

Out-of-Home Care



Georgia Department of Human Resources

State Fiscal Year 2009

**Provider Cost Report
Instructions & Forms**

Instructions for Completing

the Cost Report

INTRODUCTION

For the Georgia Department of Human Resources and Department of Juvenile Justice to determine the actual cost of providing out of home care services to the children of Georgia, cost reports must be submitted annually. The cost report will enable the State to establish an appropriate base for reimbursement.

The information required to be submitted annually is:

Annual Cost Report: This report will be used by the Department of Human Resources and Department of Juvenile Justice to determine the cost of care for program planning purposes and for reimbursable costs incurred in the provision of out of home care. This report should reflect the provider's most recently completed fiscal year.

Independent Audit Report: This should be the most recently completed 12-month financial audit for the provider. The audit report is to be submitted with the annual cost report described above, but in no event later than 180 days following the end of the provider's fiscal year end.

FACILITIES REQUIRED TO REPORT

All providers of residential child care or foster care for the Departments of Human Resources and/or Juvenile Justice are required to submit the above documents. Licensed programs of out-of-home care include:

- Child Caring Institution – levels Base, AWO, MWO
- Child Placing Agency – levels Traditional, Base WO, Max WO, SBWO, SMWO, SMFWO, PFCM
- Camp
- Teen Development
- Maternity Home
- Second Chance
- DJJ Specialized Residential

AGENCIES WITH MULTIPLE PROGRAMS/MULTIPLE SITES

A cost report is required for each program with a different Program Vendor number. For example, an agency operating both a residential program and a foster care program must submit cost reports for each. Providers shall include their Program Vendor number on the cost report. If the program serves both DFCS and DJJ use DFCS vendor number, if DJJ only use DJJ vendor number. Agencies that operate programs with multiple sites of the same type program will prepare a cost report for each site.

For purposes of this report, a facility may allocate common costs using a method that is reasonable. For example, rent for one building that houses two or more programs could be allocated based on the proportion of the square footage occupied by the different programs or by the number of beds. Administrative overhead may be allocated based on proportional program cost or staff cost. In any event the basis for allocation of costs should be described as requested. Agencies should confer with their auditors to ensure that they are using federally approved and generally accepted accounting practices in the allocation of shared costs to the program cost center.

Please note the spreadsheet has calculations built in for some cells and this is indicated by a \$0 or #DIV/0 in the cell. These cells have been locked. Please, do not attempt to overwrite the calculations. Data entry cells are highlighted in yellow and locked cells show in white.

REPORTING PERIOD

The cost data in the report should reflect the facility's most recently completed fiscal year ended in 2008. The report must reflect the actual incurred cost during the time period reported. Do not include anticipated costs that are outside of the reporting period nor budget estimates.

GENERAL GUIDELINES FOR COMPLETING THE COST REPORT

The cost reports are used in rate setting as well as establishing the basis for federal reimbursement. As such they are subject to federal and state audit. The instructions for allowable and unallowable costs and expenditures for federal claiming are based on federal criteria. These are identified in the Office of Management and Budget Circulars A-122, A-133 and A-87, "Cost Principles for Nonprofit Organizations", "Audit Principles for Non Profit Organizations" and "Cost Principles for State and Local Governments." These instructions for completing the Cost Report are meant to explain and apply these federal criteria, not to displace or contradict these criteria. In any area of dispute, the force of the federal guidelines will prevail. Allocation of reasonable costs to the program shall be supported by approved methodology and documentation retained by the reporting agency.

Take special care to be accurate and consistent in completing this report. The cost report is subject to federal audit, and any inaccuracies could lead to repayments to the federal government for any unallowed or inaccurately reported costs.

Do not use terms such as "miscellaneous", "various", "etc.", or "other", without specifying the items. State staff must be able to determine that costs are allocated to the appropriate cost categories, and the use of such terms makes it impossible to do that.

The chart of accounts used in this report is designed to capture federally allowable costs. If your facility's Chart of Accounts is not as detailed or somewhat different, then consolidated amounts for the major non-personnel costs are acceptable.

SUBMITTAL INSTRUCTIONS

The cost report and accompanying materials are to be completed and postmarked no later than ninety days after the close of the agency's most recently completed fiscal year.

Submit completed signed Cost Reports (**cover sheet only**) and audit to:

Georgia Department of Human Resources
Office of Planning and Budget Services
2 Peachtree Street NW, Suite 19-442
Atlanta, GA 30303-3142
Attn: Mr. Richard O'Neill

Email the Excel workbook of the cost report to Richard O'Neill [raoneill@dhr.ga.gov] and to Mary Willoughby (mcwilloughby@bellsouth.net)

Both the emailed complete excel workbook and the signed cover sheet with audit via regular mail are required.

COVER SHEET

Reporting Period: The Cost Report must reflect the provider's most recently completed 12-month fiscal period. The period being covered should be noted either as the start and end dates of a full fiscal year or the dates a program started or ended for less than full year reports. For a program accepting children for less than six months during the reporting period, contact staff to see if a cost report will be required.

Identifying Information of the Operating/Parent Agency:

Enter the legal name, mailing address and telephone and fax numbers of the parent organization which administers the program represented in this report.

Identifying Information of this Program:

Enter the name, program vendor number per provider listing, mailing address and telephone and fax numbers of the program, which this report reflects. Program provider list with numbers can be found on the web at galocweb.com on the LOC contract page under printable documents as "DFCS approved provider list".

Program Type: Per the Program provider list described above, check the primary type of program represented in this report. If 'other' is selected, specify the type in the space provided. Licensed program types are:

- Child Caring Institution – Base, AWO, MWO
- Child Placing Agency – Traditional, Base WO, Max WO, SBWO, SMWO, SMFWO, PFCM
- Teen Development
- Maternity Home
- Second Chance
- DJJ Specialized Residential

Hardware Secure: Check the area indicating whether this is a hardware secure program. **Hardware secure means that the doors are always locked and the children cannot exit without a staff person unlocking the door.**

Program Category: Check the appropriate category based on the following definitions:

- Private Non-Profit – privately owned and operated program with IRS status as a non-profit.
- Private For-Profit – privately owned and operated program that is for profit and does not have an IRS non-profit exemption.
- Public – publicly operated by state, county or city government.

Certification of Accuracy:

Enter the name, phone, FAX, e-mail, and signature of the person completing the cost report.

Enter the name, phone, FAX, e-mail, and signature of the authorized agency representative certifying that the cost report is accurate.

Enter the name, phone, FAX, e-mail, and signature of the auditor certifying that the cost report is consistent with the required annual audit for the same period. A program reported in the cost report may represent only a portion of the agency audited. In such a case the auditor's certification indicates his/her ability to account for the items reported in the program cost report as non-duplicated parts of the whole agency audit, and whose allocation to the program is consistent with reasonable accounting standards.

CAPACITY AND UTILIZATION – Page 1

This section is very important in computing the "per day" cost of the program. The entries in these columns must have supporting documentation such as invoices or accounts receivable available upon request. It is extremely critical that utilization data accurately reflect the days according to payer source. The data are entered in separate tables for residential child caring programs(CCI) and foster placement programs(CPA). CCI's include group homes, residential facilities, Maternity, Second Chance Homes, camps and Teen Development programs. CPA's are all programs placing children in foster homes..

Capacity:

CCI, this section reflects how many children the program is licensed to serve. Using the instructions listed below the data box, enter the licensed capacity of the parent agency, the licensed capacity of the residential program reflected in this report, and the maximum capacity of the program if that differed from the licensed capacity. An example of the latter would be a program licensed for 20 children, but which functioned for the entire period with a maximum of 16 children. Attach a memo describing the need or reason for functioning below licensed capacity and the response of approval from DFCS RBWO program manager if reporting a maximum capacity less than licensed capacity.

CPA foster care programs enter the monthly average number of foster homes available for placement in the reported year, the monthly average number of beds available in those homes, the total number of new foster homes added in the year, the number of foster homes closed in the year, the associated number of beds in the foster homes added or closed and the total number of months operating in the year.

Utilization:

Unduplicated Count of Children

The rows represent the placing agency or authority and the columns are placement types for DFCSs. The Count of Children columns are type of day, which is differentiated by rate paid. Enter the unduplicated total number of children served for that payment source and agency for the reported year. For all children placed by DJJ, Division of Mental Health or other placements report the child count in the base column. The additional columns represent DFCS placement types and apply only to DFCS or MAAC placed children.

Days of Care

CCI The rows represents the placing agency for the days reported, DFCS DJJ etc. Enter total number of days provided for each placing agency by type of day paid. The detail of placement types applies only to DFCS or

MAAC placed children so record all days for DJJ, Division of Mental Health and other placement agency in the Base column. One filled bed equals one day of care provided. These days should have been invoiced and may or may not be paid.

Example: Susan Smith placed by DFCS for MWO from Jan1 to Jan 31 would be 1 unduplicated child served and 31 days of care on the DFCS line in the MWO column.

PERSONNEL COST DETAIL – Page 2

This schedule should include the salaries of the staff employed by the agency that work in the program covered in this cost report. There are *six* parts to this schedule. Parts A, B and C are for reporting employees who have direct child caring, supervision of child caring or foster parent training and recruitment responsibilities. Parts D and E are for reporting employees without direct child caring responsibilities, food and beverage staff (CCI only), Nursing staff for Non-Medicaid activity. Part F is all other Admin and supportive staff. Parts A-D are reported using employee hours worked in the program. Part F assumes Admin and supportive staff are salaried and so it is wages and benefits and percentage of time allocated to this program.

- A. Direct Child Caring Staff: this table is for reporting the wages and benefits paid to employees in child caring positions in CCI's or for field case managers/case support staff for CPA's.**
- B. Human Service Professionals (CCI's) or Field staff supervisors (CPA's)- this table is in CCI's for the social work and supervisory staff who work with the children and direct care staff, in CPA's these are the case management supervisory staff.**
- C. Training and Recruitment Case support staff - CPA's Only - this table is for the staff whose job is foster care parent recruitment, training and support.**
- D. Food and Beverage Staff – for CCI's only staff working in food and beverage services**
- E. Nursing – for staff nurses providing other than Medicaid reimbursable services, eg management of infectious disease policies, support to foster parents with medically fragile children.**

Provide the employee name, job title (descriptive please no initials or acronyms) total wages paid in reported year, total benefits paid in reported year and total hours worked for wages paid. The hours worked data will result in an accurate Full time equivalency result. One full time employee working 40 hours for 52 week will work 2,080 hours in a year.

Name: Enter name of employee.

Position Title: List the actual job titles. Use abbreviations and acronyms that are universally understood. For example, use "Ch. Care Wrkr." not "C.C.W." or Case Manager not "C.M.."

Wages: Total wages paid to this employee in this reporting period

Benefits: Total benefits paid on behalf of employee in the reporting period (i.e. employer FICA, health insurance, workers compensation insurance etc.)

Hours Worked in Program: report from time records the employees hours worked in *this program only*.

- F. For Administrative and other support staff:** Report as above the name, position description, total annual wages paid, total annual benefits paid. However in place of hours worked in the program as required for direct staff, indicate the percentage of employee time dedicated to this program in the Program % column. For example an agency executive director supervising multiple programs may only have a portion of time allocated to the reported program. (Note please that group homes and single program agencies may only have program staff with child caring responsibilities)

(See the ALLOWABLE COST GUIDELINES)

Example for Program % of the Annual Salary:

For example, an executive director manages a CCI program and a CPA program spending 25% of his time on the CPA program and 75% of his time on the CCI program. A separate cost report is required for each of the two programs.

On the cost report for the CPA program, all of the director's annual salary would be entered in Column 1 and all benefits in column 2 which will be summed and multiplied by the 25% reported in the program % column for a total program cost in column 4. (this is a calculated result and cannot be changed) On the cost report for the CCI program 75% would be entered in Column 3 of the director's annual. Thus over both reports the full salary would be accounted for. It is expected that for the allocation of personnel costs over multiple programs the agency applies an acceptable accounting method and retains supporting documentation.

NOTE: The salaries of administrative staff who perform both general administrative activities and activities that are unallowable for federal claiming (e.g., research, fund raising) should only have time for allowable activity allocated to the program. For example, an assistant director who spends half-time managing the program and half-time fund raising would have 50% recorded in Program % column for the management portion of his time and the unallowed activity would be excluded. Unallowed activities include fund raising activities, research activities, and religious services.

CONTRACTOR, CONSULTANT AND PERSONAL SERVICES COSTS – Page 3

This section is for the cost of fees that were paid for services of outside agencies or persons not on the regular payroll of the agency and for whom no fringe benefits were paid. **List the type of jobs or functions performed, not the name of the agency or individual.** Costs should then be reported in either the direct program amount column 2 for contracts fully charged to the program or allocated amount in column 3 with the basis for allocation noted in column 4(s).

Payments made to foster parents for the customary care (e.g., food, clothing, shelter, incidentals, school supplies, gifts, etc.) of children placed with them, should be entered in Column 2 on the designated line. Payments to respite providers for children in foster care should be isolated from foster payments and reported on the next line.

Payments to contracted relief staff are recorded on the third line and the total of hours contributing to agency FTE count is recorded in column 5.

Contracted Nurses and Human service professionals are reported on the designated lines.

All other contracted service costs are to be described and listed below.

For example, fees for audit of the financial statements should be listed in Column 3 for an agency with more than one program and the cost allocation basis noted in column 4. Program-related charges, such as clinical consultation should be entered in Column 2 as direct program costs.

Total Contractor Costs - The column 1 sums data reported in columns 2 and 3.

CONSUMABLE SUPPLIES AND MISCELLANEOUS EXPENSES – Page 4

Enter the total or annual costs for consumable supplies or miscellaneous expenses directly incurred by the program in Column 2. Report any agency costs allocated to the program in column 3. For all costs reported in column 3 indicate the allocation basis in column 4. (Note an agency will either report shared resource or indirect costs in detail by line item or use Attachment A but not both)

Consumable supplies are generally those items that are used up within one year. The cost of food, household supplies, medical supplies are most commonly direct program expenses. Other operating expenses such as printing, postage, telephone costs, liability insurance, licensing fees and professional memberships are generally administrative costs and may be shared or allocated among programs.

Records specifying the detail of other operating expenses should be maintained by the facility for audit purposes.

Schedule III A. Total Consumable - The amounts listed in Columns 2 and 3 are summed in Column 1.

Schedule III. B - Indirect Agency Costs

This is a calculated cell and the result of completing **Attachment A** for agencies reporting only direct program costs in the report and allowable allocated overhead on **Attachment A**. Agencies reporting their direct and indirect costs through out the detail of the report do not use **Attachment A**.

Indirect costs are for common or joint purposes benefiting programs or services of the agency that are in addition to the direct costs included in this report. Indirect costs, if any, should be computed according to the accounting procedures used by the operating agency.

Indirect costs are typically costs that are assessed to the specific program by the parent agency for providing administrative services such as payroll and accounting, advertising or training. Indirect costs must meet the allowable cost definitions found beginning on page 11 and may not include unallowable costs found on page 13 of these instructions. Indirect Costs using allowable cost descriptions specified on **Attachment A** will then be reflected on this line on the fourth page of the cost report.

PROGRAM COST DETAIL – Page 5

OCCUPANCY COSTS – Item 1

Enter the occupancy costs for the program, which were paid as rent or mortgage interest if the provider owns the building. If the occupancy costs are based on a mortgage, it is important to separate the principal portion of the mortgage, which is unallowable, from the interest portion of the mortgage, which is allowable. Report mortgage interest only on line A, rent only on line B. Depreciation is not a reportable expense. For agencies with multiple programs include only the allocable portion of common area occupancy costs and describe the basis in column 3.

The cost of insurance, utilities, property taxes, maintenance, and repair is also allowed as part of the occupancy cost.

If there is an on-campus school, then the occupancy costs for the school must be excluded as Education related expenses are not allowable for per diem out of home care.

Occupancy Cost Total – Shows the sum of direct and allocated columns.

TRAVEL COSTS – Item 2

Travel costs include both the cost of operating and maintaining agency-owned vehicles, and the cost of purchased transportation (e.g., bus tickets and taxi fares). Reimbursement for staff mileage is to be listed at the actual rate paid. Expenses for travel to conferences and meetings that pertain to the program or operation of the program may be allowed as travel costs.

Be sure to separate the cost of purchased transportation for clients from the other travel costs. Enter purchased client transportation costs on line A.

Line B, Agency Vehicle Operating Costs, should include gas and any maintenance costs associated with a facility-owned vehicle. The cost of buying or leasing a vehicle should be listed as an Equipment Cost (see Section 3 below).

For Line D report total paid for employee mileage reimbursed and below record the miles paid to result in rate paid per mile reimbursed.

Allowable Travel Costs do not include the cost of operating a vehicle for the exclusive use of any employee of the program. This should be treated as staff income and be entered as a Personnel Cost.

Total Travel Costs – shows sum of reported direct and allocated.

EQUIPMENT – Item 3

Equipment costs are an allowable expense if used in support of the program included in **this** cost report. Equipment includes: Copy machines, computers, washing machines, etc., which are purchased for use by residents and staff. Agency vehicle purchase costs are included in this category. The cost of rental or maintenance of equipment is an allowable expense.

Equipment costing less than \$5,000 may be fully expensed. Equipment costing more than \$5,000 should be depreciated based on the life expectancy schedule in the Internal Revenue Code. Adequate records must be available for audits.

If the loan payment for the purchase of equipment or vehicles includes principal and interest, then the interest portion is allowed and must be reported separately and entered on line A. The principal amount is excluded.

Equipment Cost Total - shows sum of reported direct and allocated.

REVENUE SOURCES – Page 6

The revenue sources and the amounts received for the program are recorded in this schedule. These tables match the layout of the utilization tables for per diem payments. Additional revenue not based on per diem payments is recorded only in the total column. It is important to note that costs already subsidized by federal payments made directly to the program are offset in the total of allowable costs. These offsetting revenues are USDA payments, direct federal grants for program activities and DFCS reimbursed expenses on behalf of children in care.

In addition to revenue from DFCS for regular per diem and reimbursement of child specific costs there is a line for reimbursement of respite care payments to CPA's. An additional schedule for the detail of CPA respite use and reimbursement has been included see below for instructions. For CCI's there is a line to report per diem payments for a child temporarily not in residence due to emergency placement for therapeutic care.

As with the utilization data report the total per diem payments for DJJ or Mental Health in the Base or Traditional column.

The revenues listed on this page must be for costs or reimbursement for costs that are included in this cost report period. The total revenues should be equivalent to the costs that were reported on pages 1 through 4. If the revenues are substantially more or less than the costs, please give a brief reason as to the discrepancy.

Enter the dollar amount of revenues received according to the schedule (i.e., USDA, SSI, education, DFCS, DJJ, other public agencies, private fund sources).

COST REPORT AND AUDIT RECONCILIATION - Page 7

This summary page is designed to identify and explain any variances between total program costs and total program revenues as reported in the Cost Report and audited program costs and revenues. Programs whose most recently completed fiscal year has not yet been audited should make that notation at the top of the page.

Program Cost

The totals from the preceding pages are shown on the appropriate lines and summed. **Enter the total program cost (categorical breakdowns not necessary) as reported in the Audit.** If the two are not the same, the difference will show as a Variance on the designated line and must be explained in detail at the bottom of the page (additional pages may be attached as necessary).

Error message – If the total program costs reported exceed the total audited program costs then there is an error in your data as reported and you need to review all reported costs to be sure none were reported more than one time.

Program Revenues

The revenue totals by category are shown on the appropriate lines and summed. **Enter the total program revenue (categorical breakdowns not necessary) as reported in the Audit.** If the two are not the same, the difference will show as a Variance on the designated line and must be explained in detail at the bottom of the page (additional pages may be attached as necessary).

Error Message – If the program revenues are more than 105% of total costs or less than 95% of program costs and error message will result. Review all reported revenue to be sure none was left out. If all is reported correctly then explain below.

RESPITE RECAP – Page 8

FOR CPA'S ONLY - Record in the first table the amount of payments made to respite providers for children in program care by placing agency in the appropriate place type column. For DJJ, division of mental health and other use traditional column. The total respite costs to the program will then be recorded in the contract services tab. In the second table record the corresponding days to the program payment for respite care purchased.

ALLOWABLE COST GUIDELINES

SALARIES - Include all remuneration, paid currently or accrued, for services rendered during the period of the cost report. The costs for such compensations are allowable to the extent that the compensation is: (1) reasonable for the services rendered, and (2) it is supported by documented payroll vouchers or a generally accepted documentation method. Time and attendance or equivalent records must further support payroll for individual employees. Salaries of employees chargeable to more than one program or cost center must be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

PAYROLL RELATED EXPENSES - Employee benefits in the form of employer contributions to social security, state and municipal retirement systems, life and health insurance plans, unemployment insurance coverage, workers' compensation insurance, and pension plans are allowable.

1. Incentive Compensation -- Such payments to employees based on cost reduction, or efficient performance, or suggestion awards are allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the operating agency and the employees before the services were rendered, or pursuant to an established plan followed by the operating agency so consistently as to imply, in effect, an agreement to make such payment.
2. Deferred Compensation -- Such cost is available to the extent that (1) except for past service pension and retirements costs, it is for services rendered during the period of the cost report; (2) it is, reasonable in amount; (3) it is paid pursuant to an agreement entered into in good faith between the operating agency and its employees before the services are rendered, or pursuant to an established plan followed by the operating agency so consistently as to be, in effect, an agreement to make such payments; (4) the benefits of the plan are vested in the employees or their designated beneficiaries and no part of the deferred compensation reverts to the employer; (5) in the case of past service pension costs, it is amortized over a period of ten years or more; and (6) for a plan which is subject to approval by the Internal Revenue Service, it falls within the criteria and standards of the Internal Revenue Code and regulations of the Internal Revenue Service.
3. Severance Pay -- also commonly referred to as dismissal wages, is a payment in addition to regular salaries and wages, by operating agencies to employed workers being terminated. Costs of severance pay are allowable only to the extent that, in each case, it is required by (1) law, (2) employer-employee agreement, or (3) established policy that constitutes, in effect, an implied agreement on the operating agency's part.

CONSULTATION FEES - The cost of consultation fees, charges for the use of personal services of outside agencies or persons not on the payroll of the contracting agency, are allowable to the extent that they are necessary for the management of functions relating to the provision of services, (i.e., audit service, legal counsel, and specialized consultation).

TRAVEL - Reimbursement is allowable for the costs of operation, maintenance, and repair of agency vehicles when relevant to the delivery of services. Expenses for transportation, lodging subsistence, and related items incurred by employees who are in a travel status on official business, related to delivery of services, are allowable either on an actual basis or a per diem and mileage basis. Expenses for meetings and conferences are allowable if the primary purpose is the dissemination of technical information relating to services. Purchased transportation is allowable if incident to delivery of services.

CONSUMABLE SUPPLIES AND MISCELLANEOUS EXPENSES - The cost of materials and supplies as well as the costs of maintaining a central storeroom are allowable to the extent that they are necessary to provide services. Direct charges to services should be based upon the actual price less cash discounts, trade discounts, rebates and allowances. Consumable supplies are those items, which will be used upon, or consumed within, the reporting period of the cost report.

Miscellaneous expenses could include printing and postage, telephone costs, licensing fees, professional organization memberships, conference fees, employee medical expenses, advertising costs, children's allowances, school supplies, admission fees, and other program costs.

OCCUPANCY COSTS - Rental or Privately Owned Building -- The non-interest portion of the cost for space is unallowable. The lease agreement must stipulate the extent of the lessor's responsibility for renovations. Major renovations, which add to the permanent value of the property or appreciably prolong its life, the cost of which is borne by the provider, must be capitalized.

1. Rental of Publicly Owned Building -- The rental cost of publicly owned buildings is allowable if the charge does not exceed the cost of ownership. The rental charge should include the cost of service, maintenance, depreciation on the building, and depreciation of major renovation.
2. Depreciation of Provider-Owned Buildings -- The computation of depreciation should be based on the criteria and standards of the Internal Revenue Code and regulations of the Internal Revenue Service. NOTE: It is important to maintain records of depreciation schedules for audit purposes.

UTILITIES - Utility costs for related facilities are allowable when equitably distributed among programs and cost centers.

INSURANCE COSTS - Cost of insurance in connection with the general conduct of activities is allowable to the extent that the cost will be in accordance with sound business practices. Building insurance and agency vehicle insurance are examples of allowable costs. The deductible portion of the insurance coverage in the event of loss or minor uninsurable losses is also allowable.

Unallowable insurance costs would be the cost of insuring the life of any officer or employee, for which the agency is a beneficiary.

LEASED EQUIPMENT - The cost of leased equipment is allowable if it is for the program and is reasonable as sound business policy.

MAINTENANCE AND REPAIR - Costs incurred for necessary maintenance repair and upkeep of equipment is allowable.

PURCHASED EQUIPMENT - Small equipment necessary in providing services may be expended during the period in which it is purchased. For larger purchased equipment, the payment on the interest is allowable.

DEPRECIATED EQUIPMENT - Computation of depreciation should be based on the criteria and standards of the Internal Revenue Code and regulations of the Internal Revenue Service. Records of depreciation schedules must be maintained for audit purposes.

LEASE PURCHASE - The cost of equipment or facilities obtained under a lease purchase arrangement is allowable only to the extent applicable to the cost of ownership (e.g., interest, utilities, maintenance, and repair).

UNALLOWABLE COSTS

BAD DEBT - Losses arising from uncollectible accounts and other claims and related costs are unallowable.

CONTINGENCIES - Contributions to a contingency reserve or any similar provision for unforeseen events are unallowable.

CONTRIBUTIONS AND DONATIONS - Outlays of cash with no prospective benefit to the facility or program are unallowable.

EDUCATION - the costs of providing instruction for school aged children provided during normal school hours as either an on campus school or fees paid in private school tuition are not allowable for reimbursement in out-of home care rates.

ENTERTAINMENT - Costs of amusements, social activities, and related costs of staff and board members are unallowable.

DEPRECIATION - Cost of depreciation on facilities.

FINES AND PENALTIES - Cost of fines and penalties resulting from failure to comply with federal, State and local laws or imposed by a court are unallowable.

FUND RAISING - Costs of organized fund raising are unallowable.

INVESTMENTS - Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.

PROHIBITED ACTIVITIES - Costs of prohibited activities for Internal Revenue Code Section 501 (c) (3) Organizations are unallowable.

ORGANIZATIONAL COSTS - Organizational costs such as incorporation, fees to accounts, brokers, etc. in connection with establishment or reorganization are unallowable.