



# Developing and Managing Your Budget



# Session Objectives



1. Identify costs attributable to your grant
2. Provide participants with tools and resources to create an effective grant budget
3. Provide guidance for managing the grant budget effectively once it is created



# Cost Principles



- Used to determine the allowable costs incurred by organizations under grants or contracts
- Principles are designed so that Federal awards bear their fair share of the cost
- Information about factors that affect allowability and information about reasonable, necessary, and allocable costs
- OMB provides a list of selected costs that are specifically addressed



# Cost Principles



- Provide guidance about reimbursement requirements
- Provide uniform standards of allowability and allocation
- Encourage consistent treatment of costs
- Define reasonable costs



# Reasonable Costs



- A cost is reasonable if it does not exceed that which would be incurred by a “prudent person” under the circumstances prevailing at the time the decision was made to incur the costs
  - The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or divisions that receive the preponderance of their support from awards made by Federal agencies



# Cost Principles

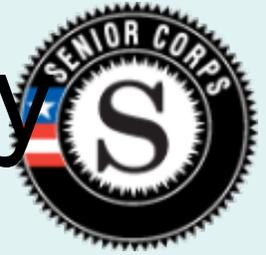


## Examples of Costs Identified by OMB:

- Advertising and public relations costs
- Compensation for personal services
- Memberships, subscriptions, and professional activity costs
- Recruiting costs
- Rental costs
- Training and education costs
- Travel costs



# Factors Affecting Allowability



To be allowable under a grant, costs must:

- Be reasonable and allocable for the performance of the award
- Conform to grant award limitations or cost principles
- Be consistent with policies and procedures that apply to both federally-financed and other activities of the organization
- Be given consistent treatment
- Be in accordance with Generally Accepted Accounting Principles (GAAP)
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program
- Be adequately documented



# Key Elements of Costs



- Allowable

- Conform to any limitation or exclusion set forth in the OMB Cost Principle Circulars/Code of Federal Regulations or in the award as to types or amount of cost items
- Be determined in accordance with Generally Accepted Accounting Principles (GAAP)

- Allocable

- A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received
- A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances



# Key Elements of Costs



- Reasonable

- A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs

- Necessary

- The cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award



# Revised Grant Guidelines



Effective May 11, 2004 and August 31,  
2005

Federal Grant Guidelines	Universities	States, Local, Indian Tribal Governments	Non-Profits	Hospitals
<b>Administrative Requirements</b>	§ 45 CFR 2543 § 2 CFR 215 (formerly A-110)	§ 45 CFR 2541 OMB A-102	§ 45 CFR 2543 § 2 CFR 215 (formerly A-110)	§ 45 CFR 2543 § 2 CFR 215 (formerly A-110)
<b>Cost Principles</b>	§ 2 CFR 220 (formerly A-21)	§ 2 CFR 225 (formerly A-87)	§ 2 CFR 230 (formerly A-122)	§ 45 CFR 74 (HHS regulations)
<b>Audit Requirements *</b>	OMB A-133	OMB A-133	OMB A-133	OMB A-133

**Notes:**

**CFR** = Code of Federal Regulations

\* = Organization is subject to A-133 if it expends \$500,000 or more of Federal funds in its fiscal year





# Budgeting – The BIG Picture





# Budget Design Has Impact at Every Stage of the Grant Lifecycle

- To plan what is necessary for success
- To establish realistic scope
- To ensure you have covered the details
- To reflect on how you have complied with rules
- To guide your staff as they execute the program
- To define what is expected and approved
- To reflect upon your performance

**Tip: Involve budget and finance staff in project planning from the beginning and thereafter**



# Summary: How Budgets Fit into the Big Picture



- Budgets impact every stage of the grant lifecycle

***Budgets can not be an afterthought***

- Budget formulation is a known challenge to applicants

***Knowing how to form a quality budget is a critical skill***





# Budgeting – What Do I Need to Know?



# Managing The Budget Process



- What is a Budget?

- A financial blueprint projecting expenditures for the grant award period, e.g., 6 months; 1 year; 3 years

Uses:

- Management oversight
- Fundraising
- Accountability
- Forecasting



# Grant Specific Functions of your CNCS Budget



- Becomes part of the grantee's contractual obligation
- Serves as a blueprint for the activities supported under the grant
- Helps to ensure conformance to provisions and regulatory restrictions
- Used to monitor and measure progress towards meeting matching requirements
- Used to monitor and compare budget to actual expenses



# Budgets & Reporting



- Grantees need to have system to ensure all expenses in budget are documented
- Grantees should track Project Staff time
- Project Directors should work with fiscal staff to get cost allocation information so budgets are accurate
- Establish a system to track both cash and in-kind match



# Costs Types



- Why know the difference between the two kinds of costs?
  - Cost characteristics to properly classify expenses
- Cost Types:
  - Direct costs: correlate with the program and its objectives, such as:
    - Participant support
    - Training
  - Indirect cost: also known as administrative costs, are costs to operate the organization, not directly or easily attributable to the program/project



# Direct Costs



Costs that are directly attributable to meeting the goals and objectives of the programs

They include:

- Allowable, direct charges for volunteers
- Costs for staff who train, recruit or supervise volunteers
- Costs for travel



# Administrative Costs



Administrative costs are general or centralized expenses of overall administration of an organization

Include items such as:

- Accounting, auditing, general legal service
- Costs for internal evaluation
- General liability insurance
- Salaries & benefits related to general organizational management and support



# Indirect Costs



Grantees should have

- Current Federally approved indirect cost rate
- or
- Written cost allocation plan to support claimed indirect costs

If grantees have questions, they should call their Grants Officer at the Field Financial Management Center (FFMC)



# Budgeting Issues



## Senior Corps

- 100% Project Director
- Fundraising
- Budget Rescission of 1.747%





# Budget Monitoring



# What are Budget Controls



- Reviews of budget to actual expenses regularly to avoid cost overruns
- Identification of expenditures that may not be budgeted to ensure they can be claimed
- Identification of expenditures that may need approval before being claimed





# Key Budgetary Controls

Budgetary controls include:

- Regular monitoring of budgets to actual, year-to-date, and current period expenditures or outlays
- Explain any budget variations that are unexpected or unusual and determining necessary adjustments
- Ensure compliance with laws, regulations, and CNCS provisions, particularly matching percentage requirements
- Request prior approvals for modification, if necessary
- Assure budget changes are properly approved





# Exercise



# Taking it Home!



1. Have a clear understanding of the budget process and allowability of costs to include in the budget
2. Create a process to monitor the budget to ensure compliance
3. Be sure that costs included in your budget are allowable under the grant

