

GUIDELINES FOR THE PREPARATION OF BUDGET FORMS

In accordance with 2 CFR 200 and 24 CFR parts 85 and 84, Subrecipients of Community Development Block Grant (CDBG) funds must have financial management systems in place prior to contracting that comply with the following standards:

- Provide effective internal control and accountability for all funds, property and other assets;
- Identify the source and application of funds for federally-sponsored activities, including records and reports that:
 - Verify the “reasonableness, allowability and allocability” of costs; and
 - Verify that funds have not been used in violation of any of the restrictions or prohibitions that apply to the federal assistance (through the use of budget controls and adequate accounting records).
- A written accounting policy and procedures manual available for review upon request that includes:
 - Specific approval authority for financial transactions;
 - Guidelines for controlling expenditures including payments (2 CFR 200.302(b)(6) and 200.305), procurement (2 CFR 200.318), competition (2 CFR 200.319), Method for evaluation and selection (2 CFR 200.320), allowable costs (2 CFR 200.302(b)(7), compensation (2 CFR 200.430); fringe benefits (2 CFR 200.431), employee relocations costs (2 CFR 200.464), travel costs (2 CFR 200.474), and other program requirements; and
 - A set of procedures for recording accounting records such as chart of accounts, cash receipt journal, payroll journal, and general ledger.
- Hiring policies ensuring that staff qualifications commensurate with job responsibilities.
- Control over assets, blank forms and confidential documents so that these types of documents are limited to authorized personnel only.
- Periodic comparisons of financial records to actual assets and liabilities (i.e., reconciliation). In cases where discrepancies are found, corrective action must be taken to resolve such discrepancies.

BUDGET INSTRUCTIONS

The Budget is a detailed listing of expenditures necessary for running your program. Subrecipients must submit all backup documentation for each line item and a Cost Allocation Plan if there is cost sharing among other funding streams.

1. Prepare a 12-month budget using the Budget forms. Do not alter the forms from their present Excel format nor convert the forms to another file type. **Applicable only to LABSC-**

Subrecipients must prepare two (2) budgets, one (1) for Micro-enterprise and one (1) for Small Business activity

2. The definition of the words used in the Budget forms are as follows:

Admin: CDBG funding is only for expenses directly related to your program, therefore no admin costs can be charged. Agencies have the option of using a cost allocation plan to recover shared direct costs, and/or they may recover admin costs through the use of an indirect cost rate, which can either be a federally negotiated indirect cost rate or the de minimis (10%) rate.

Program: All expenses directly related to the program.

Program Income: In accordance with 24 CFR 570.500(a), any gross income received that was directly generated from the use of CDBG funds. This includes, but is not limited to:

- Attendance payments earned through program-funded activities.
- Proceeds from the disposition of equipment purchased with CDBG funds.
- Interest earned on cash advances.

Typically, Program Income is returned to the City; however, EWDD has allowed Program Income to be retained by the Subrecipient to augment the program within the same program year. If Program Income is expected to be collected, then estimated amounts need to be listed on the line items the Program Income will be expended on.

Non-Federal Matching Share: Matching Share is not required. However, if any amount is entered on the budget then it will become required to match and report.

Leveraged Resource: Refer to your contract if your agency is required to report Leveraged Resources. Leveraged Resources are funds used in coordination with CDBG funds to support the Program's outcomes. Expenditures must be for activities that would be allowable under your contract.

BUDGET FORM DOCUMENTS

Budget Form #s 1, 2, 3, 4, 5, 6, 7, 8, and 9. Forms #1 through #8 are in Microsoft Excel format and the Position Descriptions are PDF forms. The Excel file consists of tabs #1 through #8 each identified with the appropriate Form # and name.

Form #1: Budget Detail (Tab: #1_Budget Detail)

Form #2: Schedule of Personnel (Tab: #2_Sched of Personnel)

Form #3: Spending Plan Worksheet (Tab: #3_Spending Plan Wksheet)

Form #4: Budget Summary (Tab: #4_Budget Summary)

Form #5: Budget Narrative (Tab: #5_Narrative Form)

Form #6: Schedule of Leveraged Resources (Tab: #6_Leveraged Resources)

Form #7: Salary Range Summary (Tab: #7_Salary Range Summary)

Form #8: Equipment Inventory (Tab: #8_Inventory)

Form #9: Position Description (Position Description - PDF)

The spreadsheet contains formulas; are file-protected, and linked to each other. Proposers only need to enter information in the cells highlighted light yellow as applicable. Inputted data such as "Proposer Legal Name" and processed data such as "TOTAL" are carried forward to the appropriate forms and automatically populate data cells.

BUDGET FORM INSTRUCTIONS AND SUMMARY

Form #1: Budget Detail (Tab: #1_Budget Detail)

COMPLETE TAB #1 BUDGET DETAIL FIRST. Various cells on the Budget Narrative, Spending Plan Worksheet and Budget Summary will then be populated automatically.

In the appropriate columns, enter ESTIMATED COSTS BY LINE ITEM.

#1000 – Personnel Costs – this line-item will be populated after Form #2: Schedule of Personnel is completed.

#2000 – Other Costs – this line-item listed all other program-related costs to run the your program, which may include but not limited to:

- Facility Costs can be lease payments for the space for the program location. If the space is shared with other programs, then the floorplan and breakdown needs to be included in the Cost Allocation plan. A copy of the lease agreement or letter of intent must be attached. (2 CFR 200.465) If rent is not paid or charged to this program, resulting in no formal lease agreement, then an alternative plan to address a substantial change in the rent arrangement should be provided in the comment section on the Schedule of Leveraged Resources (Tab: #6_Leveraged Resources).

If applicable, depreciation can be expensed for property by the proposer or members of the board. A depreciation schedule must be attached. Identify and include any related facility costs as separate line-items. This may include substantial building repair and maintenance expenses. (2 CFR 200.436)

- Transportation /Travel Costs for necessary travel for client consulting or program-related events may be reimbursed as long as a transportation expense and/or mileage reimbursement policy is included in the policy and procedures (the standard IRS rate is .56¢ per mile as of 12/22/2020). (2 CFR 200.474) All travel expenses must be reasonable and consistent with the proposer's established travel policy and requires prior approval in writing from the City. (2 CFR 200.475)
- Materials and Supplies Costs incurred for materials, supplies, and fabricated parts necessary to carry out the your program. (2 CFR 200.453)
- Telecommunication Costs include telephone services, postage, internet, video surveillance, and cloud servers. (2 CFR 200.471) Cell phone plans or reimbursements must be listed in policy and procedures or personnel policy manual. Refer to 2 CFR 200.216 for the list of telecommunication companies prohibited to contract or subcontract with.
- Market and Advertising Costs are only allowable to advertise the program, not your agency. (2 CFR 200.421)
- Subscriptions Costs for membership in or subscriptions to business, technical, professional organizations or periodicals are allowable. Any membership to any civic or community organization requires prior approval in writing from the City. (2 CFR 200.454)
- Maintenance & Repair Costs for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment which neither add to the permanent value of the property nor prolong its intended life, but keep it in an efficient operating condition. (2 CFR 200.452)
- Audit/Accounting Costs include cost allocated portion of single audit fees for agencies who receive more than \$750,000 in federal funding (2 CFR 200.425) and Certified Public Accountant (CPA) fees if deemed more economically reasonable to contract rather than direct employment. CPAs must be procured every three years. (2 CFR 200.459)

For more allowable costs, refer to the General Provisions for Selected Items of Cost (2 CFR 200.420 - 200.476).

#2100 – Participant-related Costs – Direct costs for items for program participants, and fees in connection with conferences or training projects.

#2200 – Subcontractor Costs – this line-item identifies proposed subcontractors and their costs. Subcontractors provide services to clients that require particular expertise, technology, and time investment not readily available by your staff or additional support from experts to your staff in order to meet high-quality standards. List each subcontractor separately.

All Subcontractors must be procured at least every 3 years. The most common types of procurement are micro-purchases and small purchases:

- Micro-purchases: for purchases up to \$10,000
 - Considered noncompetitive, but to the maximum extent practicable, the proposer should distribute micro-purchases equitably among qualified suppliers.
 - Price must be reasonable based on research, experience, purchase history or other information.
- Small purchases: for purchases up to \$250,000
 - A relatively simple and informal procurement method requiring an adequate number of qualified sources (See Appendix C for minimum requirements).
 - Price must be reasonable based on research, experience, purchase history or other information.

Please note, if multiple subcontractors are providing the same service then the cumulative total of all the subcontracts will be threshold which decides the procurement method instead of each individual subcontractor. Refer to Exhibit I “Subcontract and Procurement Procedures” for procurement requirements.

#3000 – Furniture and Equipment Costs – this line-item identifies purchases of furniture equipment as tangible property and requires a useful life of one or more years; acquisition of items more than \$1,000; and purchases of electronic items, regardless of cost, such as computers, iPads, laptops, fax machines, etc. Note: Prior City approval must be obtained for all furniture and equipment purchases.

All furniture and equipment expenses paid with CDBG funds must be listed on the inventory log at closeout of each program year. If the proposer leaves the program or is no longer eligible to be a provider, then the City has the right to remove all furniture and equipment listed on the inventory log.

#4000 – Indirect Costs – this line-item identifies Indirect Costs that are incurred for common or joint objectives benefiting all programs administered by an agency proposer and cannot readily be identified with a particular final cost objective e.g., grant, contract, project and other activities.

The proposed indirect cost rate must be approved by the cognizant federal agency with the largest dollar value of awards to an organization. This agency is responsible for negotiating indirect cost rates for the organization on behalf of federal agencies. Approval of an indirect cost rate is formalized by a rate agreement letter signed by the authorized representative of the cognizant agency and the organization.

Uniform Guidance 2 CFR Subpart E – Cost Principles establishes federal requirements for determining allowable and unallowable direct and indirect costs and preparation of indirect cost proposals.

Proposer must provide a copy of the letter of approval from the cognizant federal agency if proposing to charge Indirect Costs.

If the contract is awarded and the proposer does not have an approved indirect cost rate, the proposer can submit an Indirect Cost Rate proposal to a federal cognizant agency or to the City of Los Angeles to have an Indirect Cost Rate approved.

In lieu of negotiated indirect cost rate, proposers may elect to use the de minimis rate which allows 10% of Modified Total Direct Cost (MTDC) to be charged as indirect costs.

#5000 – Capital Cost – Capital costs (including tenant improvements) are NOT ELIGIBLE for funding.

Form #2: Schedule of Personnel (Tab: #2_Sched of Personnel)

List all employees funded by CDBG funds by job titles and name (if available); list the total Monthly Salary (from all funding sources) for each position, estimate percent of time and number of months to be worked on this program by the position.

Determining the Total City Share Salary: (Full Monthly Salary for each Employee Job Title) X (% of time on this program) X (# of months) = Total City Cost for each position. If the position is paid an hourly rate, please convert to monthly salary.

Staff salaries must commensurate with equivalent job classifications in the Los Angeles area and conform to provisions of the City's Living Wage Ordinance.

Fringe (Employee) Benefits must be listed in the policy and procedures or personnel policy manual and may include:

- FICA (Social Security & Medicare) - not to exceed 7.65%
- State Unemployment Insurance (SUI) - first \$7,000.00 in wages in a calendar year or 6.2%. Maximum \$434 per employee, per year.
- Worker's Compensation premium
- Health/Dental insurance premium
- Retirement
- Other

Form #3 Spending Plan Worksheet (Tab: #3_Spending Plan Wksheet)

Indicate planned monthly expenditures over a 12-month period. The Total Cumulative amount should match the Total of Column A of the Budget Detail form.

Form #4: Budget Summary (Tab: #4_Budget Summary)

All data should be populated from Budget Detail (Tab: #1_Budget Detail) and Spending Plan Worksheet (Tab: #4_Spending Plan Wksheet).

Use this tab to double-check your numbers to make sure the information is accurate.

Form #5: Budget Narrative (Tab: #5_Budget Narrative)

Provide a narrative, justification, and/or explanation for each line item listed on the Budget Detail. Enter the final approved budget for the previous year in the first column highlighted in light yellow. 3. In preparing the budget narrative, please provide information so that a reviewer understands the necessity of each proposed item as well as the process used to arrive at each budgeted amount (e.g., formulas used).

Form #6: Schedule of Leveraged Resources (Tab: #6_Leveraged Resources)

Refer to your contract if your agency is required to report Leveraged Resources. Leveraged Resources (cash or in-kind contributions) should be listed under Leverage Resources Detail and the amount should go under the Cash or In-Kind.

Cash Expenditures include but not limited to personnel services, services provided by another funding source, equipment and supplies. Spaces owned by the Subrecipient needs to be calculated based on depreciation schedule.

In-Kind Contributions valuations should be calculated at fair market/rental rates for similar goods and services. Donated spaces can be calculated at current fair market value of comparable spaces established by an independent appraiser. Refer to 2 CFR 200.306 and 200.434 for more information.

Form #7: Salary Range Summary (Tab: #7_Salary Range Summary)

List all job titles included on Schedule of Personnel (Tab: #2_Sched of Personnel) and the salary range for each position as approved by your Board.

Form #8: Equipment Inventory

Pursuant to City agreements, Subrecipients are responsible for maintaining "Inventory Control" of all equipment purchased with grant funds. The record shall include:

1. A description of the item or equipment, including model and serial number, if applicable;
2. Date of acquisition;
3. The acquisition cost or assigned value to the program; and
4. Source of acquisition

The program monitor will follow up with a physical inventory to reconcile with the Equipment Inventory Form during onsite monitoring visits.

Form #9: Position Descriptions

Submit a Position Description for all positions included on Schedule of Personnel (Tab: #2_Sched of Personnel) and resumes for all filled positions. Also include an organizational chart setting forth the actual lines of responsibility of personnel.

BUDGET SUPPORT DOCUMENTATION

To supplement the budget, appropriate support documentation must be submitted for each budget line item. Support documentation may include the following:

- A. Copy of your Cost Allocation Plan which clearly shows how charges are divided among their different funding sources.
- B. Executed copies of all subcontract agreements and professional service agreements with vendors for outside services (e.g., legal or accounting). It is the policy of the City to encourage fair and open competition in its procurement for goods and services. By practicing sound purchasing and contracting practices, we are demonstrating the highest ethical standards possible. Procurement shall be conducted at least once every three years. Subrecipient shall conduct and document the process to ensure compliance with procurement procedures.

If executed subcontract agreements and professional service agreements are not available at this time, submit as soon as available. No expenditures for this line item will be reimbursed until agreements are submitted.

- C. New or amended lease agreements or depreciation schedule(s) with cost allocation plan defining method for allocating various shared expenses between CDBG contracts and all other non-CDBG programs. Provide a floor plan of the center facility and the methodology used to calculate space costs.
- D. Copies of the Subrecipient's indirect cost rate approval letter from the Subrecipient's cognizant agency (if any). Agencies that do not have a cognizant Federal agency may submit a request to the EWDD Financial Management Division to negotiate a rate.