CA is responsible for all personnel-related matters. This includes recruiting, interviewing, testing, and referring potential candidates for 44 organizational jobs. It administers the classification and salary programs and is responsible for recommending personnel policies and procedures to the board of directors. It reviews and maintains records on all personnel-related actions. It provides direct in-service training and secures and approves outside training.
  
- The CA reviews, coordinates, and approves all requests for outside contractual services and all procurement actions. It prepares individual activity and consolidated financial statements for the organization. It monitors individual activity budgets and is directly responsible for preparing and monitoring the total organization budget.
  
- The basis for allocation is the number of employees per activity. The base data is readily available and verifiable. All employees receive essentially the same type and level of assistance. The number of employees bears a direct correlation to the level of support required by each activity, and all activities are proportionally labor intensive. Hence, this base reflects these conditions by distributing the total costs of providing central administration services to each activity in proportion to its relative number of employees.

Note: This is a sample only and hence, is brief and simple. In practice, this scheduled should be sufficiently detailed to provide narrative explanations of the functions and benefits associated with the costs being allocated.

1. These are costs other than salary and wages incurred solely for the stated activity.

2. In this example, fringe benefits applicable to direct salaries and wages are treated as direct costs and included in this amount.

III. On an actual submission, each of the amounts listed under the indirect Costs column requires back-up schedule similar in composition to those shown for the Central Administration (Sample Format, Part II, Part III, and Part IV).

The indirect costs chargeable to each activity or funding source can be billed monthly or at the frequency agreed upon. Assuming a monthly billing, it would be calculated as follows:

$$\text{Actual Activity B Direct Salaries \& Wages Month \#1} \times \text{indirect cost rate} = \$20,500 \times .1032 = \$2,115.60$$

**SAMPLE COST ALLOCATION FORMAT  
PART III  
CENTRAL ADMINISTRATION COST ALLOCATION PLAN  
ALLOCATION OF INDIRECT COSTS PER ACTIVITY**

<b>Activity</b>	<b>Employees</b>	<b>Percent</b>	<b>Totals</b>
Allocation			
A. Health Services	3	6.82	10,158
B. Protective Services	3		10,158
C. Social Services	9	20.45	30,458
D. Educational Services	4	9.09	13,539
E. Tenant/Landlord Services	8	18.18	27,077
F. Economic Development Srvs.	7	6.82	23,696
G. Other Departments	10	22.73	33,854
Housing Development			
<b>Totals</b>	44	100.00	148,940

- a. Allocation base must include all employees of all activities that are under the central administration.
- b. Those activities that do not perform federal, state, or county programs may be grouped together.
- c. In the sample format, the allocation for Activity B is carried forward to Part I of the format

As part of the CAP proposal, each of the activities of the sub-recipient and corresponding finding source needs to be listed with a narrative detailing the activities, similarities and differences among them, and any variances applicable to each in the manner of treating specific costs.

Note: This is sample only and accordingly, is brief and simple. In practice, the type and level of service provided by the central administration to the various activities served may require a separate allocation for each service or to different organizational served.

**SAMPLE COST ALLOCATION FORMAT**  
**PART IV**  
**CENTRAL ADMINISTRATION COST ALLOCATION PLAN**  
**COSTS TO BE ALLOCATED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 20\_\_**

Salaries and Wages	\$140,000.00
Fringe Benefits	\$16,000.00
Supplies	
Travel	\$7,012.00
Maintenance & Janitorial Services	\$7,928.00
Capital Outlay	\$7,561.00
	\$186,501.00
Less: Unallowable Costs, Capital Outlay	\$37,561.00
 Total Cost to be allocated on Part III	 \$148,940

The costs allocated must be reconciled to appropriate financial documents, either financial statements, budgets or a combination of both. In this example the organization's base data was cost incurred for its most rent fiscal year.

Note: This is a sample only and hence, is brief and simple. In practice, this schedule should be sufficiently detailed to show the costs of major activities, branches, etc. of the central administration in a manner permitting a reasonable assessment of the costs claimed against DHCD programs.

**SAMPLE COST ALLOCATION FORMAT**  
**PART V**  
**CENTRAL ADMINISTRATION COST ALLOCATION PLAN**  
**SUMMARY OF CENTRAL SERVICES BILLED TO USER ORGANIZATIONS**

Motor Pool            The Central Administration operates a central motor pool which makes care and buses available for user activities. User activities are billed for each mile driven: cars-15 cents per mile and buses-30 cents per mile. The basis for the charge is the most recent study of cost per mile driven, performed by the internal audit staff. Any over or under recovery is applied in that year's billing rate. The costs included are salaries and wages and fringe benefits of motor pool personnel, their travel, supplies and parts and use charges for equipment and buildings and vehicles determined in accordance with organizational procedures.

Data Processing      The Central Administration operates a central computer center consisting of an IMB system 370/115, and Control Data 3100 and Cyber 70 series configuration. The center provides both regular and staff activities. Billings for services are made to user activities based on a standard price schedule. The price schedule is related to and designed to

recover the costs of various types of jobs on each system. It is revised quarterly and audited annually by the internal audit department. Profits or losses are carried forward and used to adjust price schedules of ensuing quarterly billing rates. Costs consist of salaries and fringe benefits of center personnel, supplies, maintenance and utilities, and straight line depreciation of equipment based on a fifteen year life.

Long Distance Telephone      All long-distance telephone calls are placed through a central switchboard and are billed to the activities making the call.

Notes: If a direct billing mechanism is used by the organization, then all users must be billed. Billing of selected activities and allocation of residual amounts through the cost allocation plan to remaining activities results in inequitable costing and is not acceptable. However, if all users are billed, residual amounts may be allocated through the allocation plan provided they are not material and the allocation base is equitable.