

**COUNTY OF LOS ANGELES – DEPARTMENT OF PUBLIC HEALTH  
OFFICE OF AIDS PROGRAMS AND POLICY  
BUDGET PREPARATION INSTRUCTIONS**

**A. INTRODUCTION**

The budget summary and justification forms must be completed carefully in accordance with the instructions provided below and submitted electronically as well as a hard copy form.

Please be aware that you must provide justification for all proposed costs at the level of detail requested in these instructions.

Also, included below are *Guidelines for Determining Types of Costs (C)* and a *Summary of Unallowable Costs (D)* which you must read and follow carefully.

If you encounter any difficulty completing the budget, please contact your OAPP Program Manager.

**B. GENERAL PROVISIONS**

The following are general guidelines for completing your budget:

1. The budget is comprised of both Budget Categories and Budget Line Items.

Budget Categories are the 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 the Salaries category, for example, budget line items are the individual positions to be funded. The “Other” category includes such items as office or facility rent, postage and telephone.

2. Your contract is subject to an administrative cap of 10%. You are asked to certify compliance with this requirement. The budget narrative sections must include an estimate of the administrative cost contained in each budget line item (expressed as a percentage and the associated dollar amount.) and if the administrative percentage is 0%, please indicate this by inserting 0% and \$0 in the space provided. Further guidance is provided in the *Guidelines for Determining Types of Costs (C)*.
3. Indirect Costs may only be included in the budget if your agency has a current *Negotiated Indirect Cost Rate Agreement (NICRA)* with a federal agency or an auditor certified indirect cost rate. If you are requesting funding for indirect costs, a copy of the NICRA or auditor certification must be submitted with the

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budget. Please note that, although your negotiated indirect cost 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 total contract funds.

4. A summary of unallowable costs is included in Section D of these instructions.

### C. GUIDELINES FOR DETERMINING TYPES OF COSTS

There are two types of costs: program costs and administrative costs. Administrative costs can be direct or indirect, while all program costs are considered to be direct.

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 to a client or his or her family members.

Examples of program costs are:

- salaries and related employee benefits for staff who provide direct services to clients, their clinical supervisors, and other staff who directly assist these individuals in the provision of services
- consultants who provide direct services to clients, supervise program staff, develop program materials, or perform other program functions
- program supplies such as educational materials, medical supplies, and other supplies that are used specifically for this program
- office supplies that directly support program activities such as folders for client charts
- travel costs for program staff
- printing and photocopying of medical forms, program materials, and other materials used by or for program participants
- equipment used for direct service delivery
- general liability insurance associated with program staff or space
- maintenance of client records, including client and service data entry

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2. Administrative costs are defined as the costs incurred for usual and recognized overhead, including established indirect rates for agencies; management and oversight of specific 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 budget.

Examples of administrative costs are:

- salaries and related employee benefits for accounting, secretarial, and management staff, including those individuals who produce, review and sign monthly reports and invoices
- consultants who perform administrative, non-service delivery functions
- general office supplies
- travel costs for administrative and management staff
- general office printing and photocopying
- general liability insurance associated with administrative staff or space
- audit fees

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

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

3. Direct costs are costs that can be directly charged to the program and which are incurred in the provision of direct services.

Examples of direct costs are:

- salaries and 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
- expenses related to staff that are direct-charged, including recruitment costs and travel expense

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- telephone expenses related to a unique telephone number or an extension for which expenses can be determined and substantiated on an actual or allocated basis
  - space costs and related expenses for facility space that is used only for funded activities, for which expenses can be determined and substantiated on an actual or allocated basis
  - all program 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
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.

Examples of indirect costs are:

- salaries and 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 recruitment costs and travel expense
- telephone costs and space usage that is 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 program

All indirect costs are normally pooled to create an indirect cost rate which is then applied to individual grant and contract-supported projects. The inclusion of indirect cost rates in contract budgets will be permitted only if your agency has a Negotiated Indirect Cost Rate Agreement (NICRA) with a federal agency or an auditor certified indirect cost rate.

Indirect costs are calculated in a number of standard 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

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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 program costs in a manner that is consistent with the way it was calculated on your NICRA or auditor certified rate.

If you are requesting funding for indirect costs, the NICRA or auditor certification must be submitted with the budget. Please note that, although your negotiated indirect cost 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 total contract funds.

The dollar amount of indirect cost 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; it is not intended to be a complete or definitive listing. Agencies are responsible for referring to the documents referenced below for complete guidelines. All references are to the CARE Act and to policies issued by Health Resources and Services Administration (HRSA) and Division of Service Systems (DSS) clarifying certain provisions of the Act. The following costs are not permitted under the Ryan White CARE Act:

- payment for any item or service to the extent that payment has been made, or can reasonably be expected to be made, with respect to that item or service (a) under any state compensation program, under an insurance policy, or 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)], consequently, program activities that are revenue generating may not be included in the budget
- administrative costs that exceed 10% of your total 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)]

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- 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, 4/9/98]
- gift certificates for clients [HRSA letter, 4/9/98]
- 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]

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

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- 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

The Office of AIDS Programs and Policy 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.

#### E. BUDGET JUSTIFICATION SECTION

In the budget justification section, provide a clear and complete description that explains:

- 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 methodology used to calculate the amount, including a listing of specific items if appropriate
- the administrative percentage of each budget line item

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- the administrative dollars supporting each budget line item

Several forms have been provided that include sections for a short descriptive justification for each budget category. Your justification must include all of the proposed budget line items within that budget category. For example, the justification for “Salaries” must include a description of each position to be funded under the contract. The justification for “Other” should include individual line items such as office rent, postage, telephone, etc. Use the same budget categories from the budget summary page in writing the narrative: Salaries, Employee Benefits, Travel, Equipment, Supplies, Other and Consultant/Contractual.

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

On the form, briefly describe each position. The following must also be included on the budget form for each position:

- the exact title of each position
- the last name of the individual filling the position  
NOTE: If the position is vacant, label it as such and include the date you expect it to be filled.
- the annual salary of the individual (rounded to the nearest dollar)  
NOTE: If a salary increase is scheduled to go into effect during the period covered by the budget, indicate both salary levels and the number of months for each; for example, \$25,000 (9 months) / \$25,750 (3 months).
- the full-time equivalent (FTE) of the position (the amount of time the individual will devote to the program)  
NOTE: This value should be in decimals. 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. FTE’s may be calculated up to a maximum of three decimal places.

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- number of months the employee is expected to work on the program
- amount of funding requested (rounded to the nearest dollar)  
NOTE: Generally this should be the annual salary multiplied by the FTE, adjusted for number of months of work. If you utilize some other methodology to derive these costs, describe it and explain why it is used.
- the percentage of time spent on administrative duties
- the administrative dollar amount, calculated as the amount requested multiplied by the administrative percentage. Formulas have been entered to automatically calculate these amounts.

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 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.

**2. EMPLOYEE BENEFITS**

A form for your employee benefits calculations is included in the budget. If your agency has multiple employee benefit rates, include a separate page 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. On the form, indicate the fiscal year ending, agency rate, and rate requested. If the rate requested exceeds the agency rate, include a justification in the space provided.

**Part II**

On the form, itemize all components of the employee benefit rate. Applicable components must be detailed by percent of salary expense, not by dollars expended.

The employee benefits form must also 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**

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A form for the travel budget category is included in the budget. Local staff travel should be shown on the form separately from out-of-town staff travel. All travel must be directly related to accomplishing the objectives of the program.

The justification must include:

- the mode of transportation (i.e. private car, public transportation, taxi/car service, etc.) itemized separately
- sufficient information to clearly show how the travel costs were determined or the methodology used; for example 50 training sessions @ 20 miles round trip @ 51.5 cents per mile
- the destination and purpose of the travel
- the amount requested for each line item (rounded to the nearest dollar)
- the administrative percentage
- the 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, the maximum allowable reimbursement rate for mileage is Los Angeles County's prevailing rate, currently 51.5 cents per mile.

Travel requests for conference attendance may include lodging costs. Please note, however, the restrictions on conference participation 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 contract and that participation in the conference will enhance service delivery.

#### 4. **EQUIPMENT**

A form for the equipment justification is included in the budget.

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

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level established by your agency for financial statement purposes, or (b) \$5,000. The narrative should list each specific item of equipment with 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 item with a unit cost of \$5,000 or more.

Please note that equipment may only be included in the budget to the extent that it is used by the funded program. 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.

The equipment form must include:

- a listing of each item
- the proposed use of the equipment, and by whom
- the percentage of use in support of the proposed program
- the amount requested for each item (rounded to the nearest dollar)
- the administrative percentage
- the 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 year-end, detailing all equipment purchased with contract funds.

**5. SUPPLIES**

A form for the supplies justification is included in the budget.

Supplies should be grouped into two main categories: those that relate to the number of clients being served, such as educational and medical supplies, and

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those that do not, such as computer software and office supplies. In this budget justification you will need to itemize the cost of all supplies.

The justification must include:

- sufficient information to clearly show how the supply costs were determined, including a brief listing of supply items and historical spending.
- a direct correlation between direct client-related supply costs and the proposed number of units of service
- the amount requested for each budget line item (rounded to the nearest dollar)
- the administrative percentage of each grouping of supply costs
- the 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 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.

6. **OTHER**

A form for the “other” costs justification is included in the budget.

This category should include items such as office/facility rent, utilities, postage and telephone. A description and amount must be included for each line item identified in this category.

The justification must include:

- sufficient information to clearly show how the costs were determined, including historical spending.
- for space costs, including both rent and utilities, a detailed explanation of how the amount of space dedicated to the program has been determined and how the cost of that space has been calculated
- the amount requested for each budget line item (rounded to the nearest dollar)
- the administrative percentage of each line item

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- the 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 “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.

**7. CONSULTANTS**

A form for the consultant/contractual justification appears in the budget preparation package. A consulting agreement is defined as an agreement with an individual to provide a service or 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.

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 service delivery objectives. The following must also be included for each consultant agreement:

- the generic type of service to be provided by the consultant (i.e. direct client service delivery, staff training, etc.)
- the name of the individual or organization (if known)  
NOTE: Individuals employed by your agency can not serve as consultants to this program.
- the rate to be paid for the services to be provided
- the number of service hours to be provided
- the time frame for the consultant agreement
- the amount requested (rounded to the nearest dollar)
- the administrative percentage of the consultant agreement
- the 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 consultant/contractual. 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.

**8. CONTRACTUAL**

A subcontract is defined as an agreement with an organization or firm to deliver any direct services. If you are proposing to subcontract with another organization, you must state the name of the subcontractor and the purpose of the subcontract on the consultant/contractual page. In addition, for each subcontract, you must attach a complete budget package that includes all budget forms and a NICRA or auditor certified indirect cost rate, if applicable. The agency name on the subcontract budget pages should include both your agency name as well as the name of the subcontract agency.

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

**Please note, all subcontract agreements must be submitted to the Office of AIDS Programs and Policy and receive written approval prior to execution.**

**9. INDIRECT COSTS**

Indirect costs may only be included in the budget if your agency has a current Negotiated Indirect Cost Rate Agreement (NICRA) with a federal agency or an auditor certified indirect cost rate. 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 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 total contract funds.

The dollar amount of indirect costs to be included in your budget should be reported on the budget summary page.

**10. BUDGET SUMMARY**

Once you have completed the individual budget pages, the bottom line total of each will automatically carry forward to the budget summary page. Please verify that this occurs accurately. Indirect costs must be entered manually on the summary page.

**11. ADMINISTRATIVE COST CERTIFICATION**

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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.

**12. 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
- the maximum monthly payment (equal to one-twelfth of the maximum obligation)

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