



Grants Management Grantee Manual Training



**Pre-Award:
Grant
Application-
Budget
Module 3**

Chapter 3





Objectives

- By the end of this module, you should be able to successfully:
 - Explain the cost principles, uniform administrative requirements and the basics of a project budget
 - Cost Principles and Uniform Administrative Requirements
 - Match/Cost Sharing
 - Indirect Cost
 - SF-424a Preparation
 - Maintenance of Effort





Cost Principles





Budget and Cost Analysis

Direct Costs – allowable, allocable, reasonable, in accordance with cost principles

- Costs that can be identified with a particular final cost objective/award
- Labor
- Fringe
- Equipment > \$5K
- Material and supplies
- Travel
- Consulting

Indirect Costs – approved by the cognizant agency (only in rare cases is it FMCSA)

- Costs that have been incurred for common or joint objective and cannot be readily identified with a particular final cost objective and/or agency wide activities
- General administration and management
 - Application should include a current copy of Indirect Cost Rate Agreement from the cognizant agency
 - CFO is the contact for agencies for which there is no cognizant agency

- **Match/Cost Share/MOE**





Governing Regulations

Grantee Type	Regulation
State, Local or Tribal Government	Cost Principles 2 CFR Part 225 (OMB Circular A-87)
State, Local or Tribal Government, Non-profits & Institutions of Higher Education	Agency Grants Management Common Rule 49 CFR Part 18, 19, and 20 DOT Regulations for grants and other agreements
Non-profit Organization	Cost Principles 2 CFR Part 230 (OMB Circular A-122)
Institutions of Higher Education	Cost Principles 2 CFR Part 220 (OMB Circular A-21)





Guidance on Cost Determination

- OMB Cost Principle Circulars
 - http://www.whitehouse.gov/sites/default/files/omb/fedreg/2005/083105_a87.pdf
- OMB Circular A-87 Implementation Guide (C-10)
 - <http://rates.psc.gov/fms/dca/asmb%20c-10.pdf>
- Non profit Guide for Indirect Cost Rate Determination
 - <http://www.dol.gov/oasam/programs/boc/costdeterminationguide/main.htm>
- Department of Interior Guidance for Preparing and Submitting Indirect Cost Proposals
 - <http://www.aqd.nbc.gov/Services/ICS.aspx>



Allowable Costs

- Allowable under the program statute
- Necessary and reasonable for proper and efficient performance
- Aligned with federal guidelines, regulations, federal cost principles;
- Treated uniformly and consistently under generally accepted accounting principles (GAAP)
- Authorized or not prohibited under state or local laws or regulations;
- Incurred in the period of performance on the Grant Agreement
- **Do Not** use FMCSA funds as match for any other federal award





Allowable vs. Unallowable Activities

Allowable Activities

- Program Specific Elements
- Personnel Costs
- Equipment and travel
 - Does **not** include fixed scales
- Occupancy expenses
- Data Acquisition
- Program Level Administrative Expenses
- Real Property
 - Not the purchase of land or buildings

Unallowable Activities

- Organized Fundraising
- Lobbying
- General public relations
- Cost of governance includes types of services normally -provided to the general public such as police and fire
- Contingency Reserves for Bad Debts
- Prosecuting claims against the Federal government





Unallowable Objects

- Advertising to promote the government unit
- Alcoholic beverages
- Entertainment
- Fines and penalties
- Memorabilia, promotional materials (other than marketing)
- Certain travel costs (e.g., first-class)
- Cash donations to other parties
- “Golden Parachute” severance payments
- Unused leave payments as direct costs
- Interest on borrowed capital (money) including government owned funds.
- Memberships in social, country clubs, civic or community orgs.
- Late Fees





Necessary and Reasonable

- Ordinary and necessary for the operation of the grantee or the performance of the grant
- Comparable to market prices
- Incurred with prudence
 - Similar to established government practices or prices
 - Follows sound business practices, federal and state laws
- Two pronged standard – necessary AND reasonable





Allocable

- Assigned on the basis of “relative benefits received”
- Demonstrate that the program benefitted from the cost in proportion to the amount charged (for specific programs)
 - Example: Computer lab has 20 computers; 10 were paid for with grant funds. This means 50% of their use must be for grant activities
- Cost Shifting Prohibition
 - Example: A cost under grant “x” may not be assigned to grant “y,” because grant “x” funds run out and unobligated funds were available under grant “y”





Other Factors

- Must be allowable under Non-federal as well as Federal law
- Conform to Legal Limitations & Exclusions
- Consistent with Policies, Regulations and Procedures of the Organization
 - Example: Fringe benefits or per diem for travel. Cannot charge Federal funds higher costs than what are charged to non-Federal.
- Determined in Accordance with the Generally Accepted Accounting Principles (GAAP)





Match/Cost Sharing

- Must be listed in the budget
 - Verifiable from grantee records
 - Not included as a contribution for any federally assisted project
 - Can include waived indirect costs
 - Follow cost principles – direct project benefit/support of activity
 - Not paid by the Federal Government under another award
 - For in-kind (soft) match - application must include a letter verifying the contribution and value if from a third party

SaDIP

MCSAP
Basic

MCSAP
HP

CVISN



Indirect Costs





Indirect Cost Rates

- Costs incurred by a grantee for common objectives that cannot be readily and specifically identified with a particular grant project. Include:
 - Costs of operating and maintaining equipment, and grounds;
 - Depreciation or use allowances; and
 - Salaries of administrators and organizational service operation, such as payroll, accounting, procurement and personnel
- Determined by the cognizant agency and provided in an indirect cost agreement





Determining the Cognizant Agency

- Cognizant agency is the one Federal agency which is designated to review and approve grantee indirect cost rates
- Indirect cost rates approved by the cognizant agency must be accepted by other Federal agencies
- DOJ or Federal Highway Administration (FHWA) is cognizant for most of FMCSA's grantees
- OMB Circular A-87 – “cognizance is generally established based on the Federal agency providing the greatest direct dollar support that is subject to indirect costs rates”





What is an Indirect Cost Rate Agreement

- Document issued by the cognizant agency providing:
 - Period of coverage
 - Rate percentage
 - Rate type – final, provisional, fixed with carry forward and predetermined
 - The direct base to which the percentage is applied
 - Must be "current"
 - Fringe rate in some cases

If current agreement does not exist, FMCSA will accept a "budget placeholder rate" based upon the applicants' indirect cost rate proposal to the cognizant agency



Rate Agreement Sample Format



[STATE] Department of Motor Vehicles

AGREEMENT NO. 2011 (1)
FILING REFERENCE: This replaces
previous Agreement No. 2011
Dated December 17, 2010

December 2, 2010

The purpose of this Agreement is to establish indirect cost rates for use in awarding and managing Federal contracts, grants, and other assistance arrangements to which Office of Management and Budget (OMB) Circular A-87 applies. This agreement is issued by the U.S. Department of Transportation Federal **Motor Carrier Safety Administration** (FMCSA) pursuant to the authority cited in Attachment A of OMB Circular A-87.

This Agreement consists of four parts: Section I - Rates and Bases; Section II - Special Remarks; and, Section III - Approvals.

Section I - Rate(s) and Base(s)

TYPE	Effective Period		Rate	Coverage		
	From	To		Base	Location	Applicability
INDIRECT RATE						
Fixed	07-01-09	06-30-10	23.96%	1/	All	All Programs
Fixed	07-01-10	06-30-11	9.34%	1/	All	All Programs
FRINGE BENEFIT RATE						
Fixed	07-01-09	06-30-10	54.98%	1/	All	All Programs
Fixed	07-01-10	06-30-11	55.83%	1/	All	All Programs

1/ Direct Salaries and Wages (Organization treats all salaries as direct)

Should include:

1. Cognizant Agency Identification
2. Rate Type
3. Period Covered
4. The direct base the rate is applied to
5. Make sure rate is allowable under the FMCSA program
6. Fringe Benefits – may have a separate rate or be charged like labor

*Sometimes agreement spells out equipment threshold (not always \$5,000)





What is FMCSA Looking at in the ICR?

- Is there a current Indirect Cost Rate Agreement (ICRA) from a likely cognizant agency?
- If not, is there a prior ICRA? Is there a proposal before the cognizant agency awaiting approval?
- Does the budget include the correct indirect cost rate percentage(s)?
- Does the budget calculate the indirect cost against the correct "direct cost base"?





U.S. Department of Transportation



Preparing a Grant Budget





Developing a Grant Budget

- FMCSA Grant Budgets consist of three components:
 - Budget narrative – provides the methodology behind your numbers
 - SF-424a Form – this breaks down the budget into object class categories
 - Line-item budget – which provides the detail behind each of the SF-424a object class categories and is program specific
 - CVSP Budget Template for the MCSAP Basic Program
- Sub-grantees should provide you with similar budgets





Budget Narrative

- Based on both the SF-424 Object Code Category and the line item budget. For example:

Personnel: All personnel are permanent full-time State employees unless otherwise specified. It includes one Captain, at a rate of X working on the MCSAP program 50% and seven Enforcement Officers, at a rate of Y, fully dedicated to MCSAP.

Equipment: Three patrol cars to replace the cars purchased with MCSAP funds in 2002 and have over 125,000 miles. These are at a per unit cost of \$30,000.





SF-424a Overview

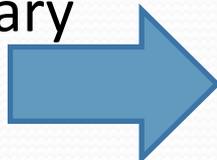
- Submitted for all FMCSA grant programs along with a budget narrative
- Budget items in accordance with administrative regulations and cost principles.
- Complete all line items for the SF-424a , as applicable
- Developed using a line item budget





SF- 424a Line Items

Section A: Budget Summary



- Just use Line 1
- Column (a) list the grant name
- Column (b) the grantee CDFA Number
- Leave Column (c) and (d) blank
- Column (e) Federal amount
- Column (f) non-federal amount
- Column (g) total amount needed to support the project requested.

BUDGET INFORMATION - Non-Construction Programs

OMB Approval No. 0348-0044

SECTION A - BUDGET SUMMARY						
Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1.		\$	\$	\$	\$	\$
2.						
3.						
4.						
5. Totals		\$	\$	\$	\$	\$
SECTION B - BUDGET CATEGORIES						
6. Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY			Total (5)		
	(1)	(2)	(3)		(4)	(5)
a. Personnel		\$	\$	\$	\$	\$
b. Fringe Benefits						
c. Travel						
d. Equipment						
e. Supplies						
f. Contractual						
g. Construction						
h. Other						
i. Total Direct Charges (sum of 6a-6h)						
j. Indirect Charges						
k. TOTALS (sum of 6i and 6j)		\$	\$	\$	\$	\$
7. Program Income		\$	\$	\$	\$	\$

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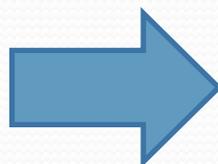
Standard Form 424A (Rev. 7-97)
Prescribed by OMB Circular A-102



SF- 424a Line Items

Section B: Budget Categories

- Personnel
- Fringe Benefits
- Travel
- Equipment
- Supplies
- Contractual
- Construction
- Other
- Indirect Charges



BUDGET INFORMATION - Non-Construction Programs

OMB Approval No. 0348-0044

SECTION A - BUDGET SUMMARY						
Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1.		\$	\$	\$	\$	\$
2.						
3.						
4.						
5. Totals		\$	\$	\$	\$	\$
SECTION B - BUDGET CATEGORIES						
8. Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY				Total (5)	
	(1)	(2)	(3)	(4)		
a. Personnel		\$	\$	\$	\$	
b. Fringe Benefits						
c. Travel						
d. Equipment						
e. Supplies						
f. Contractual						
g. Construction						
h. Other						
i. Total Direct Charges (sum of 8a-8h)						
j. Indirect Charges						
k. TOTALS (sum of 8i and 8j)		\$	\$	\$	\$	
7. Program Income		\$	\$	\$	\$	\$

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Standard Form 424A (Rev. 7-97)
Prescribed by OMB Circular A-102



SF-424a Line Item Budget –Section B

- **Personnel:**

- Wages and salaries paid to employees of the grantee organization directly involved in implementing activities in the approved project plans, including overtime
- Not sub-grantee personnel
- Not vendor personnel – from temp agencies or consultants
- **Rule of Thumb** – If the grantee issues a W-2 to the employee they go in the Personnel line

- **Fringe Benefits:**

- The cost of benefits paid to the personnel on the grant





SF-424a Line Item Budget – Sect. B Cont.

- **Travel:**

- Travel costs of personnel that are reasonable and necessary to effectively manage and carry out grant activities.
- Charged on an actual basis, or per-diem based on state/local policy
- No sub-grantee travel

- **Equipment:**

- Non-expendable personal property that has a useful life of more than one year and a **per-unit** cost of \$5,000 or more (federal) or state defined amount (if less than \$5,000).
- Necessary for the operation of the grant.





SF-424a Line Item Budget – Sect. B Cont.

- **Supplies:**

- Consumable materials costing less than \$5,000 per unit or an organization's equipment threshold whichever is less
- Copy paper, pens and pencils, computers, computer supplies, cell phones, faxes, radar guns, ticket writing devices, uniforms, materials needed to conduct trainings, promotional items (must be pre-approved) etc.

- **Contractual:**

- Consultants, vendors, sub-grantees, inter-agency transfer of funds, temp agencies.
 - Exception: Departments of the same government that submit a collaborative application
- Fuel and Vehicle Maintenance provided by a vendor



SF-424a Line Item Budget – Sect. B Cont.

- **Other:**

- Direct costs such as rent, utilities, leased equipment, transportation expenses, communications costs, tuition for training, printing, etc.

- **Total Direct Cost:**

- Total of lines “a” through “h” on the SF-424A .

- **Indirect Costs**

- Based on the approved indirect cost rate and applied to the correct base.
- For instance 15% of the Personnel and Fringe lines combined.





Indirect Cost Sample

- Salaries and Wages Base
- Includes Fringe
- Based on a 15% Indirect Cost Rate

Budgeted Expenses:
Direct Costs:

Salaries & Benefits	\$ 630,000
Travel	\$ 90,000
Supplies	\$ 60,000
Contracts	\$ 70,000
Total Direct Costs	<u>\$ 850,000</u>

Indirect Costs 15%

What would the calculation be:

- A - \$127,500
- B - \$117,000
- C - \$94,500

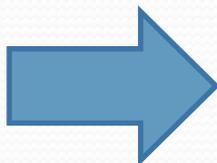




SF- 424a Line Items

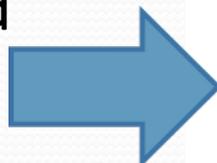
Section C: Non-Federal Resources

- Match by source



Section D: Forecasted Cash Needs

- Line 13 – breakdown of federal funds by quarter
- Line 14 – breakdown of match by quarter



SECTION C - NON-FEDERAL RESOURCES					
(a) Grant Program	(b) Applicant	(c) State	(d) Other Sources	(e) TOTALS	
8.	\$	\$	\$	\$	
9.					
10.					
11.					
12. TOTAL (sum of lines 8-11)	\$	\$	\$	\$	
SECTION D - FORECASTED CASH NEEDS					
	Total for 1st Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
13. Federal	\$	\$	\$	\$	\$
14. Non-Federal					
15. TOTAL (sum of lines 13 and 14)	\$	\$	\$	\$	\$
SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT					
(a) Grant Program	FUTURE FUNDING PERIODS (Years)				
	(b) First	(c) Second	(d) Third	(e) Fourth	
16.	\$	\$	\$	\$	
17.					
18.					
19.					
20. TOTAL (sum of lines 16-19)	\$	\$	\$	\$	
SECTION F - OTHER BUDGET INFORMATION					
21. Direct Charges:			22. Indirect Charges:		
23. Remarks:					





SF- 424a Line Items

Section E: Federal Budget Estimates

- Line 16 should be the same name as in Line 1
- Only use column a
- Column a should = Line 5c
- Line 20 = Line 16

Section F: Other

- To provide explanations as needed

SECTION C - NON-FEDERAL RESOURCES					
(a) Grant Program	(b) Applicant	(c) State	(d) Other Sources	(e) TOTALS	
8.	\$	\$	\$	\$	
9.					
10.					
11.					
12. TOTAL (sum of lines 8-11)	\$	\$	\$	\$	
SECTION D - FORECASTED CASH NEEDS					
	Total for 1st Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
13. Federal	\$	\$	\$	\$	\$
14. Non-Federal					
15. TOTAL (sum of lines 13 and 14)	\$	\$	\$	\$	\$
SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT					
(a) Grant Program	FUTURE FUNDING PERIODS (Years)				
	(b) First	(c) Second	(d) Third	(e) Fourth	
16.	\$	\$	\$	\$	
17.					
18.					
19.					
20. TOTAL (sum of lines 16-19)	\$	\$	\$	\$	
SECTION F - OTHER BUDGET INFORMATION					
21. Direct Charges:		22. Indirect Charges:			
23. Remarks:					



U.S. Department of Transportation



Maintenance of Effort





MOE Overview

- **Definition:** a statutory requirement to ensure grantees maintain a certain level of expenditure (exclusive of federal funds) for eligible program activities as a precondition of award. Usually an average aggregate level of grantee expenditures over a prescribed period of time.
- **Rationale:** to ensure Federal funding supplements State funds and does not supplant, or replace it
- **Applicability:** MCSAP Basic/Incentive





MOE Overview, Continued

- MOE is required based on FMCSA program authorizing legislation
 - MCSAP – 49 U.S.C 31102-31104
- It is based on the lead agency's MCSAP eligible activities
- If the grantee does not expend their MOE by the end of the grant period of performance, the grantee must reimburse all federal monies received from the grant.





MOE Overview – MCSAP New Rules

- MCSAP is based on the average expenditure for FY 2004 and 2005.
- May exclude State expenditures for government sponsored pilot or demonstration programs and State match amounts.
- The expenditures are those of the lead State agency responsible for implementing MCSAP
- May request a waiver for one fiscal year if the Secretary determines there are extreme extenuating circumstances.





MCSAP MOE Helpful Hints

- Reflect all MCSAP eligible expenses, such as part time staff, vehicle maintenance costs, etc.
- **Don't** include MCSAP-eligible expenses reimbursed by another Federal grant or associated State match
- **DO** include MCSAP-eligible expenses incurred beyond the amount which was reimbursed by a non-MCSAP Federal grant and associated match





Wrap Up and Knowledge Check





Summary

- Now that you have completed this module, you should understand :
 - The federal cost principles, uniform administrative requirements and the basics of a project budget
 - Cost Principles and Uniform Administrative Requirements
 - Match/Cost Sharing
 - Indirect Cost
 - SF-424a Preparation
 - Maintenance of Effort





Check Your Knowledge

- Module 3 Knowledge Check
- Module 3 Knowledge Check Answers