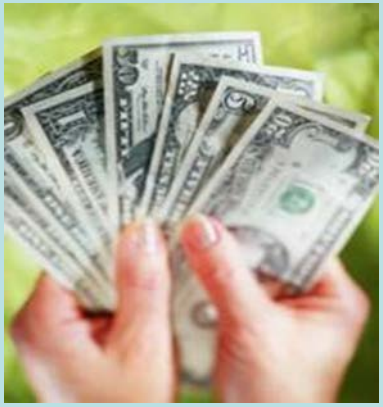
- NOVEMBER 8, 2012


- Robert Thurman

Procurement Manager, Federal Projects Unit
California Tobacco Control Program
Robert.Thurman@cdph.ca.gov
916-449-5500

# Budgeting and pitfalls!

# Good budgeting provides a path to success!

# Good budgeting demonstrates proficiency

# *"CDPH/Contracts Management Unit" has this to say……*

- "The **budget justification** may be one of the most important sections of a proposal. It is a narrative discussion of the project categories. A good budget justification provides a clear understanding of how costs are calculated and why they are necessary".

# What is an OTIS Budget Justification?

√ Explains expenses.

√ Connects those expenses to each activity in the SOW.

# OTIS Budget Justification Index Showing the 8 Budget Categories

https://otis.catcp.org/index.cfm?fuseaction=budget.index

CTCP Tobacco Contro... | CDHS Is Reorganized | OTIS v2

OTIS California Department of Public Health, California Tobacco Control Program
Online Tobacco Information System

Help
FAQs
Logout

CG 10-100 Local Tobacco Control Interventions Renewal: ALAC PM

Procurement Tools | View Application | Approve Application | Expense | Communications | Reports | Contract Management | Help

**Application**

- Application Index
- Contact Information
- Background Information
- Evaluator Information
- Scope of Work
- Budget Information
  - Budget Justification
- Additional Documents
- Application Submission

**Administration**

## Budget Justification Index

| BUDGET SECTION | FY 13/14 | FY 14/15 | TOTAL | ACTION(S) |
|---|---|---|---|---|
| A. Personnel Costs | $ 0 | $ 0 | $ 0 | View |
| B. Fringe Benefits | $ 0 | $ 0 | $ 0 | View |
| C. Operating Expenses | $ 0 | $ 0 | $ 0 | View |
| D. Equipment Expenses | $ 0 | $ 0 | $ 0 | View |
| E. Travel/Per Diem and Training | $ 0 | $ 0 | $ 0 | View |
| F. Subcontracts and Consultants | $ 0 | $ 0 | $ 0 | View |
| G. Other Costs | $ 0 | $ 0 | $ 0 | View |
| H. Indirect Expenses | $ 0 | $ 0 | $ 0 | View |
| Total Expenses | $ 0 | $ 0 | $ 0 | |

MyOTIS | My Account | My Agency | Help | FAQs | CTCP Contacts | Logout

Developed and Produced by the Center for Information Management & Educational Services, Florida State University
Sponsored and Developed by the California Department of Public Health, California Tobacco Control Program
Copyright ©2001, 2004 State of California

9:34 AM
4/17/2012

# *Don't forget the OTIS Budget Line Item Wizard*

- Helps fill in line item detail with template narrative appropriate for the category selected.
- Available for most OTIS budget justification categories.
- Hint! You will need to review the Wizard template text and revise as necessary.
- Don't forget to always save your work in OTIS

# *Don't forget the OTIS Budget Line Item Wizard*

- Any text already entered into the comment field will be overwritten by the Wizard narrative.
- Some fields may not be completely populated by Wizard. You may need to review the entire narrative to ensure that all information is provided and correct.
- Some of the Wizard narrative may include "blank spaces". You must "fill-in" the required spaces.

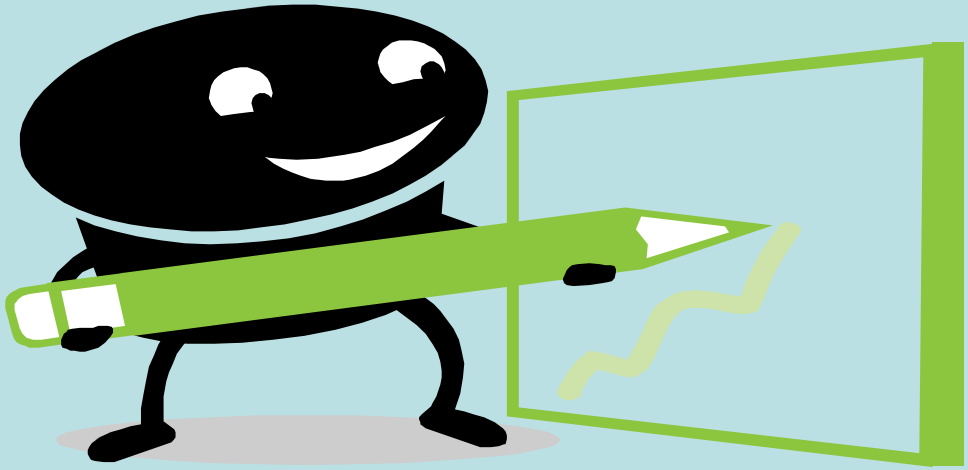
# "Failure to follow application instructions is the No. 1 Pitfall"

Remember ~ Guideline instructions take precedence over any verbal advice. Follow The Guideline requirements and Instructions.

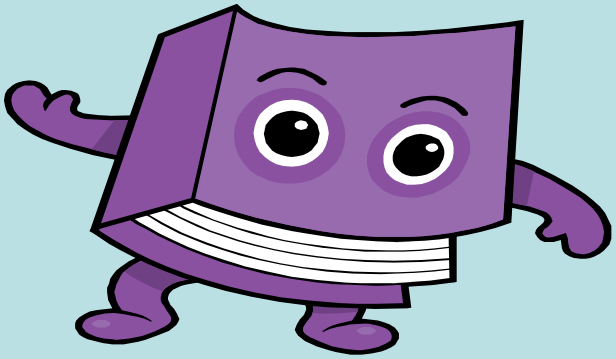
✓The tip is "scoring criteria"

# Personnel

TWENTY DOLLARS
AC 23663912 I
THE UNITED STATES OF AMERICA
RESERVE NOTE
UNITED STATES OF AMERICA
AC 37375 E



- There are 2080 hours in one 12 month Full Time Equivalent (FTE).



# Leave is not a Fringe Benefit

✓ ***Reminder***

Employee leave is a function of salary. Accruals can only be earned during the term of the agreement.

Pitfall ~ Staff positions are in the budget; but are not in the SOW – or – vice versa

# Pitfall ~ A lead staff is not designated for evaluation oversight

- Designate a lead staff responsible for not less than 10% full time equivalent (FTE) oversight and coordination of project evaluation activities. 10% is approximately 4 hours weekly for 100% FTE.

# Pitfall~ Evaluation oversight is incorrect

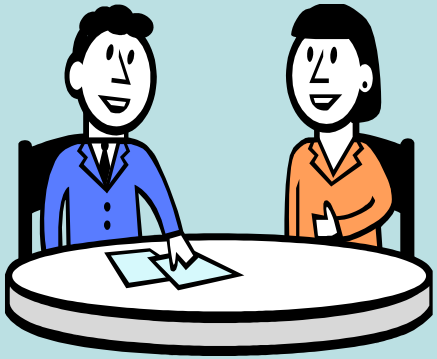
- Problem – The percentage for oversight is less than the CTCP minimum.

- If the staff designated for "evaluation oversight" is less than 100% FTE – You will need to estimate a higher oversight percentage to maintain the CTCP minimum.

- Example: 2080 hr. x 10% = 208 hr. x 52 wk. = 4 hours weekly
  2080 hr. x 5% = 104 hr. / 52 wk. = 2 hours weekly
  1560 hr. x 5% = 78 hr. / 52 wk. = 1.5 hours weekly
  1040 hr. x 5% = 52 hr. / 52 wk. = 1 hour weekly

# Pitfall ~ Staff positions are not adequately justified

- Personnel justifications need to summarize key duties for each staff position **and** connect those duties to activities in the SOW.



# Pitfall ~ Salary calculation formula's are incorrect or missing

- Time commitments from key staff are critical to determine that sufficient effort has been planned and calculated to achieve the proposed services and activities.

# Personnel BJ Example

- **Title:**
  Project Coordinator

  **Salary Calculation:**
  $1,700-$1,800 semi-monthly x 100% x 24 pay periods per year
  = $40,800 - $43,200 per year

- **Duties Description:**
  This position is supervised by the Project Director. Coordinates agency office activities and oversees budget and financial operations; including; reporting and invoicing to CTCP. In objective 1 - responsible for the activities coordination for information and education visits at the State Capitol in conjunction with agency coalition, local boards and councils. In objective 3 – coordinates the agency on-line and off-line resources, maintains databases and web-based activities or internet functions. In objective 4 - provides administrative support for the policy and organizing activities of the agency and coalition; - including: technical assistance resources for tobacco control advocates and voluntary health organizations. Additionally, provides Project Director evaluation support at 2 hours weekly.

# Pitfall ~ Salaries are not justified

- Personnel Salaries, subcontractors, and consultant costs must be budgeted according to formal education and professional experience. High salaries need additional justification to merit the increased budget cost.

# Pitfall ~ Staff less than 10% FTE

- Staff budgeted at less than 10% should be considered an indirect expense.
- 10% FTE = 2 days monthly.

# Personnel Pitfall Summary

- ✓ Salary formula calculations are incorrect or missing.
- ✓ Staff positions are not adequately justified.
- ✓ Staff positions are in the budget justification, but are not in the SOW responsible party (or vice versa).
- ✓ A lead staff is not designated for evaluation and/or is not calculated at the correct percentage.
- ✓ Position titles are not consistent in the SOW responsible party & budget justification.
- ✓ High salaries are not adequately justified.
- ✓ FTE's at less than 10% are listed in the direct cost budget, but do not perform SOW support.

# Fringe Benefits

# Fringe Benefit

- Fringe benefit information can be found at https://tcfor.catcp.org in Contract Documents, Exhibit D(S), Provision 20 - AKA – "Contract Uniformity"
- Fringe Benefits are paid to eligible employees according to agency personnel policies and must comply with state and IRS laws.
- List each fringe benefit and brief detail on any unusual benefits.
- Fringe benefits must be estimated; however, can only be paid at actual cost.
- Identify all staff that will not receive fringe benefits.
- Provide the fringe benefit percentage rate and the whole dollar amount needed for each FY
    - Fringe Benefit Percentage = Fringe benefit total amount divided by the salary total amount
    - Fringe Benefits = $21,000 Salary = $186,000 = $21,000 / $186,000 = 11.3%
- If the fringe benefit rates will vary among staff - provide a range
    - Example 15% - 25%.
    - Example 20% - 35%.

# Pitfall ~ Employee claims for agency Worker's Compensation

NO!

## Leave of any kind

No, not a fringe benefit.

# Fringe Benefit Example

**At approximately** 34% - 38% **of total personnel costs**

**Fringe Benefits includes the following:**

Employer cost share for: Payroll taxes, employee health plan premiums, State unemployment insurance premiums, State worker's compensation insurance premiums, employee pension, employee life insurance program and employee long term disability insurance plan. ***Fringe benefits are paid to eligible employees based on actual cost according to County personnel policies.***

# Operating Expense

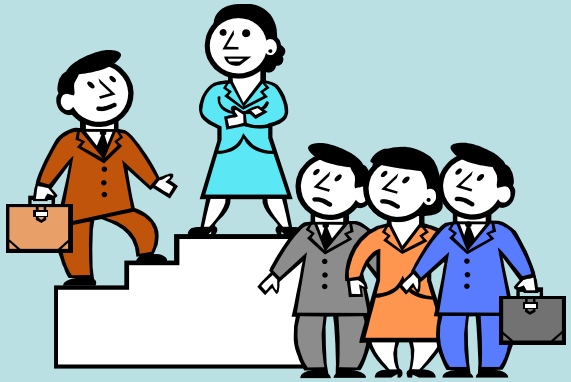
# Operating Expenses

Two Required Operating Expense Line Items:

1. CTCP Communications Network for OTIS, Partners, TCFOR, etc.
2. Space Rent/Lease

# Pitfall ~ Communication network not budgeted correctly.

An explanation should be provided as to why required services are not budgeted and how network access will be obtained.



# Pitfall ~ Space cost not budgeted correctly

- Costs shall not exceed 150 sq. ft. per FTE plus a reasonable square footage for common or shared space; such as: rest rooms, break-rooms, conference rooms, library, etc.
- Determine the total FTE per FY.
- Determine the total number of square feet and the cost per square foot to be charged to contract.
- Allow for potential cost increases.

# Pitfall ~ Space formula incorrect or missing

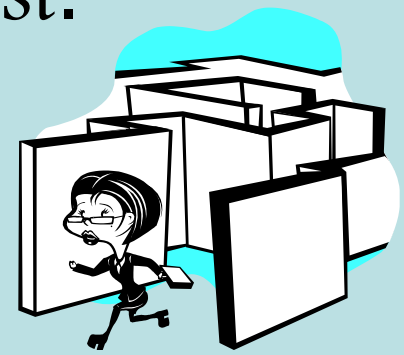
The formula is:

Total FTE's x (150 square feet)

+ (reasonable square footage)

x cost per square feet

x number of months = total space cost.



# Space Formula Example

FY 2013/14 (July 2013 - June 2014)

4 FTE x ~160 square feet (150 sq. ft. + 10 sq. ft.) x $1.95 per sq. ft. x 12 months = ~$14,976.00

3 FTE x 150 sq ft x $1.00/sq ft x 12 months = $5,400.

# Other Agency Defined Operating Expenses

The LLA can budget for additional agency-defined subcategories. Provide an easy to follow narrative and cost for each category.

# Remember

Other agency defined operating expenses must support the SOW activities.

# Equipment

TWENTY DOLLARS
THE UNITED STATES OF AMERICA
AC 23663912 I
20

# Requirement

- ✓COMPUTER equipment purchases are allowed only to bring one primary agency computer system up to the CTCP minimum software/hardware specifications.
- ✓Prior approval required for all equipment purchases

# Survey Devices

- Each LLA should budget for 1 survey device for each 15-20 survey sites in your health jurisdiction.

# Travel

TWENTY DOLLARS
AC 23663912 I
THE UNITED STATES OF AMERICA
20
10
5

# Pitfalls ~ Travel

- CTCP required travel is not budgeted.
- Travel is placed in the wrong FY.
- Out of State travel does not include requirements to participate as workshop facilitator, panel member, speaker, or host a poster presentation.
- Travel formula is not correct.

# Reminder

Travel/Per Diem & Training

- ✓ Includes airfare, meals, lodging, mileage, miscellaneous (bridge tolls, tips, etc.)
- ✓ Must be consistent with the needs of Project.
- ✓ Reimbursed at LLA travel rates.
- ✓ ***The $750 per person travel estimate is not a required amount – it is a "ballpark to average cost".***

# Travel Category Pitfalls

**Travel:**

- ✓ Travel is in the budget justification, but not in the SOW activities
- ✓ Required travel is not budgeted
- ✓ Out-of-state travel is not adequately justified
- ✓ Travel is budgeted in wrong subcategories
- ✓ Travel formulas are incorrect or missing

# Subcontract & Consultant

# Subcontractor

Subcontractor provides a specialized task that is directly connected to one or more activities in the SOW.

Name the subcontractor in both budget justification and SOW

If the subcontract is 60% or more of the funded project – provide a complete subcontractor sub-budget.

*CTCP must review and approve subcontract or consultant cost over $50,000

For subcontractors not known – provide TBD and a brief SOW service description.

# Consultants

Possess a skill beyond agency staff necessary to complete a specific SOW task or duty

Name the Consultant in both budget justification and SOW

- Provide a budget justification description connected to the SOW activities performed
  - Adequately justify consultant services
- Provide a services timeline
- Payment rate
  - Equal to formal education and skill
- Total cost (provide a formula)

- Typical intervention or evaluation consulting services are technical assistance on programmatic activities; such as: Evaluation Consultant

# Pitfalls ~ Subcontractors & Consultants

**Subcontractors/Consultants**

- ✓ Listed in the budget justification; but, are not in the SOW – or – vice versa.
- ✓ Not adequately justified
- ✓ No justification for higher salaries
- ✓ How the total cost was estimated (payment formula?)

# Other Cost

TWENTY DOLLARS
AC 23663912 I
THE UNITED STATES OF AMERICA
FEDERAL RESERVE NOTE
UNITED STATES OF AMERICA
AC 37375 E

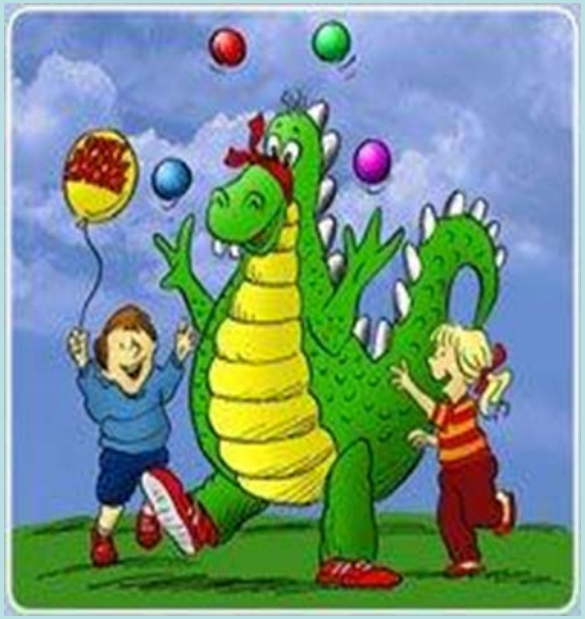
# Other Costs Reminders

- Stipends are payments earned for support of the Plan activities.
- Volunteers serve without payment.
- Public Service Announcements are cost free.
- Commercial messages have charges for airing.

- No "Advocacy Campaign Materials"
- Behavior Modification materials must be earned and meet CTCP policy requirements.
- Behavior Modification items cannot exceed $50/per individual/per year.
- LLA Project Director's association dues are an eligible cost. Even paid in advance.
- Facility fees for room rent to conduct instruction are correct for off-site training.
- Health Fair booth rental need a separate category and must connect to a SOW activity.

# Pitfall – Other Costs

- For any food/refreshments budgeted in Behavior Modification Materials – Agency must have a SOW activity that connects to the budget justification.



# Other Costs

## PITFALLS

### Other Costs

- ✓ Behavior Modification items do not follow the most recent California Department of Public Health guidelines – ***Program Letter 12-01***
- ✓ Items are not adequately justified
- ✓ Items are in the budget justification, but not in the SOW activities (or vice versa)

# Indirect Cost

# Indirect Costs

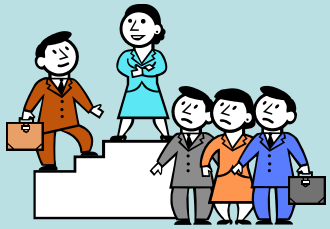
- These costs are **not** connected directly to the project's activities in the SOW.
- Indirect expenses are calculated at a maximum of 15% (fifteen percent) of the total personnel expenses –
  - Salary total plus fringe benefit total x 15% = Indirect Cost total
- List eligible indirect expenses incurred by the agency to deliver services
- If, for any reason, the percentage rate will fluctuate during the term of the contract, enter a range.

# Pitfalls ~ Indirect Costs

- ✓ Indirect Costs are not listed and not adequately justified
- ✓ The indirect cost percentage amount is incorrect or over 15% of total of salary plus fringe benefits

# Budget Tips

TWENTY DOLLARS
AC 23663912 I
THE UNITED STATES OF AMERICA
FEDERAL RESERVE NOTE
UNITED STATES OF AMERICA
AC 37375 E



# Final Tips

*TIP: Take the time to carefully read the RFP Instructions and TCFOR related documents.*

*TIP: Provide qualified staffing at a sufficient FTE effort .*

*TIP: Consider using OTIS Budget Line Wizards as another resource to help with your justifications (available for any of the budget line items).*

*TIP: Include operating expenses that are cost effective, directly support staff, and necessary to complete your SOW activities.*

*TIP: Equipment requests should be consistent with the overall application, such as the Applicant Capability section and SOW needs.*

*TIP: Check that items are listed in the correct subcategory and the justification supports specific SOW activities.*

*TIP: Provide detail as to how the budget was calculated as well as in the justification for any staff positions.*

# Final Tips

*TIP: Ensure that all spelling, math, formulas and totals are correct.*

*TIP: List fringe benefits and briefly explain, where necessary.*

*TIP: For each category provide a complete narrative description that will justify each personnel position to successfully complete all technical and administrative responsibilities of the project.*

*TIP: Connect the staff positions in the budget to their objectives and activities in the SOW.*

*TIP: Designate 1 staff as the project evaluation lead. The designated evaluation lead must provide a minimum of 10% FTE to project evaluation (equivalent to a minimum of 4 hours/week).*

# Final Tips

*TIP: Indirect Costs are itemized, contain a brief explanation, and do not exceed 15% of the Personnel Cost (Salaries plus Fringe Benefits total).*

*TIP: Propose indirect costs incurred in the agencies course of doing project business and compute them as percentage rates and cost according to RFP requirements*

*TIP: Personnel less than 10% Full Time Equivalent (FTE) are considered indirect support; unless connected to specific SOW activities and justified in direct services*

*TIP: Ensure all operating expense budget justification items are utilized and named within the SOW activities*

*TIP: Use whole numbers and round to the nearest dollar amount*

# Budget Questions

QUESTIONS or COMMENTS?

Thanks for your time and attention.

Robert.Thurman@cdph.ca.gov – 916-449-5494