Budgeting and Invoicing Manual
DHS Contracts

The Community Partnership
For The Prevention
of Homelessness

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PURPOSE

The purpose of the manual is to provide budgeting and invoicing guidelines for organizations contracted by The Community Partnership for the Prevention of Homelessness to provide services funded by the District of Columbia's Department of Human Services. The manual is presented to provide general guidelines and does not supplant any requirements set forth in the contract. In the event that a budgeting or invoicing issue arises that is not covered in this manual or needs further explanation, do not hesitate to call the staff of TCP for further assistance.

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BUDGET DEVELOPMENT

Contracts issued by The Community Partnership (TCP) indicate the total contract amount and the scope of work being funded. The contractor is given discretion to determine the best use of those funds in operating the program to completely meet the scope of work. At the time of contract execution, the contractor is required to submit, along with other deliverables, a budget (form 326) a narrative in contractor's own format and a staffing list (form 905). The following guidelines outline the expectations of TCP regarding the budget and narrative.

Please note that all the forms referenced in this manual are available on our website. Go to www.community-partnership.org/tcp_library.html (the Resources tab on the web site).

I. TCP 326 Form (See Appendix A)

Budgets are to be submitted on the TCP 326 form using only Column A.

The information requested at the top of the form is the following:

- TCP Contract #: Please refer to your contract regarding your new contract number, and make sure to put the correct number on all correspondence to TCP, including invoices.
- Vendor Invoice #: When submitting invoices, a contractor may assign an invoice number at their own discretion.
- Billing Period: All bills must be submitted for a one month period.
- Project Name: This is the program name listed on your contract
- Project Address: This is the primary site of the program's activities (in the case of programs that need to maintain the confidentiality of their location, such as Domestic Violence or HIV/AIDS program, the address may be listed as "Confidential")
- Vendor Name and Headquarters: This is the legal name of your agency and the address of the administrative function.

II. Allowable Expenses

All expenses charged under contracts funded by DHS must be allowable in accordance with Federal OMB A-122 Guidelines "Cost Principles for Non-Profit Organizations." These guidelines can be found on the web at http://www.whitehouse.gov/omb/circulars/a122/a122.html. The Circular includes a list of all allowable costs. Costs which are not allowable are the costs are all Entertainment costs (Attachment B Item # 14.) Client costs are allowable under the section called Participant Support Costs (Attachment B, Item # 33.) In addition to the A-122 guidelines, the Partnership will not reimburse a program for costs associated with out-of town travel and/or "field trips" for clients.

III. Expense Categories

TCP allows the contractor to determine the allocation of the budget to the five expense categories (Supportive Services, Operating Costs, Capital Equipment, Leasing and Indirect Costs) as best suits the program and its funding needs, although use of funds for both Capital Equipment and Leasing require prior approval from TCP. The examples listed below are intended to be guidelines only and may or may not be applicable depending on the nature of the program.

A. Supportive Services

This category represents expenses directly related to the services provided to clients in the program as defined in Article 1: Scope of Services and Article II.B Specific Service Requirements of your contract. These costs include:

- Personnel directly working directly with clients
- Supplies used by the clients
- Phones provided primarily for client use
- Food for clients
- Costs of training provided to the clients
- Transportation of clients (costs of public transportation and/or private transportation provided by contractor.)
- Client Costs

B. Operating Costs

This category represents costs associated with the day-to-day operation of the program and its facility. These costs include:

- Personnel directly supporting the operation of the program including the manager of the program, maintenance staff for the facility, HMIS staff, security employees (paid through payroll)
- Utilities
- Minor repairs (see limits on page 5)
- Security services provided by a contractor
- Insurance
- Telephones, office supplies, and computer costs for supportive and/or operating personnel
- Rent for program space

C. Capital Equipment

As defined in Article XIII Capital Acquisitions of the contract, all equipment purchased that is anticipated to cost more than $5,000 must be approved in advance by TCP and remains the property of the District of Columbia until it is fully depreciated. In order to be considered, this equipment must be expected to last more than 3 years. All budgeted funds on the Capital Equipment budget line must be accompanied by a capital equipment request. Requests for Capital Equipment made after initial budget approval must be submitted with a budget modification request to allocate funds from Operating or Supportive Services funds to Capital Equipment funds. All capital purchase requests for equipment greater than $5,000.00 must be accompanied by documentation of three bids from different suppliers and a justification for the purchase and for the preferred supplier. TCP will not fund partial purchases of equipment. In the event of default or non-renewal of this contract all equipment purchased with TCP funds will revert to TCP unless fully depreciated. The contractor shall pay for all operating and maintenance costs associated with maintaining the equipment in safe and good operating condition as well as insurance coverage for the equipment.

D. Leasing

Leasing is funded by the District of Columbia for those programs that operate in buildings not owned by the city and pay rent for client residences.

E. Indirect Costs

Indirect costs are costs associated with administrative functions of the organization and are related to the program, but not included in the allowable operating costs. These expenses are capped at 10% of the subtotal of the other categories, and at this time, TCP does not require documentation of these expenses. However, the contractor must have an administrative overhead rate on their audited financial statements equal to or higher than the rate budgeted.

These types of costs include:

- Personnel engaged in the overall administration of the program doing activities such as preparing payroll, paying bills, preparing invoices for TCP, office management.
- Bank Fees
- Office Supplies for administrative personnel

IV. Line Items

When budgeting, the contractor must carefully assign all expenses to line items within each category. Following is a brief outline of what is intended for each line item:

A. Salaries

Expenses on the salaries line should be gross salaries paid to employees (either under Supportive Services or Operating Costs.) The budget narrative must include the name and title of each person budgeted in each of the two cost categories. If a person's salary is only paid partially by this contract, the percentage allocation must be included. All personnel allocations must beamed on a reasonable basis and be reviewed at least every 6 months. **The personnel list in the budget narrative should match the staff list submitted on form 905 (See Appendix B) and job descriptions included with the deliverables.** (Please note: the contract also requires thatch be notified **in advance** of any significant changes in staffing patterns made during the course of the contract year.) The Personnel line item should not include payments to independent contractors and/or casual labor for whom no payroll taxes are paid by the employer.

B. Payroll Taxes

Payroll taxes are limited to FICA and unemployment taxes paid by the contractor. This expense can be calculated based on a percentage of the personnel expense. The budget narrative should include the contractor's current unemployment rate and the logic for determining the percentage rate to be charged to the contract. In most cases, the percentage should not exceed 9%. If a contractor pays unemployment on a reimbursement basis rather than on a rate basis (as is allowed for non-profit organizations) the contractor may only charge actual expenses for employees who were charged to the contract during their employment.

C. Fringe Benefits

Fringe benefit expenses include health insurance premiums, life insurance premiums, disability premiums, vacation, holiday and sick pay (if they are not included in gross wages), and costs of any other fringe benefits provided to employees. The budget narrative should show an estimated cost of each type of fringe benefit. In most cases, the expense for fringe benefits should not exceed 17% of the personnel costs. (See page 9 for a further discussion of fringe rate.)

D. Consultants

Consultants are all individuals hired by the organization as contracted labor for which the organization does not pay payroll taxes. This includes independent contractors as well as casual labor. The only exception to this policy is security provided by an outside contractor. These costs should be budgeted under "Security". It is expected that all contractors will comply with IRS regulations in determining whether an individual is classified as an employee or an independent contractor.

E. Supplies

Supplies include costs for all incidental supplies directly attributable to the program as well as travel expenses, postage and delivery, and communications expenses. When supply expenses are budgeted in the Supportive Service category those supplies or services must be used either by clients or by the supportive services staff. Supplies for operating staff should be budgeted and billed in the operating cost category when the supplies or services are not directly related to a client.

The budget narrative must detail what expenses are going to be billed under this category, based on the following:

- Travel expenses consist of both public and private transportation costs. The budget narrative should include a distinction between public and private transportation expenses. Private transportation includes use of personal automobiles for program-related uses reimbursed by the organization at the federal standard mileage rate paid to employees for use of personal cars, as well as cost of gas for company owned vehicles. For current mileage reimbursement rates go to www.gsa.gov and click on "POV mileage reimbursement rates".
- Postage and delivery expenses include US Mail, Federal Express or other long distance overnight services and local couriers.
- Communications expenses include the cost of telephones, cellular phones, fax machines, and internet based communications, including email and website maintenance.

- Supplies expense must include a general description of the types of supplies to be purchased.

F. Equipment/Furnishings
The equipment/furnishings line is intended for purchase of equipment and/or furnishings which cost less than $5,000. The budget narrative should include a detailed description of what is expected to be purchased.

G. Client Costs
Client Costs consist of any funds used to purchase items for direct benefit of or use by the client. Examples include: food for clients, toiletries and other personal items purchased for client, cost of lab work for client drug testing, etc. The budget narrative should include a list of the types of client costs that are budgeted. Client costs may not include out-of-town travel and/or “field trips” for clients.

H. Other Costs
Other costs should be used for all costs associated with running the program which cannot be put into another category. The budget narrative must specifically identify these costs. All costs included must be allowable under the federal A-122 guidelines.

I. Occupancy (Operating costs only)
Occupancy includes rent for the staff operations of the program. Any costs for occupancy of units for clients should be billed under Leasing. If an allocation is made for the occupancy budget, the basis of the allocation (which should be measured in square footage) must be included in the budget narrative.

J. Utilities (Operating costs only)
Utilities include electricity, natural gas, water and sewer costs for both program locations and client residences. It does not include telephone costs which should be budgeted under Supplies. If an allocation is made, the basis of the allocation must be included in the budget narrative.

K. Repair/Maintenance
Repair and maintenance covers routine repair and maintenance of property and equipment. The cost of routine minor repairs may not exceed $2,500 in District-owned buildings and $5,000 in privately owned buildings.
Repairs which are needed in city owned buildings for which quotes exceed $2,500 must be requested to DHS through the Deputy Director for Operations at TCP.
The District of Columbia will not fund any repairs to privately owned property that cost more than $5,000. Occasionally, TCP has federal funds available to pay for repairs to shelter facilities. If repairs quoted at more than $5,000 are needed in privately owned facilities, the contractor should notify the Deputy Director for Operations at TCP to see if such funds are available.

L. Insurance

Insurance should include the costs of maintaining coverage as required in Article XII of the contract. This includes worker's compensation insurance. The budget narrative must include a list of each type of insurance to be billed to the contract. All allocations must be justified.

M. Contracted Security

If a program hires a service to provide security at the facility the cost of that service should be included in this budget line item rather than Consultants.

V. Budget Modification

A. Initial Budget Submission

Program Budgets must be submitted to TCP with all other contract deliverables at the time of execution of the contract. All budgets will be reviewed by TCP. TCP will indicate its approval of the initial budget submission with payment of the first month's invoice. No invoices will be paid until a budget is received and approved. The contractor must use the approved budget to invoice TCP each month. TCP will not pay on any line item which exceeds its budget by more than 10%.

B. Budget Modification Process

If the contractor wants to reallocate funds, a budget modification must be submitted. A maximum of two budget modifications can be submitted for each program in a fiscal year. The final budget modification of the contract year must be submitted **45 days** before the end of the contract.

Budget modifications must be submitted using the TCP form 337 Budget Modification Form (Appendix C) which shows the budget changes by line item and the TCP Budget Modification Request Form 338 (Appendix D) which provides a place for a budget narrative.

C. TCP 337 Form

The TCP 337 form has the same line items as the TCP 326 form. The form asks for the TCP contract number, the project name and the requested effective date of the modification. The effective date of the modification must be later than the last period for which the contractor has already been reimbursed.

Column A should be the most recent approved budget. If the submission is the first modification of the year, the figures in Column A should equal the initial budget submission. If a previous budget modification has been submitted and approved, the figures in Column A should be those from the modified budget. The total in Column A should equal the total contract amount.

Column B should have the changes the contractor is requesting for each line item. The total in Column B should equal zero.

Column C should equal Column A + Column B and represent the new budget totals the contractor is requesting.

D. TCP 338 Form

The TCP 338 form is a Budget Modification Request form which asks for basic contract information to accompany Form 337. All budget modification requests must include a narrative to support the requested change. All requests which involve reallocating funds to or from personnel or client costs require a detailed listing of the changes to these areas and their direct impact on the scope of work. TCP conducts a review of the modification to try to ensure that the program will benefit from the reallocation of funds, not be harmed by it.

E. Budget Modification Approval

The Controller and the DHS Programs Director are responsible for approving budget modification requests. When a budget modification request has been approved, the form will be signed and faxed to the contractor. All requests that reallocate less than $10,000 are subject to approval by TCP's DHS Programs Director. Requests that reallocate more than $10,000 must be approved by TCP's Controller. If the budget modification is not approved or requires further information, the contractor will be notified. TCP cannot pay a contractor for an invoice based on the modified budget until the modification is approved.

INVOICING

I. Invoice and Payment Schedule

Checks are issued by TCP on the 15th & last day of the month after 3pm. For any invoices received by close of business on the 15th of the month checks will be issued after 3pm on the last day of the month. For any invoices received by close of business on the last day of a month checks will be issued after 3pm on the 15th of the following month.

If any of these dates fall on a weekend or holiday, the last business day before that date will be substituted. Therefore, if the 15th of the month falls on a weekend, payments will be made on the Friday before and invoices are due on the Friday before. See Appendix E for the submission and payment schedule for FY2007-2008. Invoices are due within 45 days of the end of a billing period with the exception of the final invoices of the contract year which are due by December 31, 2008.

All payments to Contractors will be mailed to the headquarters address noted on the invoice.

II. Invoice Review Process

The accounting department at TCP consists of the Controller, the Senior Accountant, and the Accountant. These staff members are responsible for reviewing and approving invoices and issuing payments. All invoices are reviewed initially to ensure that they have been submitted in the correct format (see section IV on page 8). All invoices must

be submitted on a TCP 326 form with a calculator tape verifying the total and must include the correct contract number, the correct initial budget and appropriate signatures. Invoices are then reviewed for content ensuring that all required supporting documentation is orderly and complete, all expenses charged are allowable costs and that the contractor is not over budget on any line item by more than 10%. If problems are found with the invoice, the contractor will be contacted by the Accounting Department. The most common reasons that TCP notifies contractors are the following:
Insufficient documentation

- Disallowed cost
- Line item over budget by more than 10%
- Calculation error
- Bottom line over total contract amount
- Expense not within the contract period

TCP attempts to contact the contractor as early as possible in the review process, and appreciates all efforts to respond quickly to these requests.
In the event that the contractor cannot provide sufficient documentation or a line item cannot be reimbursed in full because of a disallowed cost, TCP will reduce the amount of the payment made to the contractor. To make reductions, the Accountant completes a TCP invoice review form indicating the amount and reason for the reduction (See Appendix F). These forms are sent to the contractor with the payment to allow the contractor the opportunity to correct the year to date balances.

III. Holding Payments

TCP will hold any payments for providers that are delinquent in any of the following: Quarterly Reports, Client Satisfaction Surveys, Audits, and insufficient documentation for reimbursement of payment. Once TCP has received and approved all documents and/or reports, any and all payments will be released.

IV. Advances

Article XI, paragraph 12 of the contract states that contractors may request up to two payment advances per contractual year. Each request may not exceed 1/12th of the total contract amount. Each request must be in writing, signed by the contractor's Executive Director, indicating the reason for the request. The payment advance is inclusive of the contractor's annual budget and not to exceed the same. This advance shall be repaid within three months of its issuance through a payment reduction plan submitted with the original request.

V. Budget Modifications

Contractors are required to submit requests for budget modifications when contractors anticipate changes in the actual spending will deviate more than 10% on any given line item. For full procedures about requesting budget modifications see page 6.

VI. Invoicing Format

Invoices must be submitted on a monthly basis on the TCP 326 form. Contractors may not add line items to this format. The invoice must include all requested information including: Contract #, Billing Period, Program Name, Program Address, Contractor Name and Headquarters address. The 326 form should summarize all spending by line item in the four columns: Budget, Current Period Spending, Year to Date Spending and Balance. Contractors may submit invoices with actual amounts or amounts rounded to the nearest dollar. All invoices must have an adding machine tape attached in the upper right hand corner, verifying the arithmetic of the invoice. The 326 form must be followed by an itemized list of the supporting documents. The itemized list must include sufficient information about the supporting documents totaled by line item to make clear what the documentation is supporting. The documentation should be submitted in the same order as the items appear on the itemized list. A sample summary sheet in Excel file format is available on the TCP website, though TCP does not enforce a standard format for the itemized list to allow each contractor to develop a format which is most useful to them. This itemized list is intended to allow anyone reviewing the invoice to know what the documentation is supporting.

VII. Authorized Signatures

All invoices must be signed by the individual who prepares the report and a second person of higher authority such as the Executive or Deputy Director or the CFO. In the event that the invoice is prepared by the Executive Director, that single signature will suffice.

VIII. Allowable Expenses

TCP is required by DHS to enforce the OMB A-122 circular standards for allowable costs. The complete circular is available at http://www.whitehouse.gov/omb/circulars/a122/a122.html. Some of the more common costs which are disallowed are:

- Late fees and finance charges.
- Fines.
- Alcoholic beverages.
- Entertainment expenses. All expenses which may appear to be entertainment expenses must be justified by a program related purpose. A written explanation of all entertainment expenses billed to TCP must be included with the invoice.

IX. Documentation Guidelines

TCP is required by DHS to collect documentation sufficient to substantiate the expenses that have been incurred and are eligible for reimbursement.

A. Salaries: To support salary expenses, the invoice must include a payroll register from a third party payroll provider or itemized list from the in-house payroll if no third party vendor is used. The payroll register may be a complete register with the relevant personnel highlighted or irrelevant personnel blacked out or it may be a labor distribution report which only shows the relevant personnel. In the event that an employee's time is allocated among multiple programs the payroll summary must include an indication of the allocation rate for payroll. TCP cannot pay for monthly or quarterly payroll accruals except for the final invoice for the year. If an accrual is charged for the final payroll of the year, the payroll register from the period in which the accrual is actually paid must be included.

<u>B. Payroll Taxes</u>: Payroll registers can be used to document payroll taxes, as they usually indicate employer contributions towards FICA (Social Security and Medicare) and unemployment. Contractors who pay unemployment on a reimbursement basis must submit copies of actual invoices as TCP will only reimburse for employees who were charged to the contract when employed by the contractor. As with payroll, TCP cannot reimburse to payroll tax accruals except for the final payroll of the contract year.

<u>C. Fringe Benefits</u>: There are two options for documenting fringe benefit expenses:
Option 1: The contractor may be directly reimbursed for expenses. If this option is selected, the contractor should submit copies of invoices for fringe benefit expenses showing payments made on behalf of covered employees.
Option 2: The contractor may bill based on a percentage allocation of fringe expenses. If this option is selected, the contractor submits allocation worksheets showing the basis for allocating fringe benefit expenses. The worksheet must show the type of benefit, the allocation method and the resulting cost being charged to the contract. At the end of the contract TCP will calculate the fringe rate and compare the rate to the Financial Statement or IRS form 990 for the same period. If the fringe rate charged to the contract is higher than that reported, the excess cost will be disallowed unless complete documentation of the actual expenditures is submitted for the year in question.

<u>D. Non-Personnel Costs</u>: Documentation for all other costs must be an original receipt or invoice from a bona fide company or individual providing goods and/or services to the contractor. The invoice should be billed to the contractor with the correct service address when applicable and dated for the period being billed. If the invoice is more than 60 days old an explanation of the late payment of the invoice must be included on the itemized list. **TCP cannot, under any circumstances, reimburse a contractor for an invoice for goods or services received outside the contract period. TCP will not reimburse based on vendor statements or on prior balances on invoices.**

TCP will reimburse based on receipts from stores but not based solely on a credit card receipt or credit card statement; the receipt or statement must itemize the goods purchased. For goods purchased via the internet, the order confirmation and proof of payment are required. A shopping cart list is unacceptable.

<u>E. Capital Equipment > $5,000</u>
Required documentation for capital equipment purchases which cost more than $5,000 are copies of invoices itemizing purchase and date of delivery. The vendor from which the equipment is purchased must match the vendor selected in the competitive bidding process.

<u>F. Leasing</u>
If the contractor receives an invoice from their landlord(s) to be reimbursed under leasing, then a copy of that invoice is sufficient to document that expense. If no invoice is

received, TCP requires a list of the properties being paid for and a copy of the check. The properties must match those for which a current lease is on file. (Copies of leases are a contract deliverable.)

G. Indirect Costs

At this time, TCP does not require documentation of indirect costs. These expenses are capped at 10% of direct expenses. After submission of the contractor's financial statement, TCP will review the organization's audited financial statements to ensure that the general and administrative rate reported in the financial statement is greater than or equal to 10%.

OTHER

II. Audits

All contractors are required to submit audited financial statements within 10 days of receipt of the final report from the auditors.

Contractors who are subject to A-133 audit guidelines must submit the A-133 audit report within 10 days of receipt of the audit report from the auditors.

Any nonprofit organization that receives $500,000 or more in federal funds in a fiscal year must have an A-133 audit performed. For more information regarding A-133 audits, go to the OMB website with the complete A-133 circular at http://www.whitehouse.gov/omb/circulars/a133/a132.html for the complete guidelines or the Federal Audit Clearinghouse website at http://harvester.census.gov/sac/ for more information.

If the financial statements and/or A-133 audit report are not received within 90 days of the end of the contractor's fiscal year, the contractor must submit to TCP in writing notice of the status of the audit and an estimated date of receipt of the audit report. If the audit is not received by the date estimated in the letter, TCP will require a subsequent letter with a revised due date for the audit. Invoice payments will be held if TCP does not receive either an audit or a letter of explanation by the dates required.

If nine months elapse from the end of a contractor's fiscal year and TCP has not received a completed audit, TCP is required to notify DHS. A thorough review of the circumstances will be conducted by TCP and DHS. **This review may result in sanctions and/or a loss of funding for the contractor.**

I. Funding Sources

The DC Department of Human Services receives both federal and local funds that are used to fund the Homeless Continuum of Care. In general, federal funds are used for programs serving families and for the domestic violence programs. With a few small exceptions, all other funds are from local government sources. The CFDA numbers for the federal programs are:

Domestic Violence 93.671
Family Programs (TANF) 93.558

Any funds which are identified as federal funds are subject to OMB A-133 guidelines. TCP will notify contractors of any federal funds included in contracts at the end of the contract year. If information on funding source is needed at another point in the year, please contact the Controller.

Appendices

Appendix A – TCP Form 326 – Budgeting and Invoicing Form
Appendix B – TCP Form 905 – Staffing List
Appendix C – TCP Form 337 – Budget Modification Form
Appendix D – TCP Form 338 – Budget Modification Request Coversheet
Appendix E – FY2007-2008 Payment Schedule
Appendix F – TCP Invoice Review Form
Appendix G – TCP Form 297 – Audit Information Request Form
Appendix H – TCP Form 298 – Certification of Agency's Fiscal Controls