LACROSSE COUNTY HUMAN SERVICES DEPARTMENT

INSTRUCTIONS FOR COMPLETING BUDGET REQUEST FORMS

All costs included in the budget line items must meet the criteria of allowability and be in conformance with the Wisconsin Department of Health and Family Services *ALLOWABLE COST POLICY MANUAL* and applicable Federal cost principles for the organization incurring the costs.

Each cost form package includes the following forms:

FACE SHEET(Page 1)
SALARY & FRINGE BENEFITS (Page 2)
EXPENSE DISTRIBUTION FORM (Page 3)
FOR PROFIT ONLY CALCULATION (Page 4)

Start by completing the SALARY AND FRINGE BENEFITS form (Page 2). Please note that a full-time position is normally considered to be 40 hours per week or whatever the agency operates, i.e., if the employees normally work 37.5 hours per week those people working 37.5 hours would be considered full-time and those working less than that would be considered part-time. For any part-time positions, include the number of hours worked in a week.

A. Salary The amount you expect to pay the individual for their services during the agency's fiscal year. Keep in mind that the agency should have proper documentation available to support the allocation of an individual's time if the individual works in more than one program. Proper documentation is **always** required for expenses to be allowable, but time sheets, especially for individuals that split their time between activities are essential.

B. Fringe Benefits The employer contributions or expenses for social security, employee health insurance, employee life insurance, unemployment compensation insurance, workmen's compensation insurance* and pension plan costs should be allocated to the individual based upon how their salary is allocated.

C. Workmen's Compensation Insurance *A workmen's compensation policy may not be broken down by individual or position, but at a minimum the insurance agency selling the workmen's compensation insurance should be able to tell you the costs by program and administration so a separate line has been included on the EXPENSE DISTRIBUTION FORM (Page 3) for inclusion of workmen's compensation costs that will not be included as Fringe Benefits.

Bring totals from this form to the respective Salary and Fringe Benefits lines on the EXPENSE DISTRIBUTION FORM (Page 3).

D. Rent The actual rental costs pursuant to the lease are allowable to the extent that the rates are reasonable. Reasonableness can be determined by obtaining rental costs of comparable property, if any; market conditions of the area where the property is located; what alternatives might be available; and the type, life expectancy, condition, and value of the property leased.

Rent may not be charged when an agency leases or rents property from a ***related party**. Allowable costs in a situation like this would be limited to the actual costs of ownership. Ownership costs are covered under other budget line items on this form such as Mortgage Interest and Depreciation-Home or Building.

(*A related party transaction occurs when one party to a transaction can influence the management or financial operating policies of the other party.)

E. Mortgage Interest Interest or financing costs associated with home or building acquisition, construction, reconstruction or remodeling is allowable as long as a third party that is not related to the purchaser/owner provides the financing.

F. Other Interest Interest or financing costs associated with the purchase of equipment or a vehicle(s) is allowable as long as a third party that is not related to the purchaser/owner provides the financing. All other interest expense or financing cost is not allowable.

G. Real Estate Taxes Normally, taxes assessed by local units of government or school districts (includes the Vocational, Technical and Adult Education System) which an agency is required to pay and which are paid or are accrued in accordance with generally accepted accounting principles are allowable. Nonprofit organizations may be and generally are exempt from paying the real estate taxes assessed, but they may make a payment to the local government in lieu of taxes that are to pay the local government for services received. These payments, in lieu of real estate taxes, would also be allowable costs.

H. Utilities The costs for gas (natural or LP), electricity, water, sewer and reasonable cable used in the agency's operation are allowable and should be included in this line item. Adjustments should be made to these costs when a home or building is used in part for the agency operations and part for personal use.

I. Telephone The costs of local telephone services and long distance charges applicable to the agency's operation should be included here. Many agencies require employees to be on call and use a pager system. The costs associated with a pager system can also be included in this line item. If the telephone is used for both business and personal purposes, an adjustment should be made to remove the portion of these expenses applicable to personal use.

J. Garbage The costs of a service that picks up the agency's garbage/trash should be included in this line item. Normally, however, garbage collection is included in the real estate tax bill and if this is the case there is no necessity to identify those costs included in the tax bill as a separate line item.

K. Household Supplies The cost of items such as cleaning supplies, mops, brooms and the like should be included here.

L. Office & Professional Supplies The costs of pens, paper, envelopes, stamps or other postage charges, printer cartridges, and the like used for the business part of the agency's operations should be included here. Professional supplies, such as books, should also be included in this line item.

M. Repairs & Maintenance The costs incurred for necessary repairs or maintenance of the home or building which do not add to the permanent value of the home or building nor prolong its useful life are allowable and should be included on the budget line for Home or Building under the budget category Repairs & Maintenance. These types of costs just keep the home or building in efficient operating condition.

The costs incurred for necessary repairs, maintenance or general upkeep of equipment which do not add to the permanent value of the equipment nor prolong its useful life are allowable and should be included on the budget line for Equipment under the budget category Repairs & Maintenance. These types of costs just keep the equipment in efficient operating condition.

N. Depreciation The compensation for the use of an agency's home or building or or improvements thereto is generally made through depreciation. There are some circumstances when a use allowance may be used to provide this compensation. The computation of the depreciation or use allowance is based on the cost of acquiring the home or building and it's useful life. Unless there are extenuating circumstances, depreciation is computed using the straight-line method. The results of this computation should be included on the budget line item for Home or Building under the budget category Depreciation. The Federal cost guidelines limit the use allowance for a home or building and improvements thereto to an annual rate not to exceed two percent of the acquisition cost.

The compensation for the use of an agency's equipment is generally made through depreciation. There are some circumstances when a use allowance may be used to provide this compensation. The computation of the depreciation or use allowance is based on the cost of acquiring the equipment and it's useful life. It is important to note that there are differences in how the Federal and State governments define equipment. For example the Federal government in Office of Management and Budget (OMB) Circular A-122 define equipment as "...an article of nonexpendable tangible personal property having a useful life of more than two years and an acquisition cost of $500 or more per unit." The Department of Health and Family Services in it's *Allowable Cost Policy Manual* states "... in general, the cost of equipment and other capital expenditures with an acquisition cost exceeding $5,000 is to be recovered through use of depreciation or allowances." Unless there are extenuating circumstances, depreciation is computed using the straight-line method. The results of this computation should be included on the budget line item for Equipment under the budget category Depreciation. The

Federal cost guidelines limit the use allowance for equipment to an annual rate not to exceed six and two-thirds percent of the acquisition cost.

O. Insurance The cost of the insurance to cover the home or building and it's contents (including equipment) or personal property are allowable and should be included on the budget line for Home or Building under the budget category Insurance. If the agency home or building is used in part for the agency operations and part for personal use an adjustment should be made to exclude the portion of the cost applicable to personal usage.

The cost of insurance to cover an agency vehicle(s) is allowable and should be included on the budget line for Vehicle(s) under the budget category Insurance. If the agency vehicle(s) is used in part for the agency operations and part for personal use an adjustment should be made to exclude the portion of the cost applicable to personal usage.

The cost of insurance other than those policies directly related to Home or Building or an agency vehicle(s) that the agency is required to carry or that the agency maintains in connection with the general conduct of its operations should be included on the budget line for Other under the budget category Insurance. The types of insurance and extent of coverage included in this category must be in accordance with good business practice and the rates and premiums should be reasonable under the circumstances. This category does not include insurance that represents fringe benefits for employees.

P. Food The costs of food purchased to provide meals or snacks for the residents or clients of the agency's program are allowable. Food costs for staff required to eat with the residents or clients are also allowable. However, when there are staff, visitors or members of a household that partake of meals served that are not required to be there, adjustments must be made to the cost of the food purchased or a cost based fee must be charged.

Q. Audit and/or Accounting Fees The cost of an audit is allowable when the audit is required by federal or state law or regulation and the audit is performed by an individual or firm licensed as a Certified Public Accountant(s) in the State of Wisconsin. The audit must be performed in accordance with the appropriate state or federal guidelines. The agency may find that it is more economical to hire a service to maintain their financial records rather than hire a bookkeeper or accountant to perform those tasks. If it is more economical to hire a service, the cost associated with the contract for the service is allowable.

R. Consultant Fees Services rendered by a person or persons who possess a special skill or are members of a particular profession and who are not officers or employees of the organization are allowable when reasonable in relation to the services rendered. An adequate contract or purchase agreement (that is description of the service, estimate of the time required, rate of compensation and any other special provisions required) must exist for the expenses incurred to be allowable. There are special requirements related to legal

fees so the respective cost policies should be reviewed prior to the inclusion of any legal fees in this category.

S. Dues & Subscriptions Generally the costs of the agency's membership in business, technical, professional and civic organizations that are related to the agency's services are allowable. As a general rule, individual memberships in these types of organizations are not allowable. In addition, the cost of a membership in an organization whose primary function is lobbying **is not** an allowable cost.

Normally the costs of the agency's subscriptions to business, professional, technical and civic periodicals are allowable and should be included in this budget category.

T. Licensing/Certification Reasonable and necessary costs associated with the agency obtaining an appropriate license/certification to operated their business are allowable.

U. Employee Training The costs associated with agency staff attending meetings and/or conferences, normally sponsored by others, where the primary purpose is the distribution of technical information are generally allowable. This would include any registration fee, meals outside of the headquarters city not included in the registration fee, motel, transportation and other items incidental to attending the meeting or conference.

V. Personal Vehicle Reimbursement When an agency staff person uses their own automobile to transport clients to appointments, adult day care, home visits or any other related agency business, he or she is entitled to receive compensation for the use of their personal vehicle. While the Federal cost policies do allow costs associated with this type of activity to be paid on an actual cost basis, it is generally not done for an agency staff person. The normal way to reimburse an employee for the use of their personal vehicle is with a per mile rate that the agency has established in their policies. The rate of reimbursement **must** be reasonable.

W. Agency Vehicle(s) When an agency owns their own vehicle(s), the allowable costs are limited to the actual costs of operating the vehicle(s). The estimated costs for gas and oil purchased should be included on the budget line for Gas & Oil under the budget category Agency Vehicle(s). The oil purchases here are not those that are related to an oil change, but rather an occasional purchase of a quart of oil when checking the oil level between oil changes. When an agency vehicle is used in part for agency operations and part for personal use an adjustment should be made to exclude the portion of the cost applicable personal usage.

The cost of oil changes, tune-ups, tire rotation and other necessary costs of keeping the vehicle in good operating condition should be included on the budget line for Repairs & Maintenance under the budget category, Agency Vehicle(s). When an agency vehicle is used in part for agency operations

and part for personal use an adjustment should be made to exclude the portion to the cost applicable to personal usage.

The cost applicable to registering and getting license plates (including the annual renewal of the license plates) for an agency vehicle are allowable. Those costs should be included on the budget line for License/Registration under the budget category, Agency Vehicle(s).

X. Other Transportation The cost associated with transporting clients via public transportation such as a bus or taxicab, through a contracted transportation service, volunteers using their own vehicles or emergency transportation provided by an ambulance (if not covered by insurance) are allowable.

Y. Bank Charges The reasonable cost associated with printing the agency's business checks and stop payment charges are allowable.

Z. Recruitment The costs incurred for "help wanted" advertising, travel costs of applicants for interviews for prospective employment (if individual is from outside the local area) and the use of an employment agency where the cost is not in excess of normal rates for such services are allowable.

AA. Production Expense The cost of direct labor (salary and fringe benefits); indirect labor (salary and fringe benefits of administration, clerical and supervisory personnel); raw materials, inventory, tools and other materials and supplies; and procurement and selling expenses associated with subcontract work, prime manufacturing and/or providing a service are **not allowable** costs. Normally these costs are incurred in a rehabilitation or training program and may be included in the agency's budget. However, all production costs included in the budget **must** be offset on the FACE SHEET under Cost Offset, because all costs incurred in the production or service activity must be recovered in the price of the product or service.

BB. Miscellaneous Costs, which are allowable for the agency's operations, that do not fit into any other budget category should be included in this budget category.

Allocated Administration On the various line items certain costs incurred in the administration of the agency's operation could not be assigned to one of the programs directly, but rather benefit all program operations. These costs can also be called indirect costs. Therefore, it is necessary to use some basis to allocate these allowable expenses to the programs that benefit from the costs incurred. Generally an acceptable method, which determines a rate that is designed to recover the costs, is used. Refer to the applicable Federal and State allowable cost principles to determine the rate.

Simplified Method:

Where a grantee agency's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (1) classifying the grantee agency's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to individual Federal awards. The rate should be expressed as the percentage which the total amount of allowable in indirect costs bears to the base

selected. This method should also be used where a governmental unit's department or agency has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to that department or agency is relatively small.

Multiple Allocation Base Method:

Where a grantee agency's indirect costs benefit its major functions in varying degrees, such costs shall be accumulated into separate cost groupings. Each grouping shall then be allocated individually to benefited functions by means of a base, which best measures the relative benefits.

The cost groupings should be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping should constitute a pool of expenses that are of like character in terms of the functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function. The number of separate groupings should be held within practical limits, taking into consideration the materiality of the amounts involved and the degree of precision needed.

Actual conditions must be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefited functions. When an allocation can be made by assignment of a cost grouping directly to the function benefited, the allocation shall be made in that manner. When the expenses in a grouping are more general in nature, the allocation should be made through the use of a selected base, which produces results that are equitable to both the Federal Government and the governmental unit. In general, any cost element or related factor associated with the governmental unit's activities is potentially adaptable for use as an allocation base provided that: (1) it can readily be expressed in terms of dollars or other quantitative measures (total direct costs, direct salaries and wages, staff hours applied, square feet used, hours of usage, number of documents processed, population served, and the like), and (2) it is common to the benefited functions during the base period.

Special Indirect Cost Rates:

In some instances, a single indirect cost rate for all activities of a grantee department or agency or for each major function of the agency may not be appropriate. It may not take into account those different factors which may substantially affect the indirect costs applicable to a particular program or group of programs. The factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the organizational arrangements used, or any combination thereof. When a particular award is carried out in an environment which appears to generate a significantly different level of indirect costs, provisions should be made for a separate indirect cost pool applicable to that award. The separate indirect cost pool should be developed during the course of the regular allocation process, and the separate indirect cost rate resulting therefrom should be used, provided that: (1) the rate differs significantly from the rate which would have been developed under "The Simplified Method" and "The Multiple Allocation Base Method", and (2) the award to which the rate would apply is material in amount.