Creating a Budget: Training for OVW Applicants

Grants Financial Management Division

Title Page: Slide 1

Hi, I would like to welcome everyone to our training today on the Cost Principles and how to develop your budget for your application. My name is Suheyla Lasky, and I am a Financial Grants Analyst with the Office on Violence Against Women, in the Grants Financial Management Division. I have been doing this for about the past 9 years, 8 of which have been with OVW.

Our goal with this presentation is to help you, as an applicant, to create your budget, and provide an understanding of the things you should be thinking of when determining what costs to include and where to put them. We want to help reduce any challenges you may face with the budget and make it clear what we look for when we review your budget, so I will also provide some insight as to what OVW financial staff considers during our review.

One thing that will be helpful for this training is if you have out the sample budget detail worksheet that we have available on our website. Throughout the presentation we will use examples taken straight out of that document, so going through it as we discuss each cost category will really help maximize this training for you.

Establish Principles and Standards: Slide 2

Just like with any other training, we have to start off with the basics, and that starts with understanding how to treat the costs that you can include in the budget. In the Uniform Guidance there is a section on Cost Principles, and they set the Federal government's expectations for the recipients' standards for administering Federal funds.

So, what types of standards do we have for your costs and why is this important?

When you are creating your budget, EACH and EVERY cost or line item in the budget should be allowable, reasonable, and necessary to the project. For this discussion, we will use the purchase of a laptop for an Advocate as an example, and go through each of these bullet points and how they are relevant.

First, is the cost allowable with all Federal and State regulations, with the program solicitation, with your internal policies, and any other legal authority that you would need to follow? So for the example with the Advocate's laptop, the cost may be allowable in the Uniform Guidance, but may not be based on the program solicitation. So you need to consider all regulations and policies for the allowability of costs.

Next, is the cost reasonable? We perform what is called a "prudent person test" where we ask ourselves, would a prudent person say "yeah, that sounds like a reasonable cost for that item." For our Advocate's laptop, is the cost $5,000 and used by scientists to send astronauts to outer space, or is it a reasonable cost at like $800 and perfect for the staff's position to perform their daily duties.

Then, is the cost necessary? Based on the project and the activities that are performed by the advocate, is the laptop necessary for their work? This is why the narrative section for each line item is so important, because in the narrative, you have the chance to justify and support the need for the cost. In addition, if the Advocate in our example is not projecting to spend all of their time on this project, then you'd prorate the cost and allocate it by the percentage of time they will spend on the proposed grant.

And last, all costs should be treated consistently, whether they're funded by Federal or non-Federal funds, and in accordance with your organization's policies and procedures. For example, you should have one travel policy that covers staff travel that does not vary depending on if it is for your grant or other non-Federally funded travel. It should be the same across the board, and you will hear me mention that a lot throughout the training because we get a lot of questions about this for different types of costs.

So these are the things that you should consider when creating your budget because they are the exact things that we think about when we review it.

Classification of Costs: Slide 3

Ok, so now that we went over the standards for determining costs, we are going to move on to classifying your costs and go through each of the cost categories in the budget.

The very first thing you want to consider is whether any cost you put in your budget is a Direct or Indirect cost. But what does that mean?

Direct costs are all of those costs that are related specifically to your project or activity, and you can easily identify them as such with a high degree of accuracy. So this would include your staff who will work directly on the grant and their percentage of time for the project, their related fringe costs, their travel costs for the project, their program supplies, your partners' costs, and anything else directly related to the project.

On the other hand, there are Indirect Costs, and these are much harder to assign to a specific project or activity, and benefit common purposes or more than one activity for your organization. Examples of these would include the time spent for Human Resource or Finance activities, for staff who cannot directly track their time to one specific funding source or activity because it benefits everyone or the entire organization.

Cost Categories: Slide 4

So first, we are going to go through each of the Direct cost categories, as you see listed here, then we'll discuss the Indirect costs.

And remember, pull out the sample budget worksheet so we can go through it with the training.

Direct Costs – Personnel: Slide 5

First is the personnel category, and this includes the compensation you pay to staff working directly on the project. This is for the recipient staff only, not your project partners, not a contractor or consultant. Just your direct staff.

You want to make sure you have a full breakdown of costs listed for each position and their projected time for activities related DIRECTLY to the project. The breakdown should include the salary or hourly base, the percentage of time or total hours, and the total years or months, which should be equal to the length of the project period stated in the Program Solicitation.

Below the cost breakdowns, include a narrative for each of the positions listed in this section. It should include a description of the activities that each position will perform for the award.

In the example you see at the bottom of the slide, which we pulled from the sample budget, are the costs for the Program Coordinator listed in the Personnel category. As you can see, the base salary is listed here at $47,000 per year and the applicant projects they will spend 50% of their time on the award for a total of 3 years. And below that is the narrative that clearly describes their anticipated activities they will perform.

Two of the most common mistakes we see in this category are that applicants do not include a full breakdown of the cost, and they do not include a narrative for **ALL** of the positions listed above it. So make sure that everything is included, and don't forget to triple check your calculations.

Direct Costs – Fringe Benefits: Slide 6

Continuing through the cost categories, next we have Fringe benefits, and these costs should correspond directly with the staff costs from the Personnel category. There's sometimes confusion as to what can be budgeted here for Fringe Benefits, like can you only charge the bare minimum types of costs? So to clarify, the basic principles for Fringe Benefits is that the amount you budget should be related to each staff person's percentage of time on the grant AND that the benefits are consistently applied, regardless of the funding source. So you would include the same benefits under this award as you would for non-Federal funded work and follow your organization's policy for Fringe Benefits. And the portion of Fringe that you charge should be equal to the portion of time allocated by that staff member in the Personnel category. You can see how that applies in the example at the bottom of the slide under Health Insurance. The program Coordinator, if we remember from Personnel, projects their time at 50% in the budget, so here in Fringe, we will budget their cost for Health Insurance at 50% as well.

The other fringe costs in this example are all set percentages, like FICA at 7.65%, and calculated against their total cost in the budget, so you would show the calculation in this section for each of the different fringe rates that your staff incurs.

And last on this topic, some other questions we get are about cost of living increases and merit increases, and whether or not they're allowable. Those should be based on an organizational policy and applicable across the organization, not just for positions funded with Federal grant dollars. So if it's something you normally provide for all staff in accordance with your internal policies, then you can include it in the budget as well.

Direct Costs – Travel: Slide 7

The Travel category is for travel costs incurred by the applicant's direct staff. If you want to budget any travel costs for your consultants or partners, those go to the Consultants, Contracts, and Subawards category. Any other travel for clients or victims or for attendees should be allocated in the Other category.

All travel costs should be broken down, with a supporting narrative, and follow your organization's documented travel policy. Some organizations use the GSA Federal Travel Regulations, and that's fine too. Just remember that all travel costs should be consistent across the board, and should not vary, depending on the funding source.

We have some examples of costs that can be included in this category and how they should be broken down. First listed here is the required travel allocation that you will find in your program solicitation for OVW-Mandated Training and Technical Assistance. You have to make sure that you label it as such, so that when we review your budget, we can easily identify it and know that you are correctly budgeting for the required amount. Each program varies with the required total for this purpose, so make sure to check your solicitation for the amount to include in your budget.

The other example we have is for local program mileage. This is a cost that might be included if the program staff anticipate traveling locally for project purposes, like to travel between the program shelter, main office, and partner organizations, and use his or her own vehicle, which by the way is exactly what you would describe in the narrative. And as you can see, the computation estimates 150 miles per month at a reimbursement rate of 0.545 cents per mile for the life of the project. So make sure to show the computation and then in the narrative, describe the purpose for the cost.

The most common mistakes we find her are a lack of breakdown of costs, missing narrative descriptions, calculation errors, and costs included in this category that are NOT for direct applicant staff.

Direct Costs – Equipment: Slide 8

Moving on to equipment, you will use this category for non-expendable tangible property with more than a year's useful life. And unless your organization's capitalization threshold is lower than the Federal threshold, equipment items should have a fair market value of $5,000 or more. Check your internal policies if you are not sure what your capitalization threshold is, because as I mentioned, it may be lower, like in the example we have here.

If you need to budget for equipment items that are rented or leased, they should be budgeted with Contracts. And last on here, as with every other cost in the budget, make sure to show your calculation breakdown of the cost and that it is supported with a narrative.

Our example here shows the cost for two video cameras at fifteen hundred each, and the narrative provides the justification that describes the purpose and the need for the cameras. You will also notice that in this example the applicant's capitalization threshold is $1,000, which is why the cameras at $1,500 each are in this category.

So to recap for this category, make sure you focus on your calculations, include a narrative for each line item, only include costs that meet your capitalization threshold, and only include costs that are for the purchase of equipment and not a rental or lease.

Direct Costs – Supplies: Slide 9

Now, unlike the equipment items, the Supplies category is for materials that ARE expendable and consumable. Items in this category may include general office supplies, copy paper, training materials, postage, brochures, program supplies, and plenty of others. And all costs should be broken down and supported with a narrative.

Now when you are putting your budget together, you'll include estimates for these costs, since it's not always known how much you'll need, and then for any shared costs, like general office supplies, include the allocation method that equitably distributes the cost. We have provided detailed information for our OVW recipients on allocating costs, so please take a look at the Cost Allocation Information document and the Sample Budget, both found on our website, before putting your budget together. The basic premise for this is that in order to include costs that are shared amongst office staff, or used by someone for more than one project, there needs to be a system in place to share the cost in an equitable way. The document I just referenced will provide that for you, so please review it and make sure you apply it in your budget.

And last here we have an update with the Uniform Guidance from 2015, and that is that any computing device can be considered a Supply item instead of an Equipment item, as long as the cost is below your capitalization threshold, or if you don't have one, then the Federal threshold, which is $5,000.

In our example at the bottom of this slide, you will see there are a couple different types of costs that we want to emphasize. First, is for general Office Supplies, and like I mentioned, you can estimate the monthly cost, and then if it is a shared cost, like this is, include the allocation percentage. In the narrative is where you will include the computation that you used to get that percentage, which is shown in the sample budget worksheet. Next, we have program supplies, and this cost is still estimated, but as you can see there is not an allocation computed against it. That is because this is for a direct supply cost that is used solely for the program, and not a shared cost, so the cost is not allocated. And last is another direct program cost for victim assistance kits, which is also fully budgeted and not allocated since it's used directly for the project.

So to highlight the most common errors we find in this category, make sure to break down all costs, support EACH line item with a narrative, and most importantly, if you have shared costs, make sure your budget describes the allocation method that distributes the cost and that you show the computation used to get the percentage. Go to our website and review the informational documents. Trust me, you'll be glad you did it!

Direct Costs – Consultants/Contracts/Subawards: Slide 10

We are going to move on to some material that is a little heavier than what we have discussed so far as we go through the Consultants, Contracts, and Subawards category. This part of the training is a bit more complex, but when not followed properly, can leave organizations open to audit findings, which is of course something we want to avoid.

So this category is where you'll budget any contracts you have for goods or services, including your consultant costs. And also here is where you'll include any subawards you issue, like you would with your MOU partners. But where the complex part in all of this comes into play is when you're making the determination if that organization's services that they're providing for your project fall under a contract or a subaward. We will go through some slides that describe the characteristics of each, but it's important to first understand that the substance of the relationship you have with the organization and the nature of the services they provide is more important than the name of the agreement. So what that means is you can call everything a contract, BUT when issuing an agreement that is more closely aligned with a subaward, you still have to follow all of the requirements for administering and monitoring subawards. So it still would need to be treated like a subaward, regardless of what you call it.

We are placing a greater emphasis on this topic because we see far too often that subawards are being treated like contracts and their costs are broken down in the budget like contracts, and not subawards.

We are going to start off by going through the characteristics of Contracts and Subawards, then we'll go through the requirements that you will need to follow, if you're awarded, when issuing either agreement type. But one thing I want to go over before we begin is that we get a lot of questions from applicants who are trying to figure out if their agreements in the budget are contracts or subawards because they find that they fall in a grey area, where they have characteristics for each, and that might happen. So what we recommend doing is developing an internal process where you document your review of the characteristics when you determine if the agreement is a contract or a subaward, so that if you're asked about it in the future, you have documentation that supports the decision you made and the reasons for it. Not every agreement is going to match all of the characteristics that are listed out for each. But you'll have to use your best judgement and like I said, document your decision making process and maintain it internally on file. Again, this is important because subawards and contracts each carry different requirements that you will need to follow if you are awarded, so you want to make sure you are following the right requirements.

Direct Costs – Consultant/Contract Characteristics May Include: Slide 11

First, we will start off with contractors, who normally operate in a competitive environment. They provide goods and services within their normal business operations to many different purchasers, and the goods and services are generally ancillary to the operation of the Federal program. The main purpose of contracting with them is to obtain goods and services for your own use or benefit. You typically would not have them comply with Federal program requirements as a result of the agreement, although similar requirements may apply for other reasons.

Some examples of services that are generally contracts include hiring a web designer to update your website for the project, or an auditor who performs the Single Audit for your organization. And take note, at the bottom of the slide we reference where you can get more information on all of this in 2 CFR Part 200.330.

Direct Costs – When Issuing Contracts: Slide 12

If you determine that the nature of the agreement does in fact most closely align with a contract, then you would also need to make sure that you're following your procurement policies if you're awarded. This should allow for FREE and OPEN competition and follow your procurement policies and procedures. Noted here at the bottom of the screen are the procurement standards from the Uniform Guidance so please reference these if you have any questions about procurement.

The rate that the contractor is compensated should be reasonable and consistent with rates they have received in the past for providing similar services in the marketplace. Now, something we have to discuss is that we hear all the time that there is a standard Federal or OVW rate for consultants of $650 per day. Please understand, this does not exist, and is commonly confused with a threshold that we have. So to clarify, if a consultant rate is expected to EXCEED $650 per day for an 8 hour day, or $81.25/hour, then that grantee must first obtain prior approval for that rate before entering into any contract. So there is no standard rate you should pay a consultant, and each consultant's rate should be evaluated on a case-by-case basis for reasonableness and consistency with market rates and should not be $650 per day across the board.

The last note here for contracts is that any sole source contract, which is a non-competitive contract that exceeds $250,000 must obtain prior approval before entering into any agreement.

Direct Costs – Subrecipient Costs May Include: Slide 13

Next, we have the list of characteristics for subrecipients. Generally, subawards are issued when Federal funds are used to carry out a program for a public purpose, as opposed to just providing goods and services for the benefit of your organization. Their performance is measured against the program objectives, and they often report to you with their progress so you can include their stats in your reports, like if they also serve victims, you would include those figures in your progress report. Subrecipients also need to adhere to the program requirements, so if you have special terms and conditions on your award, you would pass those through to the subrecipient as well. They can also at times determine who is eligible to receive assistance or services with program funds, and sometimes have responsibility for programmatic decision making.

An example here would be if, as part of your project, you identify and partner with another local nonprofit organization who hires an Advocate as part of your award's project to serve victims in the area where they're located. They're also included as one of your MOU partners, and you reimburse them for the Advocate's salary, fringe, travel, supplies, and other costs they incur that are directly related to the project. They report to you regularly on their progress and they also follow the same rules you follow when carrying out their part of the award. This is an instance where you would issue a subaward.

Direct Costs – When Issuing Subawards: Slide 14

If after going through the list of characteristics you determine that the agreement most closely aligns with a subaward, then you must ensure that if you are awarded, that you are properly administering and monitoring these agreements. There is an entire section in the Uniform Guidance that goes through the requirements that a direct recipient, as the pass-through entity who is issuing a subaward, would need to follow, but we listed out a few important ones here that we will go through real quick.

First, you will need to clearly identify the agreement as a subaward and include all of the required information which is listed in 2 CFR 200.331, as you can see at the bottom of the slide. There is a long list of elements that must be included on the subaward document, so make sure to go through this section before issuing a subaward.

Next, you need to make sure that the subrecipient does not pose any potential risk if they receive funding, and can comply with the same Federal rules and regulations that your organization needs to follow for the award. If you recall, part of the application that you are filling out right now requires that you complete a pre award risk assessment and answer some questions on your financial accounting practices. This, along with other reviews we perform, is all part of OVW's assessment of an applicant's potential risk, and something that you would need to review and document as well for your subrecipients. Again, take a look at this section of the Uniform Guidance for more factors that should be considered when evaluating potential risk of a subrecipient.

Additionally, you will need to monitor the subrecipient's activities and have a policy in place that documents your subaward monitoring process. Things you should review include, but are not limited to, reviewing their financial and performance reports that you have your subs complete, making sure that they're following all Federal regulations and any terms and conditions of the subaward, and reviewing their audits and making sure they are taking the appropriate actions if there are any findings with their ability to administer the subaward.

If you find that there are any areas that could potentially pose a risk or any deficiencies with their ability to administer the subaward, it is your responsibility to take action and use the tools you have available to ensure compliance. This can include required training and technical assistance, performing on-site reviews of their operations, or imposing special conditions to their subaward.

Direct Costs – Contracts/Consultants/Subawards Examples: Slide 15

So we went over the characteristics for contracts, consultants, and subawards, but we also want to go over how you would demonstrate these costs in your budget.

So first, let's start off with the example for Consultants. Here we have a trainer who will provide sexual assault training and listed in the budget is their daily rate of $575 for 8 hours of work for 3 days. Like we discussed previously, that rate was determined on an individual basis and the consultant demonstrated that this rate is consistent with what they normally charge for this service in the marketplace, and if awarded, the recipient's procurement procedures would have been used before contracting these services. Also, since the rate does not exceed $650 per day, if this applicant is awarded, they will not need to come in for prior approval because it does not exceed the threshold for consultant rates. The other way that you can demonstrate the consultant's cost is by using their hourly rate if they do not expect to work a full 8-hour day. And in that case you would just break down the cost by their hourly rate times their total hours of service. One last thing to note is a reminder that you do not break down costs for or treat your MOU Partners like consultants or contracts. We will go over how to break down their costs in the last example on this slide for subawards.

Moving on, in the next example we have various types of contracts listed with their breakdowns in the budget. The first is a Therapist whose rate is $50 per hour and projected at 20 hours per month. This rate should be consistent with their normal fee for service and, if you are awarded, you will use your procurement procedures to contract for the services. Next is a cell phone contract that is charged at 100%, so the staff person who uses the phone should also be listed in the budget at 100% of their time. And last, is a contract for the lease of a copier and printer. As you see here the cost is prorated based on your organization's allocation method because it is shared by all staff in the office, and in the narrative, make sure to include how you determined the allocation rate. Remember to visit our website for the Cost Allocation Information for more on this.

The last example here is for subawards. As you can see, the way they break down their costs is very different from the examples above. Since the subrecipient, or your MOU partner, is not making a profit from this service nor do they charge in a fee-for-service manner, they will break down their costs just like you did throughout the rest of the budget. So for each subaward or MOU Partner, you will list out their costs that they anticipate incurring as a result of their participation on the project. In the example here, we have XYZ Victim Services Organization, and the budget starts off with their compensation for the advocate's time by listing their annual salary, percentage of time of the subaward, and the total years. Next is the cost for their fringe benefits, and last is their cost for travel, and in this example, they plan to attend the required OVW training and technical assistance events. I mentioned earlier in the Travel category how important it is to use the correct title for the travel requirement, and that's because when we review the budget, we add up all the travel costs that are identified for this purpose to make sure the applicant has budgeted the correct amount of funds, based on the program solicitation requirement. Any other costs that the subrecipient anticipates incurring related to their work on the project should be included in this same section, and you would break them down using the same principles applied to how your costs need to be detailed in the budget.

From a budget creation perspective, the main takeaway with these examples is that applicants need to think carefully and thoughtfully about how they issue agreements with other organizations or vendors, and that the budget reflects the breakdown associated with the appropriate agreement type, whether it's a contract or a subaward. Far too often do we see MOU Partner costs broken down like consultants and contracts, when in fact it should be a subaward. Please make sure to go through this section of the training as many times as you need to, or review the Uniform Guidance in the sections that I referenced, to make sure you have an understanding of these principles and your budget reflects a breakdown of costs consistent with the appropriate agreement type.

Direct Costs – Subrecipients vs Contractors: Slide 16

This is the last slide on the topic of Subrecipients and Contractors and we just want to recap some of the more important aspects of each agreement type and the requirements that follow each of them.

For example, first we have "MOU partners are generally considered this," and the chart identifies MOU partners as generally Subrecipients.

Next, "Do procurement standards, including competition and sole source approval, apply?" and the answer is that only contracts trigger the requirement that you follow procurement standards and come to OVW for sole source approval. Subawards do NOT trigger procurement standards and requirements, and this is one of the biggest distinctions between the requirements for contracts and subawards.

We'll skip down to the bottom two, "Profit may be earned" and this applies to Contractors who generally operate in a competitive fee-for-service environment and make a profit as part of their business model. That web designer you contract with is going to include in their rate room for earning profit. On the other hand, Subrecipients are "Reimbursed for actual costs incurred," as you can see on the chart, and you budget for their costs just like you would your own costs in the rest of the budget. You list out the staff, their salary, percentage of time on the project, their fringe benefits, their travel costs broken down, and so forth. So they're not making any profit here, just getting reimbursed for the actual direct costs they're incurring to participate on the project.

Make sure to refer to the Uniform Guidance for additional clarification on this topic, as it provides much more detail than we have time to cover in this presentation!

Direct Costs – Other: Slide 17

So let's get back to the budget categories and continue through to the Other cost category. A lot of what goes in this category are costs that don't fall under the other more specific categories that we already went through. Some examples of costs that go here include rent for your office space for staff, registration fees for training events, client and survivor assistance costs like transportation, and other types of participant support costs.

The costs listed in this category can use estimates if you don't know the exact monthly cost, or if it goes up and down each month. Just use historical data to estimate the figure. And if there are any costs that are shared, like we discussed previously with general office supplies, then those costs need to be allocated using your cost allocation method, and then should be demonstrated in both the calculation and the narrative for the line item.

All costs must be broken down to show the calculation of how you determined the total cost and supported by a narrative that describes and justifies the need for it.

One question we get sometimes from applicants who own their office or facility is whether or not they can charge that cost, because it's not rented from an outside source. The answer is that yes, you can charge a proportionate, or allocated, amount of the cost of ownership, which can include insurance, maintenance, depreciation, and other similar types of costs, but you cannot charge mortgage or interest. And you would break down all of these costs in the budget and narrative, just like you would any other cost.

In our budget example here we have the cost for bus vouchers for victims when attending therapy sessions or receiving other direct services, and are estimated at $15 per voucher. The important thing to take away from this line item example is that in your narrative, you should describe for any voucher or gift card, the internal controls that you have in place to ensure their proper maintenance, inventory, and distribution. Are they kept in a locked box? How often are they inventoried, and by whom? When they're distributed, are they required to be signed out by a specific staff person or two, and what is the oversight of the process? Are these processes all documented in your internal policies and procedures? All of this should be described in the narrative, because that's what we look for in the review process. So be proactive and include it in the budget.

The next cost in this example is for a crisis hotline, and since it's a direct cost to the program, it is directly charged in the budget.

And last here is rent, but in the narrative it is described as the rental cost for a rented house for a transitional housing program, and is used solely for the purpose of the program. So the example does not allocate the cost in this case.

So to highlight the most important things to remember with this category, is to break down all costs, include a narrative for all line items to describe and justify the cost, all shared costs are allocated and the allocation method is described in the narrative, and any vouchers or gift cards, if they're allowed by the program, include a description in the narrative of the documented internal controls you have in place.

Indirect Costs: Slide 18

Now that we've finished going through all of the direct costs, we want to briefly go through the indirect cost section. As previously described, Indirect costs are those that cannot be readily identifiable to a specific cost objective, and they tend to benefit more than one activity. Some examples include costs for operating and maintaining facilities, general administrative, and plenty of others. For example, let's say you have finance staff, and they process all of the payroll, invoices, financial statements, and everything else financial related for the organization. Because all of their activities benefit the entire organization, and cannot be easily tracked to one specific funding source, their time, fringe, and any other related overhead costs, should all be included as indirect costs, and not charged directly.

Now there are only two ways that you can include costs in this category. The first is by having a CURRENT Federally Negotiated Indirect Cost Rate Agreement. Take note of my reference to the agreement being current. Far too often we review budgets that use agreements that are expired. The range of time that the rate agreement covers is listed on the document itself. Also, make sure to actually attach the agreement with your application package. I see a lot of times applicants will submit multiple applications across different programs and only one application will actually have the rate agreement. Please help everyone save time and make sure to submit the current agreement document with each of the applications you submit.

The second way you can recover indirect costs is by using the de minimis rate, which is where you calculate 10% of modified total direct costs. There is an entire section in the Uniform Guidance, referenced at the bottom of this slide in 2 CFR Part 200.414, that goes over who can use the de minimis rate and how to apply it, so make sure to take a look if you plan on using it.

Indirect Costs – Examples: Slide 19

We have two examples here for recovering indirect costs in the budget. The first is for applicants who have an approved rate agreement with their cognizant agency. So in this example, the rate is 32% with a base of Direct Salaries, excluding Fringe Benefits. And from our sample budget worksheet, the total for just salaries from Personnel, came to $212,700, so the applicant here multiplies the total salaries against the indirect cost rate of 32%, for a total of $68,064 for Indirect Costs. Also note the narrative, where the applicant indicates that they are using their approved rate agreement that is current and attached to the application package. Now there are plenty of ways for an indirect cost rate to be computed, especially with the base. As you see in this example, the base to which the rate is computed is total salaries, but there are other bases, like salaries plus fringe, or modified total direct costs. You have to make sure you are following exactly what your rate agreement says for the base when you're calculating this part of your budget.

The second example is for the de minimis rate. If you elect to use the de minimis rate, then indicate that in the budget clearly. Really often I see applicants just write "10% indirect costs" and not even indicate that they are using the de minimis rate. You have to tell us that's what you're using. Also, what's really helpful and will reduce a ton of guesswork and additional questions on our part is if you include in the narrative the breakdown for how you came up with the total for modified total direct costs. The definition for modified total direct costs can be found in the Uniform Guidance, so make sure you review it so you know exactly what can and cannot be included in this base, and show us your calculation for how you came up with the total.

Final Reminders: Slide 20

So to wrap everything up, we listed out some of the most common errors we encounter that we want to highlight for you. So please remember:

All costs require a breakdown that show the calculation for how you determined the total;

All shared costs should be allocated with the allocation method and computation described in the narrative.

And speaking of narrative, every cost in the budget should have a corresponding narrative description of the cost and justification of why it's necessary.

Please only use the Federal Cost Categories that we just went through and don't make up any new ones. If you have any questions about a cost and you're not sure where it goes, feel free to contact our helpdesk with your questions.

The total project time that you budget for should be equal to total time listed in the solicitation. If the program solicitation says that the projects are for 36 months, then make sure that you are budgeting for a full 36 months' worth of activity.

And last, and I cannot emphasize this enough, triple check your calculations. It is one of the easiest and parts of creating a budget, but I can't tell you how often we review budgets with simple calculation errors. Have someone else check all the calculations for you if you think that would help, but it really helps move things along quickly on our end when calculations are accurate, and makes for a nice clean budget.

I really hope that this training was able to provide some insight on how to create your OVW budget, and give you some guidance on the things we see most often that we have questions about. Good luck with your application, and keep doing great work! Thank you.