

Instructions for the Family Well-Being and Protection (FWBP) Combined Cost Report

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GENERAL INSTRUCTIONS

The Iowa Department of Health and Human Services (HHS) requires contractors of child welfare services including foster group care services (FGCS); family centered services (FCS); child welfare emergency services (CWES) shelter and temporary informal services, and supervised apartment living (SAL) to complete the annual Combined Cost Report. The cost reports allow HHS to determine allowable costs for each service.

Cost Report: The Combined Cost Report that consists of a Certification Page, various schedules, and a staff time allocation worksheet.

Cost Report Format: Contractors shall use the most current Combined Cost Report template, Form 470-5421, and email the completed cost report and a scanned, signed copy of the Certification Page to the contractor's HHS service contract specialist by the report's due date.

Fully complete all applicable schedules. Round monetary amounts to the nearest whole dollar.

Time Period: Cost reports are based on the contractor's fiscal year.

Due Date: Cost reports are due to HHS no later than the last day of the third month following the end of the contractor's fiscal year (approximately 90 days after the end of the contractor's fiscal year). Contractors may request one 30-day extension to the due date. Submit requests for an extension to the HHS service contract specialist.

Note: It is not necessary for a contractor to receive its certified audit before completing the cost report.

Failure to submit the cost report, or to answer questions related to cost report, to the satisfaction of the Department or its fiscal consultants within the required time limits is grounds for sanctions by the Department or termination of the contractor's contract.

Accounting Basis: The combined cost report must be completed on an accrual basis of accounting. If the contracting facility does not use this basis of accounting, adjust amounts to the accrual basis for the cost report. Adjust records of cash receipts and disbursements to reflect accruals of income and expenses. The intent of these adjustments is to obtain information concerning costs of providing services on a basis that is fair and comparable among contractors of the service.

Audits: Each contractor that has a certified public accounting firm perform an audit of its financial statements must require that the audit comply with the Industry Audit Guide format adopted by the American Institute of Certified Public Accountants (AICPA) and shall submit a copy of the certified audit report to HHS within 60 days of receipt.

Records: Contractors must maintain sufficient financial and statistical records in an easily auditable format to document the validity of the cost reports submitted to HHS. This may include, but is not limited to, financial ledgers, payroll records, bank statements, invoices, program and census data, FTE counts, meal counts, square footage floor plans, time studies and space usage studies, loan agreements, financial statements or audit reports, capital asset schedules including information to calculate depreciation on a straight line method, units of services, board of directors meeting minutes, and expense allocation schedules.

- The records shall be available for review at any time during normal business hours by Department personnel, the Department's fiscal consultant, and state or federal audit personnel.
- Retain these records for a period of seven years after final payment.

Exceptions to Costs: The Department or its fiscal consultant will communicate exceptions to costs to the contractor in writing.

Opinion of Accountant: The Department may require that an opinion of a certified public accountant or public accountant accompany the cost report when adjustments made to prior reports indicate noncompliance with reporting instructions.

Review of Combined Cost Report: Authorized representatives of the Department, or state or federal audit personnel, shall have the right to review the financial records and any necessary records of a contractor to support the cost report. The purpose of the review is to determine if expenses reported to the Department have been handled as required under these instructions, contract, and federal and state law. Representatives shall provide proper identification and shall use generally accepted auditing principles. The reviews may include a desk review, an on-site visit to the contractor, the contractor's central accounting office, the offices of the contractor's agents, a combination of these, or, by mutual decision, to other locations.

Rates: The initial reimbursement rate for any new service shall be based on criteria defined in the Request for Proposal, subsequent contracts, or Iowa law, whichever has precedence.

Instructions Are Not Comprehensive: These instructions are not intended to be comprehensive. In completing the forms, contractors should rely on the instructions as well as other relevant rules and regulations, including generally accepted accounting principles (GAAP).

Definitions

"Client" means an individual or family group eligible for child welfare services from the Iowa Department of Health and Human Services.

"Contractor" means an institution, organization, facility, contractor, or individual who is a legal entity and has entered into a contract with the Department to provide child welfare services to clients of the Department.

"Control" means that relationship existing where an individual or an organization has the power, directly or indirectly, significantly to influence or direct the actions or policies of an organization or institution.

"CWES" means child welfare emergency services.

"Department" means the Iowa Department of Health and Human Services.

"Direct cost" means those expenses which can be identified specifically and solely to a particular program.

"Excluded costs" means any cost that is non-reimbursable, excluded, or unallowable as identified in these instructions.

"Family Casework" or "FMCW" means a family centered model of child welfare practice involving ongoing assessment, case planning, and direct services to families which assists families in building the skills necessary to provide a permanent, safe, and stable environment for the Children. Direct services include any interventions to ameliorate barriers/deficits which would otherwise result in removal or delay reunification

"FMCW Agency Cases Unit of Service" means a calendar month of service provided for at least one child in a household that is involved in Department services with a Department assigned social work case manager. This service is provided to:

- A child or children who are victims of abuse and meet the Department's criteria for opening ongoing services, or a child or children who are subject to a court order based on Child in Need of Assistance (CINA) proceedings; and
- Any whole, half, or step siblings of these children who reside in the same household at the time of service referral or move into the household during the service delivery period, or are in

- placement under the care and supervision of the Department; and
- The parents, stepparents, adoptive parents, or caretakers, such as persons who have a significant relationship with the child or children.

Base the calculation of the unit on the number of days of service provided. When service is provided for a partial month, prorate the unit using the number of days of service based on a 30-day calendar month. The total number of days should include the beginning and ending days of service. For example, when a case is referred on the 10th of the month, report 7/10th of a unit or 0.7 (21 days out of 30) for that month. The rate for this service is stated in the contract.

“FMCW Non-Agency Cases Unit of Service” means a calendar month of service provided to at least one child in a household that is not involved in Department services. Case management and decision making responsibility is assigned to the contractor. This service is provided to:

- A child or children who are victims of abuse and meet the Department’s criteria for opening ongoing services, or a child or children who are subject to a court order based on Child in Need of Assistance (CINA) proceedings; and
- Any whole, half, or step siblings of these children who reside in the same household at the time of service referral or move into the household during the service delivery period, or are in placement under the care and supervision of the Department; and
- The parents, stepparents, adoptive parents, or caretakers, such as persons who have a significant relationship with the child or children.

Base the calculation of the unit on the number of days of service provided. When service is provided for a partial month, prorate the unit using the number of days of service based on a 30-day calendar month. The total number of days should include the beginning and ending days of service. For example, when a case is referred on the 10th of the month, report 7/10th of a unit or 0.7 (21 days out of 30) for that month. The rate for this service is stated in the contract.

“Family-Centered Services” or “FCS” means the services and support that include Family Casework (FMCW) Agency Cases, FMCW Non-Agency Cases, SafeCare®, SafeCare® Non-Agency Cases, Family Interaction, and Family Preservation Services. ***NOTE:** FCS replaced FSRP effective 07/01/2020.

“Family Interaction” means services provided to families where children have been removed from the home to maintain relationships with siblings, parents, family and other individuals and reduce the sense of abandonment and loss that children experience when placed outside of the home.

“Family Interaction Unit of Service” means a calendar month of service provided when a child is removed and placed outside of the home. While the unit of service is not to exceed 20 hours of face-to-face supervision time or 10 separate Family Interactions for the month, the actual number of hours or interactions may be less than 20 hours and 10 interactions as determined by the department.

The unit of service begins with the date of referral. This is not a prorated service.

“Family Preservation Services” means services provided to intact families or kin/fictive kin caregivers who have children at imminent risk of removal and placement in foster care as assessed by the Department worker and completion of the Department family risk assessment.

“Family Preservation Services Unit of Service” means one, 10-day calendar unit of service. While the unit of service is 10-calendar days, the actual number of days of service delivery may be less than 10 days as determined by the department. At most, there may be three units provided per case.

The unit of service begins with the date of referral. This is not a prorated service.

“FGCS” means foster group care services.

“FSS” means Family Support Specialist who is the individual primarily responsible for Case management support, which is provided using the SBC® practice model. The FSS is responsible for providing general service delivery, Family Preservation Services, and Motivational Interviewing.

“Joint Direct Cost” means those expenses that can be identified specifically to more than one program

and can be apportioned to those programs using an apportionment method that reasonably and fairly distributes cost.

"Indirect cost" means expenses that are related to and allowable for all programs and services. Allocate these costs across all programs and services.

"Owner" means a person or entity that operates or has at least a five percent (5%) stake or interest in an entity and is considered to have influence over the operations of an entity. (See [Related Party Transactions](#) for additional information.)

"Related Party" or **"Related to Contractor"** means that the contractor to a significant extent is associated or affiliated with or has control of, or is controlled by, the organization furnishing the services, facilities, or supplies.

"Relatives" include the following persons: husband and wife, domestic partner, natural parent and child, sibling, adopted child and adoptive parent, stepparent, stepchild, stepbrother, stepsister, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, grandparent and grandchild.

"SAL" means supervised apartment living services.

"SafeCare®" means an evidence-based training curriculum for parents who are at-risk or have been reported for child maltreatment. Parents receive weekly home visits to improve the skills in several areas, including home safety, health care, and parent-child interaction. ***Note:** SafeCare® replaced SPS effective 07/01/2020.

"SafeCare® Agency Case Unit of Service" means a calendar month of service provided to the parents and children ages zero to five in at-risk families involved in Department services with a Department assigned social work case manager where there is a probability or likelihood that a child in the future will experience maltreatment.

Base the calculation of the unit on the number of days of service provided. When service is provided for a partial month, prorate the unit using the number of days of service based on a 30-day calendar month. The total number of days should include the beginning and ending days of service. For example, when a case is referred on the 10th of the month, report 7/10th of a unit or 0.7 (21 days out of 30) for that month. The rate for this service is stated in the contract.

"SafeCare® Non-Agency Case Unit of Service" means a calendar month of service provided to the parents and children ages zero to five in at-risk families not involved in Department services where there is a probability or likelihood that a child in the future will experience maltreatment.

Base the calculation of the unit on the number of days of service provided. When service is provided for a partial month, prorate the unit using the number of days of service based on a 30-day calendar month. The total number of days should include the beginning and ending days of service. For example, when a case is referred on the 10th of the month, report 7/10th of a unit or 0.7 (21 days out of 30) for that month. The rate for this service is stated in the contract.

"TISC" means temporary informal shelter care services.

"Unit of service" means a specified quantity of service or a specific outcome as a result of the service provided.

CERTIFICATION PAGE

The purpose of the certification page is to report the contracting entity's statistical information and record the signature of the authorized officer of the contractor. Complete every item on this page.

FGCS, and FCS ID: Enter the contractor ID number used for foster group care services (FGCS) and family

centered services (FCS). This is a seven-digit number beginning with "29" (e.g. 2901011).

SHELTER & SAL ID: Enter the provider ID number used for child welfare and emergency services (CWES) shelter and for supervised apartment living (SAL) services. This is a seven-digit number beginning with "30" (e.g. 3004019).

Period of Report: Enter the beginning and the end dates of the contractor's fiscal year. This may or may not be the same as the 12-month period covered by the contractor's HHS service contract.

Date of Fiscal Year End: Enter the end date of the contractor's fiscal year.

Administrator Name: Enter the name of the facility's administrator.

Administrator Phone No.: Enter the facility administrator's phone number.

Name of Person to Contact if Questions about the Report: Enter the name of the person HHS or its' fiscal agent can contact with any questions about the report. This is usually the person who prepared the report.

Contact Phone No.: Enter the contact person's phone number.

Contact Email Address: Enter the contact person's email address.

Audit: Indicate if the contractor had a certified public accounting firm perform an audit of the contractor's financial statements. Enter the fiscal year end date of the audited information. Forward a copy of the latest independent audit to HHS within 60 days of receipt from the certified public accountant or accounting firm. If the audit is in process but is not yet completed, enter the expected date the audit report will be completed.

Type of Entity and Type of Control: Indicate the contracting entity's type of ownership and control.

Accounting Basis for Financial Reporting: Indicate the accounting basis used by the contractor to prepare internal financial records and financial statements.

- Accrual: Record revenue when earned and expenses when incurred.
- Modified Cash: Combination of cash and accrual methods.
- Cash: Record revenue when received and expenses when paid.

Accounting Basis for Cost Report: Indicate the accounting basis used by the contractor to prepare the cost report.

- Accrual: Record revenue when earned and expenses when incurred.
- Modified Cash: Combination of cash and accrual methods.
- Cash: Record revenue when received and expenses when paid.

Note: The accrual basis is the required method for the cost report. If the contractor does not use the accrual basis of accounting, reported amounts must be adjusted to the accrual basis. Keep the work papers used in adjusting the records from cash to accrual and be prepared to submit them upon request.

Statistical Data for Select Services: Enter the data described below for the specific services listed.

1. **Licensure:** Enter the number of clients for whom the contractor was licensed to provide services.
2. **Type of Unit:** Enter the type of unit, (ex. monthly, daily, hourly).
3. **Total Number of Units Provided:** Enter the number of units provided for each service or service

level. For FGCS and CWES shelter, report only the number of maintenance units provided during the reporting period. For all other services, include all units of service provided for both HHS and all other clients. Report units regardless of whether payment has been received.

3a & 3b: Unit breakdown by client type: Enter the number of units of service provided for Iowa HHS clients on 3.a. Enter the number of units of service provided for non-Iowa HHS clients, i.e. youth from other states or private pay, on 3.b.

4. **Rates for HHS clients:** Enter "Yes" if the Iowa HHS clients are charged the same or a lower rate than non-Iowa HHS clients. If HHS clients are charged a higher rate, enter "No" and explain the reason "No" was entered.

Signatures: An officer or administrator of the contractor must sign and certify the information provided on the cost report is, to the best of the signatory's knowledge, true and correct. Signatures are required as follows:

- **Item E:** "The Officer or Administrator of Facility" should be the person at the contracting entity who is ultimately responsible for the content of the cost report.
- **Item F:** "Statement of Preparer (If Other than Contractor)" should be signed by the person who actually prepared the report.

SCHEDULE A – REVENUE REPORT

The purpose of Schedule A, Revenue, is to report all of the contractor's income. Enter revenues from all sources as recorded in the contractor's general books and records, and adjusted for the accrual accounting basis when necessary.

Report total revenues or gross income in the column headed "Total Revenue." Report revenues as recorded in the general ledger and adjusted for accruals. Do not reclassify expense recoveries credited to expense accounts, per the general ledger, in order to reflect them as revenues on the cost report.

The schedule provides categories for the most common revenue sources. If additional categories are needed, submit a supplemental attachment with the cost report.

Revenues are generally broken down into three classifications for the purposes of completing this report. These are:

- Fees for Service,
- Service, Reimbursement of Investment Income, and
- Contributions.

Fees for Service: Fees for services represent income earned as a result of performing services to or for clients. These fees might be paid by third parties on behalf of clients for whom services were performed (for example, United Way payments for slots for clients or Title X payments for client services provided).

Service, Reimbursement, or Investment Income: This income includes program revenues from the sale of products (including workshop revenues), food reimbursement from the Department of Education, and investment income. Additional other income items may be applicable and, if so, identify them accordingly or provide an accompanying schedule to support the income.

Contributions: These revenues include United Way funding, fundraising, other donations, and government grants which are not designated as fees for services. Attach a schedule showing the

contribution and its anticipated designation by the contractor. Report these funds as follows:

- Restricted or appropriated: These funds include those that either are appropriated through formal action by the contracting entity's board or are restricted by the donor. This includes interest from the contribution, when this interest is also restricted or appropriated and is held separate and not mingled with other funds.
- Not restricted or appropriated: Funds that are not restricted or appropriated include donations that are not appropriated or designated through action by the contracting entity's board or restricted by the donor.

Government Grants: Explain government grants on an accompanying schedule and include the source of funding, the purpose and period of the grant, and the program to which the grant pertains.

Revenue for Schedule D Expense Deduction: Report in the column titled "Revenue for Schedule D Expense Deduction" the total for each revenue item that is required to be deducted from service costs on Schedule D. Report revenue offset amounts in the Program Income or Reimbursements line on the last page of Schedule D. Revenue deductions should be reported to the Service/Program or Indirect Cost Columns on Schedule D consistent with the allocation of the related expense. For example, if Interest Expense is reported to FGCS D9 and Indirect Cost then the Investment Income Revenue Deduction should be reported proportionately to FGCS D9 and Indirect Cost on the Program Income or Reimbursements line of Schedule D.

Examples of income that must be offset against service cost include, but are not limited to, all service income generated up to the amount of related service cost, including:

- Reimbursements for certain expenses (excluding fees for services),
- Income from investments (except where the income is from gifts and grants, whether restricted or unrestricted, which are held separate and not mingled with other funds).
- Rent income
- Food reimbursement
- FEMA reimbursement

Contributions of funds for operating costs or to reimburse the contractor for operating deficits would not reduce the contractor's allowable costs. However, if the donor designates a special category of costs for which the contributions must be used and, in effect, assumes these costs, the designated costs or group of costs is reduced. Report these offset amounts in the United Way Contributions, Other Contributions, or Government Grants lines on the last page of Schedule D.

The purpose of a grant will determine if any funds received are applied as a reduction of allowable costs. When a grant is for programs/services, and is to be used as the contractor deems reasonable and necessary, the grant is considered unrestricted and is not be used to reduce allowable costs. However, if the grant is related to programs/services and is restricted for certain costs or groups of costs, the grant is considered restricted and is deducted from program/service costs. When the award or grant is for services not related to one of the specifically listed programs, report the costs associated with the award or grant with other programs.

SCHEDULE A - REVENUE REPORT

	Total Revenue	Revenue for Sch D Expense Deduction *	Breakout Expense Deduction by Program/Service	Sch D Line No. for Related Expense
Fee for Service:				
Iowa Department of Health and Human Services	\$ 2,500,000			
County Board of Supervisors	\$ 75,000			
Private Clients	\$ 25,000			
Dept of Ed (Voc Rehab - service fees only)				
United Way (service fees only)				
Social Security, SSI, SSA				
Other	\$ 45,000			
Total	\$ 2,645,000	\$ -		
Service, Reimbursement, or Investment Income:				
Work Services Revenue (Ex. Adult Voc. Svcs.)				
Food Reimbursement (DOE)	\$ 250,000	\$ 200,000	FGCS D1 = \$100,000; Shelter = \$30,000; PMIC = \$70,000	250
Investment Income	\$ 20,000	\$ 20,000	FGCS D1 = \$10,000; Shelter = \$3,000; PMIC = \$7,000	2870
Other (attach schedule)				
Total	\$ 270,000	\$ 220,000		

Breakout Expense Deduction by Program/Service: Report in the column titled “Breakout Expense Deduction by Program/Service” the specific services(s) and related amount(s) for each Revenue Deduction reported on Schedule D. Allocate revenue deductions in the manner used to allocate the expenses on Schedule D, up to the extent of the expense.

Schedule D Line Number for Related Expense: Report in the column titled “Schedule D Line Number for Related Expense” the specific line(s) on Schedule D where the expenses related to the deduction are reported.

SCHEDULE B - STAFF NUMBERS AND GROSS WAGES

The purpose of Schedule B, “Staff Numbers and Gross Wages,” is to report:

- The count of full-time and part-time staff for the entire contracting entity or location.
- Full-time equivalent numbers of all staff, staff positions, and titles.
- Salaries or wages by position for all staff.

Job Classification and Title: Enter the job titles in the space provided in the left column for each job classification. All personnel must be separated into the following classifications:

- 2110 Administrative Staff
- 2120 Professional Staff
- 2130 Direct Client Care Staff

- 2150 Clerical Staff
- 2191 Food and Kitchen Staff
- 2192 Property Maintenance Staff
- 2193 Other Staff

Each classification is shown below with a list of the types of positions that could be included in the classification. This list is for illustration and may not contain all positions included in the classification for a specific contractor.

2110 - Administrative Staff

Intended for general management staff of the contractor, which may include such positions as:

- Accountant
- Assistant executive director
- Branch director
- Business manager
- Executive director
- Finance director
- Office manager
- Program director*
- Public relations director

*Note: The program director may be included as administrative staff if that person oversees several supervisors of different services in a multipurpose contracting entity.

2120 - Professional Staff (direct service personnel)

Intended for staff involved in directing client services, including those in licensed and regulated professions, which includes such positions as:

- Audiologist
- Counselor
- Dietician
- Licensed practical nurse
- Occupational therapist
- Program supervisor
- Psychiatrist
- Psychologist
- Recreational therapist
- Registered nurse
- Social worker
- Speech therapist

2130 - Direct Client Care Staff

Intended for staff not included under the professional category and who provide direct service to clients, including such positions as:

- Attendants
- Child care workers
- Cottage parent
- Home aide

House parents
Nurses' aides
Orderly

2150 – Clerical Staff

Intended for staff involved in record keeping and office operations, including such positions as:

Bookkeeper
Clerk
Receptionist
Secretary
Typist

2191 – Food and Kitchen Staff

Includes such positions as:

Cook
Kitchen helper

2192 – Property Maintenance Staff

Includes such positions as:

Carpenter
Housekeeper
Janitor
Laundry worker
Property maintenance worker

2193 – Other Staff

Intended for wages paid for staff not fitting into the above categories. Agencies providing work services may also use this category to record wages paid to clients when they are specifically labeled as such.

Client wages
Security staff

Number of Staff: Enter the number of persons working full time or part time, and the total full-time equivalents (FTEs) for each job title (e.g., a person working half-time has an FTE of 0.5).

FTE calculation examples for a cost report period ending June 30

1. A full-time employee (1.0 FTE) starts in January. The FTE reported on Schedule B for the fiscal year will be:

$$(1.0 \text{ FTE} \div 12 \text{ months}) \times 6 \text{ months} = \mathbf{0.50 \text{ FTE}}$$

2. A full-time employee (1.0 FTE) starts in November. The FTE reported on Schedule B for the fiscal year will be:

$$(1.0 \text{ FTE} \div 12 \text{ months}) \times 8 \text{ months} = \mathbf{0.67 \text{ FTE}}$$

3. A part-time employee starts in January. The employee works 24 hours per week ($24 \text{ hours} \div 40 \text{ hours} = 0.6 \text{ FTE}$). The FTE reported

on Schedule B for the fiscal year will be:

$$(0.60 \text{ FTE} \div 12 \text{ months}) \times 6 \text{ months} = \mathbf{0.30 \text{ FTE}}$$

4. A part-time employee starts in March. The employee works 16 hours per week ($16 \text{ hours} \div 40 \text{ hours} = 0.4 \text{ FTE}$). The FTE reported on Schedule B for the fiscal year will be:

$$(0.40 \text{ FTE} \div 12 \text{ months}) \times 4 \text{ months} = \mathbf{0.13 \text{ FTE}}$$

5. A part-time employee working 24 hours per week ($24 \text{ hours} \div 40 \text{ hours} = 0.6 \text{ FTE}$) becomes a full-time employee (1.0 FTE) starting in November. The FTE reported on Schedule B for the fiscal year will be:

$$(0.60 \text{ FTE} \div 12 \text{ months}) \times 4 \text{ months} = 0.20 \text{ FTE} \text{ plus}$$

$$(1.0 \text{ FTE} \div 12 \text{ months}) \times 8 \text{ months} = 0.67 \text{ FTE}$$

$$0.20 \text{ FTE} + 0.67 \text{ FTE} = \mathbf{0.87 \text{ FTE}}$$

Gross Wages: Enter the gross salaries and wages for all full-time and part-time staff for each job title for the entire contracting entity or location. The salaries and wages correspond to the respective salary lines on Schedule D, Expense Report (lines 2110 - 2190).

Contractors are required to maintain supporting documentation identifying the number and type of staff and FTEs.

SCHEDULE C – DEPRECIATION AND AMORTIZATION EXPENSE

Capital assets, such as buildings and equipment, represent a cost to any service. Although they may not be associated with a cash outlay during a particular fiscal year, the allowable procedure is to reflect the cost of the asset over its anticipated useful life using straight-line depreciation.

Schedule C includes the original acquisition costs, capital improvements, and depreciation on buildings and equipment owned by the contractor. If property is leased from a related party, information regarding the lessor's costs must be submitted on Schedule C.

The depreciation expense on this schedule must correspond to the Depreciation lines on Schedule D, "Expense Report," (lines 4400 - 4480). Enter ongoing expenses, such as maintenance and repairs for this property, on Schedule D under subheadings for either 2800 (occupancy) or 4300 (repair expenses).

Depreciation Guidelines

Guidelines from Title 2 of the Code of Federal Regulations (CFR) Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (also known as the "Omni Circular") require capitalization of fixed assets, excluding computer equipment, when:

- They have a useful life of more than one year, and
- the acquisition cost is the lesser of:
 - \$5,000.00, or

- The capitalization level established by the contractor for financial reporting purposes and documented in the contractor's policy handbook.

If a depreciable asset has a historical cost of less than \$5,000.00, or if the asset has a useful life of less than two years, its cost is allowable in the year acquired.

This cost minimum applies to either a single asset or quantity purchase of low-cost assets, provided the useful life estimate is greater than one year.

Useful life does not enter into the determination for computer equipment. Computer equipment is considered a supply and is not capitalized if the cost is less than \$5,000.00.

For property and equipment depreciation, follow *The Estimated Useful Lives of Depreciable Hospital Assets*, published by the American Hospital Association which establishes class lives of assets and their respective periods of depreciation. Calculate depreciation expense on a straight-line basis over the estimated useful lives of the assets. Enter any difference between the amount of depreciation recorded in the contractor's general ledger and the straight-line method reflected on Schedule D, "Excluded Costs" column, as an adjustment of expense.

Establish and apply a depreciation policy consistently from one fiscal period to the next to determine how much depreciation to claim in the first and last years if a purchase is made mid-year. Available methods include:

- Taking a full year in the year of acquisition and none in the year of disposal,
- Taking no depreciation in the year of acquisition and a full year in the year of disposal, or
- Calculating the exact months' worth in both these years.

Agencies shall itemize fixed assets on this schedule where different depreciable lives are used. Smaller fixed assets may be grouped together for reporting purposes as long as each group of assets is being depreciated over the same useful life.

Start-Up Costs: Contractors generally incur certain costs or initial expenses when preparing to start a program or start providing services. The costs incurred during this time of preparation are referred to as start-up costs. Since these costs are related to program services rendered after the time the cost is incurred, capitalize the costs as deferred charges and amortize them over 60 months beginning with the first month program or services are provided.

Start-up costs may include, but are not limited to, administrative costs; heat, gas, and electricity; taxes; insurance; mortgage and other interest; employee training costs; repairs and maintenance; housekeeping; and any other allowable costs incidental to the start-up period. However, any costs that are properly identifiable as organization costs or costs that can be capitalized as construction costs must be appropriately classified as such and excluded from start-up costs.

Capitalize as start-up costs those costs that are incurred immediately before a contractor begins providing services, not to exceed six months prior to the first date program services are provided, and that are determined to be related to program services. Start-up costs incurred more than six months prior to the first date services are provided are not allowable.

For program reimbursement purposes, depreciate costs of the contractor's facility and building equipment over the lives of the assets starting with the first month program services are provided. Where portions of the contractor's facility are prepared for program services after the initial start-up period, depreciate the asset costs applicable to each portion over the remaining lives of the applicable assets. If the portion of the facility is in a program services area, start the depreciation with the first month services are provided. If

the portion of the facility is a nonrevenue-producing program service area or unallowable area, start the depreciation when the area is opened for its intended purpose. Depreciate the costs of major movable equipment, over the useful life of each item, starting with the month the item is placed into operation.

- (1) Where a contractor prepares all portions of its facility for program services at the same time and has capitalized start-up costs, amortize the start-up costs over a period of 60 consecutive months beginning with the first month services are provided.
- (2) Where a contractor prepares portions of its facility for program services on a piecemeal basis, separately capitalize and amortize start-up costs for the portions of the contractor's services that are prepared for during different periods of time.

Column Instructions

Original Cost: Record property and equipment at its original cost less any disposals. Report each asset or group of like assets individually.

When items are purchased as an integrated system, all items must be considered as a single asset when applying the capitalization threshold. Items that have a stand-alone functional capability may be considered on an item-by-item basis.

For example:

- An integrated system of office furniture (interlocking panels, desktops that are supported by locking into panels) must be considered as a single asset when applying the threshold.
- Stand-alone office furniture (e.g., chairs, freestanding desks) is considered on an item-by-item basis.

Depreciation Recorded Prior Years: Calculate by totaling the depreciation accumulated from previous years less any disposals.

Method: Use the straight-line method of depreciation.

Note: The annual percentage rate and the recorded depreciation expense should correlate. For example, if the contractor plans to depreciate a \$5,000 piece of equipment equally over 5 years at \$1,000 per year, the percentage in the "Annual %" column is 20%.

FY Depreciation Expense: Enter the total amount of straight-line depreciation for the fiscal year.

If the contractor uses a depreciation method other than straight-line, the difference between the amount of depreciation recorded in the contractor's general ledger and the straight-line method must be reflected on Schedule D, "Excluded Costs" column, as an adjustment of expense.

Related Party Property Costs

A "related party" is defined as an organization related through control, form ownership, capital investment, directorship, or other means.

Organizations are required to disclose their financial and statistical records to determine whether a related party relationship exists and to document the validity of costs. The Department or the Department's fiscal consultant shall have access to the records of the contractor and landlord or supplier to determine if relatedness exists. Applicable records may include financial and accounting records, board minutes, articles of incorporation, and a list of board members.

If property is leased from a related party, the rent expense must be classified as a non-reimbursable cost on Schedule D, with the actual cost of the property substituted. A schedule of lessor's cost is included on Schedule C for purposes of identifying the actual cost incurred by the related party landlord.

SCHEDULE D – EXPENSE REPORT

Schedule D is a summation of the facility's detailed expenses. The purpose of Schedule D, Expense Report, is to report total contractor expenses and allocate those expenses to the various services provided by the contractor. The allocation of costs per service includes all costs for the contracting entity and should be consistent with the costs included on the contractor's general ledger.

Enter the total costs of operation of **all** programs and services the contractor provides on this schedule.

All expenses reported on the cost report must be supported by the contractor's general ledger and documentation on file in the contracting entity's office. These records include, but are not limited to:

- Reviewable, legible census reports,
- Payroll information,
- Bank statements,
- Capital asset schedules including information to calculate depreciation on a straight line method,
- All canceled checks, deposit slips, and invoices (paid and unpaid),
- Financial statements and audit reports (if any),
- Board of directors' minutes,
- FTE counts,
- Meal counts,
- Square footage floor plans,
- Time and space usage studies,
- Loan agreements,
- Lease agreements, and
- Expense allocation schedules.

The contracting entity must maintain detailed records in a format that can be easily reviewed or audited at any time.

Schedule D includes:

- Columns for gross total expenses, excluded costs, and adjusted costs.
- A column for the direct and joint direct costs of each of the specified services the contractor provides to the Department.
- A column for the direct costs of all other programs and services.
- A column available for reflecting all indirect costs that are applicable to all programs and services.
- The column to the right of Total Facility Indirect Costs verifies Adjusted Costs equal all allowable program-specific costs plus allowable indirect costs. An error message will display when the numbers do not balance.

The contractor shall include all contracting entity costs on this schedule so that:

- The allocation or apportionment of costs to all services and programs of the contracting entity may be observed together as one overall calculation.
- Consistency in these cost allocations can be reviewed from one fiscal period to the next.

Direct and Indirect Expenses

Program/Service Expenses: Expenses for a particular service or program are that program's expenses. Expenses for one service shall not be reported as expenses for any other service. Some costs a contractor incurs may not be necessary for the provision of a service. Therefore, those expenses identified as not contributing to the provision of services shall not be included in the cost of the service. Contractors may choose to provide the benefits or incur the costs, but may not include them as expenses for that service. If it incurs such costs, the contractor must pay them from other funds. Report those costs in the Excluded Cost column on Schedule D.

Direct and Indirect Expenses:

To provide for uniform costing, it is necessary to report expenses that are considered direct costs separately from those that are considered indirect costs. Report any expense that relates directly to a particular service to that service. Do not allocate that expense between services.

Maintain supporting documentation in an easily auditable format:

- for the method used to apportion joint direct costs related to two or more programs or services and
- to determine indirect costs.

This documentation must be made available to the Department or the Department's fiscal consultant upon request. This documentation includes any calculations or spreadsheets used to determine allocation percentages as well as underlying source documents including, but not limited to, time studies, direct service hours, FTE counts, square footage floor plans, space usage studies, and meal counts.

Direct Expenses

Report any expense that relates directly to a particular service in the applicable service's direct cost column on Schedule D for that service. Apportion joint direct costs to the applicable services using a method that reasonably and fairly distributes cost and report the apportioned cost in the applicable services' direct cost columns on Schedule D.

A multiservice contractor must establish an acceptable method of distributing joint direct costs among the different services and programs. Contractors may use any recognized method, which reasonably and fairly distributes the costs. Contractors must be able to provide a rationale for the method selected and maintain detailed supporting documentation in an easily auditable format. The method must be consistent from one reporting period to another. If a contractor wishes to change its method and believes the change will result in more appropriate and more accurate direct cost, the contractor must note the change on Schedule F and submit a written justification for the change along with the cost report.

Direct and joint direct expense includes the wages, fringe benefits, and payroll taxes for all direct client-contact personnel involved in that particular service. Direct and joint direct expense also includes a supervisor's wages, fringe benefits and payroll taxes, or the apportioned share of such, when the supervisor supervises more than one program, even when a supervisor does not work directly with clients.

Payroll Expense Allocation

Personnel services constitute the largest single cost of most agencies. Time reporting is essential for a sound basis of distributing wages, fringe benefits, and payroll taxes. Contractors are required to complete quarterly time studies each year. See [Schedule H - Allocation of Staff Time](#) for additional information.

Using Time Studies to Allocate Payroll Expense: Special consideration may be needed to use time studies to allocate payroll expenses on Schedule D. First, while quarterly time studies are the minimum required to complete Schedule H, quarterly time studies may not be of sufficient frequency for cost allocation. Enough time studies should be completed to accurately reflect the activities and functions of all staff over the course of the entire year. For cost allocation, monthly time studies are recommended, ideally for one week each month. Monthly time studies should not be administered at the same point within the month for consecutive months. For example, if the 2nd week in March is selected for the time study, the time studies for February and April should not also be administered in the 2nd week.

Time study results are reported in the aggregate for each staff category on Schedule H (Administrative, Professional, Direct Care, etc.); however, the percentages reported on Schedule H for each staff category may be too generic for cost allocation. The wider the variety of employees reported within a staff category, the more specific the time study data will be for cost allocation. For example, per Schedule B, *Line 2120 – Professional Staff* reports staff salary expense for Supervisors, Therapists, and Family Workers. The time study results specifically for the Supervisors should be used to allocate Supervisor salary expense, the results for the Therapists should be used to allocate Therapist salary expense, and the results for the Family Workers used to allocate Family Worker salary expense. Related Benefit and Payroll Tax expense can be allocated by staff position as well or based on the percent of salary expense.

Alternate Methods: One alternate method is Direct Payroll where payroll expenses are charged to service specific accounts within the General Ledger based on specific functions performed by individuals each day. For this to be sufficient, payroll records must reflect changes in functions from day to day. For example, if Employee A works in the FGCS building Monday through Thursday but fills in at the Shelter Care building on Friday to ensure ratios are maintained, the payroll system must be able to accurately record Employee A's salary expense for that week; FGCS for four days and Shelter for one day.

Another alternative method is to use full-time reporting. For this method, track all hours worked by all staff for the entire year. This is generally tracked within the payroll system. The most accurate way to distribute cost using this information is to determine the percent of time an individual worked on each service or program and apply those percentages to that individual's wages, fringe benefits, and payroll taxes.

Another option is to total the hours worked for each service by all staff. Divide the hours for each service by the total number of hours to arrive at percentages to use as the basis for distributing payroll expense. This is best calculated for groups of similar staff and not all staff employed by the entity.

Reduce the hours listed for each employee by the vacation, sick leave, and holiday hours. Include the dollar amount of these benefits as salary expense.

Meal Allocation

For cooks, dietary, and kitchen staff who prepare and serve meals to clients of more than one service, allocate the wage, fringe benefit, and payroll tax expenses to the separate services based upon the number of meals served for each service or program. The number of clients from each service may be used if the number of meals served each day is consistent between services and programs.

Example:

The cafeteria prepares 100 meals. Fifty meals go to foster group care clients, 25 meals go to CWES shelter clients, and 25 meals go to clients of "Other Programs." All clients receive three meals each day. Allocate 50% (50 of the 100 meals) of the cook and cafeteria staff's wage, benefit, and payroll tax expense to the foster group care program. Allocate 25% (25 of the 100 meals) of the expenses to the CWES shelter program and the remaining 25% to the "Other Program's" expenses.

Occupancy Expense Allocation

All contractors are required to complete an annual two-week space usage study to determine how shared-use spaces are utilized. For FGCS, FCS, and SAL, this study must distinguish between unique services or levels of care. The results, instructions, forms, and tools used for the study must be available for review by the Department or the Department's fiscal consultant upon request.

Contractors can distribute occupancy expenses, including building depreciation, by service using a space-utilization formula. (See instructions for [Schedule F1 - Building Usage by Service](#).) Contractors may use the space utilization formula to distribute wage, fringe benefit, and payroll tax expenses of property maintenance, housekeeping, and janitorial-type personnel included in accounts 2100, 2200, and 2300.

Other methodologies may be used to allocate occupancy expenses on Schedule D; however, any alternative method must be identified on Schedule F and supporting documentation submitted with the annual cost report. The Department or its fiscal consultant will review the alternate method and supporting

documentation for reasonableness and final approval.

Indirect Expenses

Indirect costs are expenses that are related to and allowable for all programs and services. These expenses are generally related to overall contracting entity operation rather than to specific services within the entity.

Report all indirect costs in the Indirect Cost column of Schedule D. Allocate these costs across all programs and services.

Contractors may select the method of distribution by providing a rationale for that distribution (see [Schedule F, Cost Allocation Procedures](#)). The default formula in the Excel cost report template for allocating indirect costs to the services and programs the contractor provides is to distribute the indirect costs on the percentage of each program's direct costs to the total direct costs of the contracting entity.

If a contractor believes it can justify an alternate method of allocating indirect costs (i.e., a weighted allocation favoring certain services), the contractor may use it. Submit supporting documentation for that alternate allocation method with Schedule F of the annual cost report. The Department or its fiscal consultant will review the alternate method and supporting documentation for reasonableness and final approval.

Limitation of Expenses

Allowable costs are limited to those costs that are considered reasonable, necessary, and related to the service provided to the client.

“Reasonable cost” is defined as that amount of cost or expense that would ordinarily be incurred by similar contractors in similar markets. It is that level of cost which a prudent and cost conscious buyer of goods and services is ordinarily willing to incur in providing these kinds of services.

“Necessary and Proper Cost” is defined as costs related to the provision of service which are considered common and accepted occurrences in the field of the contractor’s activity. Allowability of costs is subject to the service requirements prescribed by the Department.

Unallowable Expenses: Certain expenses that are not normally incurred in providing program services are not allowable. Report unallowable costs in the Excluded Costs column on Schedule D. These include:

- Federal and state income taxes.
- Amounts paid to members of the board of directors and nonworking officers.
- Awards and grants to recognize board members and community citizens for achievement. (Awards and grants to clients as part of a service plan are reimbursable.)
- Costs associated with any board of directors meetings, including meals, travel, and lodging.
- Bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims related to collection of costs and related legal costs.
- Charity and courtesy allowances
- Personal expenses, such as costs of goods or services for personal use by employees regardless of whether the cost is reported as taxable income to the employee.
- Prorate certain expenses, such as rent or depreciation of a vehicle and expenses of travel that include both business and personal costs. The prorated personal costs are not allowable. Amounts that appear to be excessive may be limited after consideration of the specific circumstances. Maintain records to substantiate the indicated charges.
- Penalties, fines, or interest imposed by federal, state, or local agencies.

- Penalties, fines, fees, or interest imposed for non-sufficient funds or delinquent payments.
- Contributions or donations, including but not limited to cash, property, and services, made by the contractor, regardless of the recipient.
- Fees paid for lobbying any federal, state, or local governmental body, including any lobbying amounts paid to any organization that provides lobbying services.
- Mileage paid for business use of a personal vehicle, or the actual cost, above the state maximum will not be allowable.
- Any settlements for overpayments.
- Costs of investment counsel and staff and similar expenses incurred to enhance income from investments. (However, such costs associated with investments covering pension, self-insurance, or other funds are allowable.)
- Entertainment costs incurred by contractors, including tickets to sporting or other events, alcoholic beverages, golf outings, ski trips, cruises, professional musicians or other entertainers. Costs incurred by contractors for purposes of employee morale, (e.g. annual employee picnic or annual Christmas or holiday party), an annual employee award ceremony or for sponsorship of employee athletic programs (bowling, softball, basketball teams, etc.), are also unallowable.
- Memberships required by a parent organization or voluntary memberships in recreational clubs, paid for by a contractor (country clubs, dinner clubs, health clubs, or similar places) which are primarily for the benefit of the employees of the contractor.
- Costs eligible for reimbursement through the Medicaid program.
- Food and lodging expense for personnel incurred in the city or immediate area surrounding the personnel's residence or office of employment, except when the specific expense is required by the contractor and documentation is maintained for audit purposes. (Food and lodging expenses incurred as part of programmed activities on behalf of clients, their parents, guardians, or consultants are allowable expenses when documentation is available for audit purposes.)
- Business conferences and conventions, including meeting costs of a contractor that are not required in licensure.
- Survey costs not related to Iowa licensure requirements and when required certification is not attained.
- All fund-raising costs.

Gains and losses: Gains and losses on the sale, retirement, scrapping, abandoning or impairing, or other disposition of depreciable property shall not be recognized. The amount of any gain shall not reduce cost and any loss is not an allowable cost.

Start-Up Costs: Any costs that are properly identifiable as organization costs or costs that can be capitalized as construction costs must be appropriately classified as such and excluded from start-up costs. See [Start-Up Costs](#) in Section C for more information.

Interest as an Allowable Expense: Interest is the cost incurred to use borrowed funds. Interest on current indebtedness is the cost incurred for funds borrowed for a relatively short term. Interest on capital indebtedness is the cost incurred for funds borrowed for capital purposes.

To be allowable, interest must be:

- Supported by evidence of an agreement that funds were borrowed and that payment of interest and repayment of the funds are required;
- Recognized as a liability and expense in financial information;
- Related to the reporting period in which the costs are incurred; and
- Necessary and proper for the operation, maintenance, or acquisition of facilities.

To support the existence of a loan, contractors must have a signed copy of the loan contract available that

contains the pertinent terms of the loan such as amount, rate of interest, method of payment, due date, amortization schedule. Where the lender does not customarily furnish a copy of the loan contract, correspondence from the lender stating the pertinent terms of the loan is acceptable.

'Necessary' requires that the interest be incurred on a loan made to satisfy a financial need of the contractor including capital expenditures and lines of credit, be incurred on a loan made for a purpose related to program services, and be reduced by realized investment income except where the income is from gifts and grants whether restricted or unrestricted, and which are held separate and not commingled with other funds.

'Proper' requires that interest be incurred at a rate not in excess of what a prudent borrower would have had to pay in the money market on the date the loan was made, and be paid to a lender not related through control or ownership to the borrowing organization.

Interest paid by the contractor to owners or immediate relatives (defined in related party section) or related organizations of the contractor is not allowable as a cost. Where the owner uses the owner's own funds in a business, the funds are considered invested funds or capital, rather than borrowed funds.

Interest, late fees, and penalties assessed due to failure to pay timely on any financial obligations, including, but not limited to tax payments, identified overpayments, and vendor payments, are not allowable costs.

Award and Grant Procurement Expenses: Costs of procuring grant funding is not an allowable expense.

Employee health and welfare: The costs of employee information publications, health, first-aid clinics, infirmaries, or employee counseling services are allowable. Offset income generated from any of these activities against expenses.

Related Party Transactions including compensation, provided services, and use of space

Payments made to an owner or related party shall be limited.

Owners: Individuals or entities that operate or have at least a five percent (5%) stake or interest in an entity are considered to have influence over the operations of an entity. For the purpose of this cost report, the following are considered owners:

- A person with at least a five percent (5%) stake in the entity.
- Any person sitting on the board of directors of a non-profit that operates or has at least a five percent (5%) interest in the entity.
- Any person designated as a settler or grantor of a trust, a trustee, or a beneficiary of a trust that operates or has at least a five percent (5%) interest in the entity.

Related Parties: The following persons are considered related parties for cost report purposes:

- husband and wife,
- domestic partners,
- natural parent, child and sibling,
- adopted child and adoptive parent,
- step-parent, step-child, step-sister, and step-brother,
- father-in-law, mother-in-law, sister-in-law, brother-in-law, son-in-law, and daughter-in-law, and
- grandparent and grandchild.

A reasonable amount of compensation is allowable for services provided by an owner or related party, provided the services are actually performed for a necessary function. Adequate time records shall be

maintained. Adjustments may be necessary to provide compensation as an expense for non-salaried working sole proprietors and partners.

- a. Compensation includes all remuneration, paid currently or accrued, for managerial, administrative, professional, and other services rendered during the period. Compensation shall include all items that should be reflected on IRS Form W-2, Wage and Tax Statement, and include, but are not limited to, salaries, wages, and fringe benefits, the cost of assets and services received, and deferred compensation. Fringe benefits shall include, but are not limited to, costs of leave, employee insurance, pensions, and unemployment plans. If the contractor's fiscal year end does not correlate to the period of the W-2, a reconciliation between the latest issued W-2 and current compensation shall be required to be disclosed to the Department. Employer portions of payroll taxes associated with amounts of compensation that are over the maximum allowed compensation for related parties shall be considered unallowable for reimbursement.
- b. Reasonableness requires that the compensation allowance be the same amount as would ordinarily be paid for comparable services by comparable institutions, and depends upon the facts and circumstances of each case.
- c. Necessary requires that the function be such that had the owner or immediate relative not rendered the services, the facility would have had to employ another person to perform the service, and be pertinent to the operation and sound conduct of the institution.
- d. The allowance of compensation for services of sole proprietors and partners is the amount determined to be the reasonable value of the services furnished regardless of whether there is an actual distribution of the profits of the business or payment made to the sole proprietor/partner.
- e. Payments found to represent a return on equity capital, including owner draws, are not compensation and are in no event allowable as an item of reimbursable cost. Nor are such payments considered as compensation for purposes of determining the reasonable level of reimbursement of the owner. The allowance of compensation for sole proprietors and partners is the value of the services rendered by the owner. Such an amount may or may not be represented as actual payments made to the owner. There is no direct relationship between the compensation allowance of the owner and the amount of operating profit (or loss) of the facility.
- f. All payments by a contractor to an owner that are claimed as an allowable cost are included in the owner's total compensation for purposes of determining the reasonableness of the cost claimed. This includes fees received by an owner, regardless of the label placed on them, such as consultant or director fees. The determination as to the reasonableness of such compensation is made by comparing it with amounts paid by comparable institutions for comparable services performed by their employees, rather than by considering the amounts that outside consultants receive.
- g. Since the compensation allowance is dependent upon the value of the necessary services rendered, no allowance is granted where such services are not actually rendered. This is true even if an owner is receiving payments from the contractor. Therefore, although an agreement might provide for retired persons to continue to receive payments even though they are not rendering any services, such payments are not considered allowable costs.
- h. The maximum allowed compensation for employees set forth above shall be adjusted by the percentage of the average workweek that the employee devoted to business activity for the fiscal year of the combined cost report. The time devoted to the business shall be disclosed on a supporting schedule submitted with the combined cost report. In the case that an owner's or immediate relative's time is allocated to the facility from another entity (e.g. home office), the compensation limit shall be adjusted by the percentage of total costs of the entity allocated to the facility. In no case shall the amount of salary for one employee allocated to multiple facilities be more than the maximum allowed compensation for that employee had the salary been allocated to only one facility.

Costs applicable to supplies furnished by a related party or organization are a reimbursable cost when included at the lesser of the amount actually paid or the cost to the related party or organization.

- a. Charges in excess of the costs incurred by the related party supplier shall be an allowable cost,

when the contractor demonstrates by convincing evidence the following:

- (1) The supplying organization is a bona fide separate organization
- (2) A substantial part of its business activity of the type carried on with the facility is transacted with others and there is an open competitive market for the type of services or supplies furnished by the organization
- (3) The services or supplies are those that commonly are obtained by similar institutions from other organizations and are not a basic element of program services
- (4) The charge to the facility is in line with the charge for services or supplies in the open market and no more than the charge made under comparable circumstances to others by the organization for services or supplies.

b. Before inclusion, the supplying organization must submit a request to the Department demonstrating it has met the above criteria for approval. If the Department determines that the supplying related party transaction is an arm's length transaction, appropriate records must be maintained and the transactions disclosed with the submission of the cost report.

When the operator of a participating facility rents the building from a related party, the amount of rent expense allowable on the cost report shall be the lesser of the amount actually paid or the amortized cost of the facility plus the landlord's other reasonable expenses.

Legal Fees: Reasonable legal, accounting, consulting and other professional fees, including association dues, are allowable costs if the fees are related to client care. Legal, accounting, consulting and other professional fees, including association dues, described by the following are **not** considered client related and are therefore unallowable:

- a. Legal fees, expenses related to expert witnesses, accounting fees and other consulting fees incurred in an administrative or judicial proceeding. Exception: Contractors may report the reasonable costs incurred in an administrative or judicial proceeding if all of the following conditions are met:
 - (1) The costs have been incurred and paid,
 - (2) The costs are reasonable expenditures for the services obtained,
 - (3) The contractor has made a good faith effort to settle the disputed issue before the completion of the administrative or judicial proceeding, and
 - (4) The contractor prevails on the disputed issue. Recognition of any costs will be in the fiscal period when a final determination in the administrative or judicial proceeding is made.
- b. Any fees or portion of fees used or designated for lobbying.
- c. Nonrefundable and unused retainers.
- d. Fees paid by the facility for the benefit of employees
- e. Legal assistance on behalf of clients

Expenses related to Fundraising and Donations: Costs of fundraising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable, regardless of the purpose for which the funds will be used. Costs resulting from in-kind donations of goods or services are not an allowable cost.

If a contractor receives a donation of produce, supplies, services, or the use of space owned by another organization, etc., the contractor may not impute a cost for the value of the donations and include the imputed cost in allowable costs. If the contractor and donor organization are both part of a larger organizational entity, costs of the donated item are includable in the allowable costs of the contractor to the extent they are allowable and related to the program or service.

Advertising: The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media includes magazines, newspapers, radio and television, direct mail, exhibits, electronic transmittals, and the like.

The term public relations includes community relations and means those activities dedicated to maintaining the image of the company or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public. The term marketing includes activities that steer, or attempt to steer, a member to use services offered by the contractor.

- (1) The only allowable advertising costs are those which are solely for:
 - a. The recruitment of required personnel;
 - b. The procurement of goods and services including, but not limited to, requesting bids for contract labor, suppliers, or bulk goods;
 - c. Reasonable advertising in local phone directories;
 - d. Reasonable costs of the maintenance of a website and social media updates.
- (2) The only allowable public relations costs are for conducting general liaison with news media and public relations officers to keep the public informed on matters of public concern.
- (3) All advertising, marketing and public relations costs other than specified in subsections (1) and (2) above are unallowable including, but not limited to, the following:
 - a. Costs, including compensation and costs of employment, of advertising, marketing and public relations designed solely to promote program activities;
 - b. Costs, including compensation and costs of employment, of preparation and printing of brochures, newsletter, banners and pamphlets;
 - c. Costs of meetings, conventions, convocations, or other events related to other activities including, but not limited to:
 1. Costs of displays, demonstrations, and exhibits,
 2. Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events, and
 3. Compensation and costs of employment of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings
 - d. Costs of promotional items and memorabilia, including models, gifts, and souvenirs.

Life Insurance Premiums: In general, premiums related to insurance on the lives of owner(s), officer(s), or key employee(s), where the contractor is a direct or indirect beneficiary, are not allowable costs. A contractor is a direct beneficiary where, upon the death of the insured individual, the insurance proceeds are payable directly to the contractor. A contractor is an indirect beneficiary when another party receives the proceeds of a policy through an assignment by the contractor to the party, or other legal mechanism but the contractor benefits from the payment of the proceeds to the third party.

An exception to these requirements is permitted where:

- (1) A contractor as a requirement of a lending institution must purchase insurance on the life of an owner(s), officer(s), or key employee(s) to guarantee the outstanding loan balance
- (2) The lending institution must be designated as the beneficiary of the insurance policy, and
- (3) Upon the death of the insured, the proceeds will be used to pay off the balance of the loan.

The insurance premiums allowable are limited to premiums equivalent to that of a decreasing term life insurance policy needed to pay off the outstanding loan balance. In addition, the loan must be related to program services and meet the necessary and proper requirements of interest expense. Where other than decreasing term policies are purchased (e.g., whole life, or convertible term), only that portion of the premium which can be equated to the premium for a similar face amount of a decreasing term life policy may be included in allowable costs.

Premiums related to insurance on the lives of owner(s), officer(s), and key employee(s) where the individual relative(s) or his/her estate is the beneficiary, are considered to be compensation to the individual and are allowable costs to the extent such total compensation is reasonable.

Contingencies: Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable.

Column Descriptions

Gross Total: This column shows the contractor's total operating costs. The expenses reported in this column should equal the total expenses included in the contractor's audited financial statements and reconcile to the general ledger.

Any difference between the amounts shown in this column and the audited financial statements, general ledger, or working trial balance must be disclosed in a supplemental schedule.

Excluded Costs: Include all costs identified in these instructions as non-reimbursable, excluded, unallowable, and those that exceed the amount allowed.

An example of a non-reimbursable cost is the difference between book depreciation expense and depreciation under the straight-line method. Fund-raising costs are another example of a non-reimbursable expense.

Adjusted Costs: This column shows costs that are allowable and allocable to the programs and indirect costs. This column is equal to the Gross Total expenses minus the Excluded and Other Non-Reimbursable Costs.

Service Columns: Report the direct costs for each service program in the appropriate column. Contractors must maintain working papers to support the costs reflected in these columns. Organize the working papers in detail by program or service and keep in an easily auditable format.

FGCS and CWES Shelter services have both a service and a maintenance component.

- For FGCS, report the combined service and maintenance expenses by service level, D8 and D9.
- For CWES Shelter, report the combined service and maintenance expenses.

There are two options to report CWES Temporary Informal Shelter Care (TISC) Service costs.

- Option #1: Report *combined* CWES Shelter and TISC Services cost on Schedule D in Column 11. The revenue received from HHS for CWES TISC Services should be entered as a Revenue Deduction on Schedule A as well as on the bottom of Schedule D on the CWES TISC Payments line.
- Option #2: Report only Shelter cost on Schedule D in Column 11. Separately identify CWES TISC Service costs and report on Schedule D in Column 12. To use this option, contractors must be able to accurately identify or allocate costs specifically for CWES TISC Services. All allocations must be supported by contemporaneous documentation. It is not appropriate to use estimates. When this option is used, do not report CWES TISC Services Revenue as a Deduction on Schedule A or Schedule D.

Other Programs: Report the consolidated direct costs of all other programs and services. Other programs include, but are not limited to, BHIS, PMIC, therapy, aftercare, LPHA assessments, and substance abuse treatment. Contractors must maintain working papers to support the costs reflected in this column. Organize these working papers in detail by program or service and keep in an easily auditable format.

Indirect Costs: Report all indirect costs that must be allocated across all services in this column. Indirect costs are service costs related to and allowable for all programs and services and are therefore allocated across all programs. The default method of allocating indirect costs to the services and programs the contractor provides is to distribute the indirect costs on the percentage of each program's direct costs to the total direct costs of the contractor. The formulas to allocate indirect expense using this method are included in the Schedule D template at the bottom of Schedule D on the Allocation of Indirect Program Service Costs line.

If a contracting entity believes that it can justify an alternate method of allocating indirect costs (i.e., a weighted allocation favoring certain services or expenses), it may use it. Submit supporting documentation for that alternate allocation method with the cost report. The Department or its fiscal consultant will review

the alternate method and supporting documentation for reasonableness and final approval.

Service and Maintenance Allocation: Schedule D includes a Service and Maintenance Allocation section that allocates the expenses for foster group care and for CWES shelter between the service component and the maintenance component by line item. The cost report automatically completes this section. No user entry is required.

Account Title and Line Item Descriptions

The costs in each account, or groups of accounts, on Schedule D must be allocated across all programs and services using reasonable, logical cost allocation statistics or bases. Some examples of these allocation bases are:

- Salaries and wages: time studies or actual time spent
- Fringe benefits and payroll taxes: salary and wage allocations, direct charge
- Professional and contract services: direct allocation or time spent
- Supplies, telephone, postage, etc.: direct charges or usage (supply allocation may be made based on requisitions from a central storeroom, etc.)
- Transportation: mileage or travel time spent
- Occupancy, repairs and maintenance, insurance, and depreciation: square footage
- All other direct expense: directly relate to a service or program to extent possible
- Indirect expenses: accumulation of all other costs per service or program

The account numbers for expenditures are not intended to be all- inclusive in detailing expenses of a contractor. The numbering system used on this schedule is not important, other than to have a basis of identifying object expenses in a manner that is uniform for reporting purposes.

Line Items: Below are additional instructions for reporting selected line items.

Line 2100: TOTAL SALARIES – Report the gross salaries as shown on Schedule B, Staff Numbers and Gross Wages. This line includes salaries for staff from all job classifications and titles.

Line 2120: Professional Direct Staff. These positions provide assistance and support to direct support staff, may provide some direct service to the client in the absence of direct support staff, and may supervise some direct support staff activities. Examples of positions include program directors, program supervisors, team leaders, and coordinators.

Line 2130: Other Direct Staff. These positions provide direct support and assistance to the clients. The wage amount includes cash and non-cash compensation (such as room and board), when applicable.

Direct support wages must reflect all direct support hours provided by contractor personnel, including time spent on progress notes, phone calls, and staffing meetings. Travel time to and from the service site must be accumulated separately from direct service time. Documentation should be available to support the travel time.

This item also includes contract services that provide direct support and assistance to clients. The position is instead of, or in addition to, a direct support employee. Contract payments are made to persons who are not employees of the contractor.

Line 2200: BENEFITS. Report the expense for all fringe benefits provided to contractor staff.

Line 2290: Other Benefits. Report other benefits provided for employees, excluding travel and training

costs. Report food costs for employees on this line if the costs are taxable to the employee and are included as a part of the employee's remuneration and included on the employee's Form W-2.

Line 2300: PAYROLL TAXES. Report all FICA, unemployment, and worker's compensation taxes paid by the contractor.

Line 2400: TOTAL PROFESSIONAL FEES. Report fees and expenses for professional practitioners and consultants who are not employees of the contractor and who are engaged as independent contractors for specified services on a fee or other individual contract basis.

Line 2450: Medical & Psych Services Purchased. Report medical services and psychiatric or psychological services purchased but not covered by Medicaid reimbursement.

Line 2470: Auditing and Accounting Fees. Report fees paid for auditing the contractor's books and fees paid for bookkeeping or accounting services. Report wages for regular bookkeeping services provided by contractor staff on line 2150.

Line 2480: Attorney Fees and Other Legal Costs. Report fees paid to attorneys by the contractor for legal services provided for the contractor. Include court costs and costs of notices in legal publications on this line.

Line 2490: Other and Non-medical Fees. Report fees paid to another contractor or individual. These may include fees for services such as tutor fees and security service expenses, such as night security, provided by non-contractor personnel.

Line 2500: SUPPLIES. Report costs of materials and other supplies used by a contractor.

Line 2510: Office Supplies. Report the cost of day-to-day supplies used on a recurring basis for general business functions and office operations.

Line 2530: Medical Supplies. Report the cost of nonprescription drugs, dressings, etc.

Line 2540: Recreation and Craft Supplies. Report the cost of items used for client recreation (e.g. basketballs; baseballs; bats; footballs; ping pong supplies; tennis or golf balls; supplies for craft classes; music CDs; song books, etc.)

Line 2550: Food. The cost of food provided to clients by the contractor.

Do not include the cost of food consumed by employees on this line. See [Line 2290](#) and [Line 4930](#) for employee food expenses.

Line 2590: Other Supplies. All other materials or supplies not categorized above which may be expensed during the period.

Line 2600: TELEPHONE. Intended for telephone, service-related internet usage, and similar expenses.

Line 2700: POSTAGE AND SHIPPING. Intended for postage parcel post, trucking, and other delivery expenses, including shipping supplies.

Line 2800: OCCUPANCY (BUILDING AND GROUNDS). Intended for all costs arising from a contractor's occupancy and use of owned or leased land, buildings, and offices. See [Schedule C](#) and [Related Party Costs](#) for procedures for leases with related parties.

Line 2810: Rent of Space. Report rent paid by the contractor for space occupied by the contractor for delivery of services. Include the cost of heating, water, and light if these expenses are included in the rent. Report the cost for heating, water, and lighting expenses on line 2830 if the contractor pays for its own utilities.

Line 2820: Building and Ground Supplies. Report expenses for maintenance and janitorial supplies, such as shovels, rakes, brooms, soaps, detergents, disinfectants, and supplies for wash rooms, such as

paper toweling, toilet paper, soap, electric light bulbs.

Line 2830: Utilities. Report the cost of any of the following that are not included in the contractor's rent: heating fuel, water, gas, or electricity.

Line 2840: Care of the Building and Grounds. Report expenses for building repairs; cost of maintaining fences and roads of the property; cost of snow removal, window washing, gardening; cost of removing waste (ashes, garbage, rubbish); contracts for cleaning or property maintenance, e.g., painting, plumbing, carpentry. If the grounds include a pool or waterfront, as in the case of campsites, include the cost of maintenance of that pool or waterfront. Do not report the wages of janitors and property maintenance staff. Report those expenses on line 2190. Capitalize and depreciate major repairs or improvements that extend the life or add significantly to the value of the property.

Line 2870: Non-Mortgage Interest. Report necessary and proper non-mortgage interest on this line. (See [Interest as an Allowable Expense](#).)

Line 2875: Mortgage Interest. Report necessary and proper interest on capital indebtedness. (See [Interest as an Allowable Expense](#).)

Line 2880: Insurance and Property Taxes. Report property insurance, property taxes, fire insurance, general liability insurance, boiler insurance, or elevator insurance. Do not include automobile insurance on this line. (See [Line 3280](#).)

Line 2890: Other Building Occupancy Expense. Report any other building occupancy expense that cannot be reported under the other headings in the 2800 account classifications.

Line 3100 OUTSIDE PRINTING, ART WORK, ETC. Report charges of printers, commercial artists, and other suppliers for plates, artwork, proofs, photographs, program brochures and literature, leaflets, films, and other informational materials produced outside the reporting contracting entity.

Line 3200: TRANSPORTATION. Report expenses for travel and transportation for staff or for regular service activities for clients. In-state travel costs for mileage and per diem expenses are allowable to the extent they do not exceed the maximum mileage and per diem rates for state employees for travel in the state. Reimbursement for air travel shall not exceed the lesser of the minimum commercial rate or the rate allowed for mileage for state employees.

Line 3210: Mileage and Auto Rental. This item includes staff mileage reimbursement expense and auto rental expense. Mileage cost reported is limited to the HHS employee reimbursement rate.

Line 3250: Agency Vehicles Expense. Include expense for the operation and maintenance of contractor-owned vehicles.

Line 3280: Automobile Insurance. Report auto insurance paid by the contractor, including collision, liability, property damage, fire, theft, and non-ownership insurance.

Line 3290: Other Related Transportation. Report the other transportation costs (including hotel and meals of an overnight trip) paid by the agency which are related directly to rendering services to the clients being served by the agency. This includes bus, car, or taxicab fare provided to staff or clients to their homes or to business-related locations.

Line 3300: CONFERENCES AND CONVENTIONS. Report expenses of conducting or of contractor staff attendance at meetings related to a contractor's activities and associated travel.

Line 3310: Staff Development and Training. Report all registration, tuition costs, travel, and living expenses incurred by the contractor in sending staff members or volunteers to regional and national conferences or to workshops or institutes.

Also, include in this item the travel and other costs incurred by a contractor in bringing in an outside consultant to conduct a training institute in the contracting entity.

Line 3320: Annual Meeting and Business Conference. Report expenses of conducting annual meetings or attending business conferences.

Line 3400: SUBSCRIPTIONS AND PUBLICATIONS FOR STAFF USE. Report the costs of subscriptions and reference and resource publications purchased for use by staff. Charge binders, bookshelves, magazine racks, etc., to operate a staff library to accounts in the 2500 or 4300 group.

Line 3500: ASSISTANCE. Report the cost to the reporting contractor of specific assistance for a particular client.

Line 3510: Clothing and Personal Needs. Report the costs incurred by the contractor in providing clothing and meeting the personal needs of its clients, e.g., residents of foster group care facilities, as allowable for the program.

Line 3520: Other. Include consultation expenses (such as for an interpreter) and expenses directly related to the achievement of goals identified in the client's care plan.

Line 4100: ORGANIZATION MEMBERSHIPS. Report expenses incurred for memberships in other organizations, including formula-based or otherwise prescribed support payments (e.g., parent organizations, Coalition, Family Service Association, service clubs, etc.).

Line 4200: AWARDS AND GRANTS. Report amounts paid for recognition and achievement. Costs for awards and grants to clients as part of the treatment program are allowable. Costs for awards and grants to recognize board members and community citizens for achievement are not allowable expenses and must be included in the excluded costs column.

Line 4300: EQUIPMENT REPAIRS AND PURCHASE. Report repair cost for equipment, the purchase of equipment with an estimated life of two years or less, and equipment with a cost of less than \$5,000. Capitalize repair or improvement of equipment that significantly extends its useful life or value if the useful life exceeds two years or the value exceeds \$5,000.

Line 4310: Agency Vehicle Repair. Report the cost of repairing and maintenance of contractor owned vehicles.

Line 4320: Other Equipment Repair or Purchase. Report the repair of miscellaneous equipment or the purchase of miscellaneous equipment of which costs less than \$5,000 per purchase or has an estimated useful life of less than two years and, therefore, does not qualify as capitalization to be included on Schedule C.

Line 4400: DEPRECIATION OF FIXED ASSETS. Report the depreciation of fixed assets whose costs exceed \$5,000 and which are depreciated over their respective useful lives. The acceptable method of recording depreciation is the use of the straight-line method. Use *The Estimated Useful Lives of Depreciable Hospital Assets*. The depreciation expense reflected in these accounts must agree with the total amounts shown on Schedule C.

Line 4900: MISCELLANEOUS. Report all expenses not reportable in another account classification.

Line 4910: Moving and Recruitment. Report reimbursements to staff for the cost of an interview and expenditures authorized by the board. Moving and recruitment expenses are allowed as a reimbursable

cost to the extent they are allowed for state employees. Expenses incurred for placing advertising for purposes of locating qualified people for staff positions are allowed for reimbursement purposes

Line 4920: Liability Insurance. Report the contractor's liability and bonding insurance expense.

Line 4930: Miscellaneous. Report other expenses. This includes employee food expense when the expense is not taxable to an employee and is not included on an employee's W-2 Form. Submit a schedule of expenses with the cost report.

Allocation of Indirect Program Service Costs: Indirect cost calculates automatically based on direct costs, as long as total indirect cost is entered into Schedule D. Contractors may choose to use an alternate method of allocating indirect costs. However, supporting documentation must be included with the cost report for that alternate allocation basis. Remove the automatic calculations on Schedule D if using alternate indirect allocation methods.

Unit of Service: The spreadsheet pulls the number of units from the "Total number of units provided" on the Certification Page.

SCHEDULE E – COMPARATIVE BALANCE SHEET

The purpose of Schedule E, “Comparative Balance Sheet,” is to report the balance sheet of the contractor as of the end of the reporting period. Complete this schedule or include a copy of the contracting entity’s independent audit report matching the year being reported.

Under “Assets, Liabilities, and Equity,” the total assets must equal the total liabilities and equity.

Balance at End of Current Period: Enter the amount in effect for the last day of the reporting period.

Balance at End of Prior Period: Enter the amount in effect for the last day of the previous reporting period.

Total Equity or Fund Balance Beginning of Period: This amount must be the same as the total liabilities and equity for the “balance at end of prior period.” Add revenues from Schedule A and deduct expenses from Schedule D.

Provide an explanation of any difference in the total equity of fund balance between the beginning and the end of the period under the “add” and “deduct” sections.

Total Equity or Fund Balance End of Period: This amount must be the same as the total liabilities and equity for the “balance at end of current period.”

SCHEDULE F – COST ALLOCATION PROCEDURES

The purpose of Schedule F, “Cost Allocation Procedures,” is to report other supplemental information related to contractor operations and accounting procedures. Schedule F must be completed in its entirety.

Cost allocations are required for direct costs benefiting more than one program or service component and for indirect costs. “Direct” costs are costs that are directly identifiable to programs or services. (See [Direct Expense](#).)

“Indirect” costs, although they may benefit all services, generally are not readily identifiable with each program or service. (See [Indirect Expense](#).)

Schedule F gathers information about the methods used in allocating expenses that benefit more than one program or service. A contractor must establish an acceptable method of distributing costs among the different services and programs. Contractors may use any recognized method that reasonably and fairly distributes the costs. Contractors must be able to provide a rationale for the method selected and maintain detailed supporting documentation in an easily auditable format. The method must be consistent from one reporting period to another. If a contractor wishes to change its method and believes the change will result in more appropriate and more accurate direct cost, the contractor must note the change on Schedule F and submit a written justification for the change with the cost report. The Department or its fiscal consultant will review the new method and supporting documentation for reasonableness and final approval.

Contractors must be able to support the basis used in allocating these costs. All source documents, calculations, work papers, etc. used to determine cost allocations **must** be maintained in an easily auditable format and made available upon request. Contractors may be required to obtain prior approval of the cost allocation plan from the Bureau of Service Contract Support, Department of Health and Human Services.

Commonly accepted cost allocation bases are discussed in the instructions for indirect costs on Schedule D. If the contracting entity uses other methods to allocate costs to all services and programs (i.e., the percentage of clients served within each program or service), specify the method and supply supporting justification with the cost report.

Specify and describe the allocation methodology used for each expense category listed.

SCHEDULE F1 – BUILDING USAGE BY SERVICE

The purpose of Schedule F1 is to summarize square footage utilized in each building by programs and services. This schedule may also assist in occupancy cost allocation on Schedule D.

Columns: Report in the first column the building name, address, or other unique identifier for each purchased or leased building. All buildings must be listed, regardless of how the building is used. In the second column, enter the total square footage for each building. Report square footage that can be directly related to each listed program/service in the applicable program/service's column. Report square footage for all other programs or services in the "Other Programs" column.

The square footage of multiple buildings that are used solely for other programs can be combined based upon ownership. Report all square footage for those buildings in the "Other Programs" column. The "Building Name" column should reflect the number of buildings reported on that row.

Report whether the entity owns or leases the building in the "Own or Lease" column. Enter "O" if the entity owns the building or "L" if the entity leases the building. When combining the square footage of multiple buildings used solely for other programs, separate the buildings by ownership status. Combine the square footage for all buildings used solely for other programs and owned by the contractor on one row. Combine the square footage for all leased buildings used solely for other programs on a separate row. Report the combined maintenance and service square footage for each level of FGCS and for CWES shelter services.

Square footage for SAL must be reported for each specific SAL service code.

Square footage for FCS must be reported for each specific FCS service; FMCW Agency, FMCW Non-Agency, SafeCare, SafeCare Non-Agency, Family Intervention, and Family Preservation.

Report square footage utilized for business functions that support and benefit all programs/services in the "Indirect" column (ex. Executive office square footage).

The final column, "Check Total," sums the square footage reported for each program/service. This column must equal the square footage reported in the "Total Building Square Footage" column.

As noted in the [Occupancy Expense Allocation](#) section above, all contractors are required to complete an annual two-week space usage study to determine how shared-use spaces are utilized. This study will assist in assigning square footage to programs/services on Schedule F1.

Square footage of general purpose areas (entryways, stairs, hallways, bathrooms, etc.) may need to be allocated to the programs and services or Indirect specific to each building before completing Schedule F1.

See Example on Next Page.

Example 1: The 1st Avenue building houses SafeCare staff offices, accounting, HR, and the Executive Director's office. There are two hallways and a bathroom. The square footage for the two SafeCare staff offices are reported in the SafeCare column. The accounting, HR, and Executive Director's office square footage is considered Indirect as these functions support and benefit all programs and services. The hallway and bathroom square footage is split proportionately between SafeCare and Indirect.

Example 2: The Main Street building is used to provide D9 level FGCS and BHIS. The space usage study will assist in allocating square footage used jointly for both FGCS and BHIS by determining how much time those jointly-used, or shared spaces, are used to provide D9 level FGCS and how much time they are used to provide BHIS.

The Main Street building has 8,000 square feet in total. There are 900 square feet of general purpose space. A total of 3,000 square feet is used only for D9 level FGCS. The remaining 4,100 square feet are used jointly by FGCS and BHIS.

The two-week space usage study determined the 4,100 square feet of jointly-used space was used to provide D9 level FGCS 66% of the time and BHIS 34% of the time. The 4,100 square feet of shared square footage D9 level FGCS is allocated 2,700 square feet ($4,100 * .66$) of jointly used space and 1,400 ($4,100 * .34$) square feet to BHIS.

The square footage for **single and jointly-used space** for the Main Street building is allocated:

FGCS (D9 level):	3,000 single use sq. feet	BHIS:	0 single use sq. feet
+ 2,700 shared use sq. feet		+ 1,400 shared use sq. feet	
= 5,700 subtotal		= 1,400 subtotal	

Allocate the 900 sq ft of **general purpose square footage** using the subtotals above for D9 level FGCS and BHIS. Of the 7,100 (5,700 FGCS + 1,400 BHIS) square footage above, allocate 80% ($5,700/7,100$) or 720 square feet to FGCS and 20% ($1,400/7,100$) or 180 square feet to BHIS.

Schedule F1 would reflect the following for the Main Street building:

<u>FGCS (D9 Level)</u>	<u>BHIS</u>
3,000 single use sq. feet	0 single use sq. feet
+ 2,700 shared use sq. feet	+ 1,400 shared use sq. feet
+ 720 general purpose sq. feet	+ 180 general purpose sq. feet
= 6,420 sq. feet	= 1,580 sq. feet

The general purpose square footage is not reported as Indirect because it is only related to the FGCS and BHIS services provided in the Main Street building and does not support and benefit all program/services.

Total square footage for each program/service is summed at the bottom of Schedule F1 and an overall percentage for each program/service is calculated.

When using Schedule F1 to allocate cost to programs/services on Schedule D, apply the program/service percentages for each unique building to the cost of each unique building

Other methodologies may be used to allocate expenses on Schedule D; however, the alternative method must be identified on Schedule F and supporting documentation submitted with the annual cost report. The Department or its fiscal consultant will review the alternate method and supporting documentation for reasonableness and final approval.

The space usage study and completed Schedule F1 are required annually regardless of the method used to allocate expenses on Schedule D.

SCHEDULE H - ALLOCATION OF STAFF TIME

General Time Study Instructions

Each year all staff must complete 100% time reporting for two days each quarter, at a minimum. Congregate care providers must complete the time studies on one school day and one non-school day each quarter of the fiscal year. Non-congregate care providers can opt to complete the time studies on two weekdays each quarter of the fiscal year. The time studies do not have to be completed on consecutive days, as long as they are conducted for two days each quarter and are conducted in a consistent manner.

The minimum quarterly time studies and Schedule H are required to be completed annually, regardless of whether or not the time study results are used to allocate cost on Schedule D.

Enter the dates the time studies took place in the “Dates Time Studies Completed” section at the top of the worksheet. Contractors who complete more than the four time study periods per year can enter the additional time study periods in the additional space available.

Exceptions: The only exceptions to the time study requirement are:

- Staff who spend 100% of their time on other programs and
- Cooks, dietary, and kitchen staff when the contractor chooses to allocate their time by the number of meals prepared for each service.

100% of Staff Time Spent on “Other Programs”: Staff who spend no time on the specific programs/services identified on Schedule H - Allocation of Staff Time during the fiscal year are not required to complete time studies. **However, their time must be accounted for on the schedule.** Include 100% of those workers’ time under “Other Programs” for each quarter of the fiscal year.

Cooks, Dietary, and Kitchen Staff: If allocating staff time by the number of meals prepared, enter the number of meals or number of clients for each program. Indicate whether meals or clients are entered by circling or bolding the appropriate selection in the column header.

Staff shall perform the time study during the same time period. For example, if the time study is conducted on August 6 and August 7, all staff shall complete the time study on those days, even if they are on vacation.

Agencies may develop their own method of documenting staff time during the time study as long as:

- It is clear which program is designated for each activity, and
- The method is in writing and consistently applied for all staff participating in the time study.

All staff must:

- Round time to the nearest quarter hour,
- Account for 100% of paid time including breaks, paid vacation, and paid sick leave,
- Code travel according to the purpose of the trip, and
- Record meetings or trainings particular to one program to that program's category.

Report the results of time studies, consolidated by staff category, on Schedule H - Allocation of Staff Time from the *Combined Cost Report*.

Example 1:

Contractor A has three direct care staff. The three workers' time studies show they spent their time as shown below.

Direct Care Staff - Hours spent on D990, FGCS maintenance				
D990	FY Qtr 1	FY Qtr 2	FY Qtr 3	FY Qtr4
Worker 1	14.00	13.75	12.75	14.25
Worker 2	13.25	14.00	14.50	13.00
Worker 3 (PT)	8.75	8.50	8.50	0.00
Total	36.00	36.25	35.75	27.25
				= 135.25 Hours

Direct Care Staff - Hours spent on D960, FGCS service				
D960	FY Qtr 1	FY Qtr 2	FY Qtr 3	FY Qtr4
Worker 1	1.00	1.25	1.50	0.75
Worker 2	1.25	1.00	1.00	2.00
Worker 3 (PT)	0.75	0.50	1.00	0.00
Total	3.00	2.75	3.50	2.75
				= 12.00 Hours

Direct Care Staff - Hours spent on Administrative Activities				
Admin	FY Qtr 1	FY Qtr 2	FY Qtr 3	FY Qtr4
Worker 1	1.00	1.00	1.75	1.00
Worker 2	1.50	1.00	0.50	1.00
Worker 3 (PT)	0.50	1.00	0.50	10.00
Total	3.00	3.00	2.75	12.00
				= 20.75 Hours

Grand Total 168.00 Hours

Note: Worker 3 was on paid leave during the time the time studies were conducted in the fourth quarter. All of Worker 3's time (10 hours) for that quarter is included in the Administrative Activities category.

Direct care workers time on Schedule H would show:

80.51% - D990 Maintenance (135.25 hours / 168.00 hours)

7.14% - D960 Service (12.00 hours / 168.00 hours)

12.35% - Administrative Activities (20.75 hours / 168.00 hours)

See *Example 2 on the Next Page*.

Example 2:

Contractor B also has three direct care staff.

- Worker 1 was required to complete time studies and worked all four quarters.
- Worker 2 was required to complete time studies but worked only the first three quarters of the fiscal year.
- Worker 3 was not required to complete the time studies because that person works 100% of the time on other programs. **Include 100% of that worker's time in the "Other Programs" category.** Worker 3 worked all four quarters.

The time studies show:

Spreadsheet used to track Direct Care Workers' Time Study Results													
	Time Studies							No Time Study				Total	%
	Worker 1				Worker 2			Worker 3					
Service	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total	%
D960	0.75	0.25	1.00		0.25		0.5					2.75	1.56%
D990	11.5	13.00	14.00	14.5	10.00	13.00	13.50					89.5	50.85%
FMCW Agency					0	.5	.75					1.25	.72%
FMCW Non-Agency													
SafeCare Agency					1.75	1.00	0.25						
SafeCare Non-Agency													
Family Interaction													
Family Prevention Svcs	2.75	1.75			2.50	.5							
Other								16.00	16.00	16.00	16.00	64.00	36.36%
Admin	1.00	1.00	1.00	1.5	1.50	1.00	1.00					8.00	4.55%
Total	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	176.00	100%

Add the hours across each row. Divide the hours for each service by the total hours from the time studies for the direct care staff to calculate the percentage of time spent.

Example continued on next page.

Enter the results in the Direct Care column on Schedule H - Allocation of Staff Time.

Percentage of Time Spent on:	Enter Service Code	STAFF CATEGORIES		
		Enter % of Time Spent by Each Staff Category		
		Administrative	Professional	Direct Care
Foster Group Care	Ex. D160, D190			
Service	D86x		1.56%	
Maintenance	D89x		51.28%	
Service	D96x			
Maintenance	D99x			
Safety and Permanence				
Safety Plan Services			1.70%	
Family Safety, Risk, & Perm.			4.55%	
Family Care Services (FCS)				
FMCW Agency Cases	A95x			
FMCW Non-Agency Cases	A95x			
SafeCare Agency Cases	A81x			
SafeCare Non-Agency Cases	A81x			
Family Interaction Services	A94x			
Family Preservation Services	A55x			
Supervised Apartment Living				
Scattered	26SC			
Cluster	26CL			
Shelter Care				
Maintenance	190x			
Service	199x			
CWES TISC Services				
Other Programs (BHIS, PMIC, etc.)			36.36%	
Administrative Activities			4.55%	
Total** (columns must total to 100%)			100.00%	

The “Maintenance” and “Service” definitions below apply to staff time for FGCS and/or CWES shelter, as appropriate.

Maintenance

Maintenance refers to the expense of providing: food; clothing; shelter; school supplies; personal incidentals; daily care and supervision; reasonable travel for a child’s visitation with family, other caretakers, and for the child to remain in the school in which the child is enrolled at the time of placement; and the reasonable cost of administration and operation of maintenance items provided in a facility.

The following categories are derived from federal regulations governing the Title IV-E foster group care program and are defined as follows:

Food includes:

- All food items
- Utensils (dishes, pans, etc.) used in food preparation and serving
- 100% of salaries and benefits for food service staff

Clothing includes all clothing items not covered by the HHS approved initial or replacement clothing allowance.

Shelter includes all allowable costs for the following categories for residential units:

- Appliances
- Recreation equipment and supplies, such as a pool table, television, or video equipment
- Fixed property (including depreciation), furniture, rugs, interest debt services, mortgages, rent on property, taxes, and use charges for plant and property
- Variable maintenance items, including bedding, linen, uniforms, rent for furnishings, supplies, equipment, repairs and maintenance on plant and equipment, and use charges for equipment or office
- Utilities for facilities in which clients reside
- 100% of salary and benefits of maintenance staff attributable to foster group care or CWES shelter.

School supplies include all related school expenses, such as fees and school supplies. (Tuition is an excluded cost and cannot be included under maintenance or service.)

Personal incidentals include:

- Allowances for children
- Reasonable and occasional costs of activities, such as admission fees for sporting, entertainment or cultural events; dues for clubs, memberships (e.g. public swimming pool); and toys and games
- Toiletries
- Non-prescription medical supplies (e.g. aspirin, bandages, antiseptic, cough medicine, antihistamines, cotton swabs, skin creams)

Daily care and supervision includes staff salaries, benefits, and payroll taxes for direct care staff and child welfare service or professional staff for the portion of their time spent providing direct care, day-to-day direction and supervision of children to ensure their wellbeing and safety.

Transportation includes reasonable: travel for children's visitation with family or other caretakers, travel for children to remain in the school in which they were enrolled prior to placement in care, and local travel required to provide allowable maintenance for children in care.

“Maintenance” Definition for Time Study

Time spent by staff in any of the following activities is considered maintenance:

- Providing direct care and supervision of children to ensure their well-being and safety, including arranging or monitoring time-outs, etc.
- Providing transportation including reasonable travel to the child's home for visitation and reasonable travel for the child to remain in the school in which the child is enrolled at the time of placement. Note the example under administration for exceptions.
- Case planning.
- Completing log entries or other verbal or written reports (e.g., incident reports, clothing inventories, police reports, etc.) related to the direct care and supervision of children to ensure their well-being and safety.
- Completing inventory or supply orders related to children's clothing, school supplies, or personal incidentals.
- Giving clients their allowances or bus money.
- Food preparation, serving, and related tasks.
- Recreation planning and related tasks.
- Cleaning or decorating cottages in which children reside.
- Distributing medication and related reporting.

- Shopping for client food, clothing, school supplies, or personal incidentals.
- Distributing mail.
- Participating in fire or other safety drills.
- Taking census counts and making routine checks.
- Doing laundry.
- Staff or committee meetings related to the direct care and supervision of overall child well-being and safety.
- Reviewing progress notes and logs for the purpose of providing direct care and supervision of children to ensure their wellbeing and safety. This includes time spent by staff receiving an explanation of a child's service plan.
- Carrying out physical activities or exercises for a child with disabilities.

Service

Service in foster group care refers to service categories in which staff members are present in professional roles and activities to:

- Maintain a child's connection to the child's family and community,
- Promote reunification or other permanent placement, and
- Facilitate a child's transition to adulthood.

“Service” Definition for Time Study

Time spent by staff in any of the following activities is considered service:

- Completing intake activities.
- Maintaining a child's connection to the child's family and community.
- Promoting reunification or other permanent placement.
- Making service referrals (including aftercare).
- Preparing for or participating in staffings, court hearings, family team decision-making meetings, or administrative reviews.
- Attending training on individual, group, or family therapy.
- Reviewing progress notes and logs for the purpose of therapy.
- Facilitating a child's transition to adulthood.

“Administrative Activities” Definition for Time Study

Time spent by staff in any of the following activities is considered administration:

- Participating in administrative meetings (e.g., staff meetings not related to specific children).
- Breaks, vacation, and sick leave.
- Completing office supply orders.
- Completing paperwork related to payment.
- Photocopying or filing of reports.
- Supervising other staff.