

How to Align Administrative and Program Costs for County Contracts

March 18, 2021



COUNTY OF
SAN MATEO

Agenda

1. Review Federal & State Guidelines
2. Define administrative (indirect) costs vs. program (direct) costs
3. Importance of funding source and examples (HSA and BHRS)
4. Grant budget scenario example
5. Question & Answer

Federal Guidelines

Federal US Office of Management and Budget

OMB. 2CFR 200.414 - Indirect (F&A) Costs:

"(f) In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph (d)(1)(B) may elect to charge a de minimis rate of) **10% of modified total direct costs** (MTDC) which may be used indefinitely. As described in §200.403 Factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time."

Always refer to the specific funding source

FOR EXAMPLE:

- **Direct open ended funding sources** – generally have a 10% indirect cost cap
 - i.e. Title 4E, Title 20, Title 19
- **Block grants** – indirect cost cap can vary
 - i.e. TANIF

State Guidelines

- State agencies have been assigned indirect cost rates by the Federal government based on submitted cost rate proposals and/or cost allocation plans.
- State agencies have been granted authority by the Federal government to review and approve rates for the award of State dollars to non-federal entities.

Direct Costs vs. Indirect Costs

Source: California Department of General Services State Administrative Manual (SAM)

[https://www.dgsapps.dgs.ca.gov/documents/sam/SamPrint/new/sam_master/sam_master_File/chap9200/Chap9200\(print\).pdf](https://www.dgsapps.dgs.ca.gov/documents/sam/SamPrint/new/sam_master/sam_master_File/chap9200/Chap9200(print).pdf)

Indirect costs

- Do not have a direct relationship to the program and are assigned through the use of a formula
- Assigned to programs they benefit according to the methodology that represents a reasonable and equitable distribution.
- Materials purchased in bulk are typically handled as indirect costs
- Personnel services and operating expense equipment (OE&E) for administration are indirect costs
- Examples of indirect costs are costs for administration and legal units, utilities, and rent

Direct costs

- Can easily be identified to a program; incurred for activities or services that benefit specific projects/programs.
- Because these activities/services are easily traced to programs, their costs may be charged to programs on an item-by-item basis.
- Materials required for specific projects are charged as direct costs
- Examples of direct costs are personnel services for project staff, consultants, travel, and training

Note: some OE&E costs, e.g., telephone costs, may be direct or indirect costs.

Hypothetical Proportionate Share

Example approach:

- Human Resources Services cost \$10,000 annually for an agency and the agency has ten contracts
 - Costs should be proportionately allocated to the ten contracts based on contract scope and/or award amount

HSA Administrative Caps Vary

- Administrative caps will depend on the type of service being contracted for and the funding source
- Many contracts will be subject to 10% administrative cap based on funding source

Human
Services
Agency (HSA)

Behavioral Health and Recovery Services (BHRS)

BHRS Administrative Caps Vary

- Medi-Cal "Short-Doyle" funded services: full direct service cost are reported
- Short Doyle has 15% administrative cap
- Other grants and funding sources have different caps

Example Budget Scenario - BEFORE

Program FY 2020-21		
HSA Funding for Program		\$ 1,061,239
Line Item		Total Program Budget
Direct Personnel Expense		\$ 614,363
subtotal personnel		\$ 614,363
Operating Expenses		\$ 350,400
subtotal operating expenses		\$ 350,400
SUBTOTAL PERSONNEL and OPERATING EXPENSES		\$ 964,763
Administrative Expense		
Rent		\$ 150,000
Utilities		\$ 25,000
Salaries for Administrative Staff		\$ 75,000
subtotal admin expense		\$ 250,000
Total Expenses		\$ 1,214,763

Example Budget Scenario - AFTER

Program FY 2020-21		
HSA Funding for Program		\$ 1,061,239
Line Item		Total Program Budget
Direct Personnel Expense		\$ 614,363
subtotal personnel		\$ 614,363
Operating Expenses		\$ 350,400
subtotal operating expenses		\$ 350,400
SUBTOTAL PERSONNEL and OPERATING EXPENSES		\$ 964,763
Administrative Expense		
Rent		\$ 26,476
Utilities		\$ 20,000
Salaries for Administrative Staff		\$ 50,000
subtotal admin expense		\$ 96,476
Total Expenses		\$ 1,061,239

In summary...

- **Program costs**, or direct costs, can easily be identified to a program, and are incurred for activities or services that benefit specific projects/programs.*
- **Administrative costs**, or indirect costs, do not have a direct relationship to the program and are assigned to programs they benefit according to the methodology that represents a reasonable and equitable distribution.*
- Administrative cost caps vary – always refer back to the specific funding source.

*Source: Source: California Department of General Services State Administrative Manual (SAM)



! On March 17, 2021, San Mateo County moved to Tier 3 (Orange). Read more here.

Home > Procurement

Resources for Community-Based Organizations

The County offers a variety of trainings that go over the County's Request for Proposals (RFP) process, contracting and procurement. Trainings will be posted here as they are scheduled.

UPCOMING EVENTS

How to Align Program Costs and Administrative Costs For County Contracts

- **Date:** Thursday, March 18, 2021
- **Time:** 2:30 PM-3:30 PM PST
- **Description:** This virtual training will provide guidance to community-based organizations on how to align administrative and program costs for county contracts. The training will include a presentation from County staff followed by time for questions from attendees.
- **Registration:** click here to register for the live webinar event and to submit any questions you have in advance of the training event.

RECORDED TRAININGS

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RECORDED TRAININGS

County's Request for Proposals, Contracts, and Procurement Process

- **Description:** County staff provide an overview of the Request For Proposals (RFP) process, contracting and procurement for community-based organizations. If you have any additional questions, please visit <https://hr.smcgov.org/procurement> or send an email to Procurement@smcgov.org.
- **Training Materials:** Request For Proposals (RFP) Contracts & Procurement Training - October 15, 2020
- **Video Link:** <https://youtu.be/EeYWIYwZ1Xk>



How to Use Public Purchase

- **Description:** This virtual training will provide instruction to local community-based organizations on how to use Public Purchase to access County services. Learn about the Public Purchase registration process, how to navigate the system, how to submit a bid response, and other information.
- **Video Link:** https://youtu.be/O_mM941eMEk
- **Training Materials:** Public Purchase Training for Community-Based Organizations - C. Bonilha - 10.29.2020.pdf



Question & Answer