



Department of Health and Mental Hygiene Administration
Human Service Manual

A. Cost Principles

Section 2150 .08 Allowable Costs

The Director may allow any costs in whole or in part which are consistent with the scope and purpose of those aspects of a program which are or shall be supported by departmental finding.

2150.08.01 Guidelines

The following expense items, unless specifically rejected or limited by the Director, may be considered allowable costs under the conditions described. Inclusion here does not guarantee acceptability, conversely, omission does not necessarily preclude it. Moreover, specification in this policy as an allowable costs does not absolve the vendor from the responsibility to document these costs in accordance with generally accepted accounting principles.

Generally, allowable costs are:

- a.** Those costs relating to items preprinted on form DHMH 432, some of which are discussed further below.
- b. Accounting, Audit, and Legal Services** costs are allowable.
- c. Administrative Costs** - including, but not limited to, those associated with a Block Grant. However, such amount of administrative costs which include unallowable elements as listed in 2150.09 is not allowable.
- d. Advertising** may be allowable cost when it is for the purpose of recruitment or for outreach to actual or potential recipients of grant/contract supported services.
- e. Books, Periodicals, and Professional Journals** may be allowable costs providing these materials are for the general use of the vendor staff and/or the recipients of grant/contract services.
- f. Communications costs**, including those for printing and copying, are allowable.
- g. Consultant's Fees** are allowable when necessary to provide the level of service established in the grant/contract and/or award letter. (See Section 2180.)



h. Credit Card and Collection Costs

i. Depreciation may be an allowable cost in certain instances when applied to assets when used for the purpose of creating and maintaining a reserve fund for replacement of capital equipment.

The guidelines for estimating useful life will be issued by the Division of Program Cost and Analysis. Such costs may be allowed at the discretion of the Director, who may require special handling and/or disclosure of the reserve fund at his/her discretion as a quid pro quo for allowing this cost. (See Section 2150.09g, for Depreciation, not allowed)

j. Dues and Membership fees to professional organizations and societies may be considered an allowable cost provided these memberships are organizational rather than personal.

k. Equipment Lease and/or Purchase is an allowable cost. The schedule of equipment prices in the DBFP Budget Instructions for the applicable fiscal year may be used in any reasonableness test. Only assets counting at least \$500 and having a useful life of at least three years are considered equipment. Assets costing less than \$500 or having a useful life of less than three years need not be itemized and may be reported as "small equipment."

l. Fringe Benefits are generally limited to Life Insurance, Health Insurance, Disability Insurance, Social Security, and certain benefits are available to employees with at least three years of service. The maximum percentage allotted to fringe benefit elements listed in the DBM Budget Instructions for the fiscal year for which grant/contract funds are being requested may serve as a decision-making guide for the Director.

m. Fund Raising Costs up to \$1000 or 2% of the DHMH award whichever is less. Fund raising costs which do not generate a net benefit over time should be disapproved in future proposals. A three year trial period should be sufficient. If fund raising proves successful in generating excess incomes and does not interfere with the quality or quantity of services, the Director may increase the previously stated limits for these costs for the purpose of increasing the scope of services while reducing the percentage of the DHMH grant to the total budget or for the purpose of enabling the vendor to become more self sufficient. Generally, fund raising costs would be



Behavioral Health System Baltimore

inappropriate for a one-time-only agreement unless the incomes to be derived would be received and utilized within the grant period. It should be noted that the Department will participate in the income generated to the same extent the Department participates in the cost of the fund raising. For example, if the Department supports 10% of the fund raising costs, then 10% of the income generated will be treated as income to the contract and used to reduce the Department's expenditures.

Funeral or burial expenses for clients are allowable, subject to the approval of the Director of the program administration, up the limit permitted by State policy for clients in the DHMH institutions.

n. Insurance is allowable cost. Both organizational liability insurance and malpractice insurance for the vendor's professional employees is an allowable cost; the cost of individual professional malpractice insurance for consultants is not allowable. The cost of vehicle insurance may be an allowable cost.

o. Interest costs may be allowable:

- i. when part of a mortgage payment or part of an installment payment for an approval equipment purchase and
- ii. when borrowing working capital. Note: The Alcohol and Drug Abuse Administration (ADAA) requires that approval be secured to ensure support for this cost.

p. Maintenance and Repair is an allowable cost.

q. Payment to Advisory Council or Board of Directors are allowable as reimbursement for meals and travel only.

r. Relocation costs for moving and organization are allowable; however, reimbursement for relocation of an employee is limited to the maximum rates provided in Department of Budget and Management, Office of Personnel Services and Benefits policy.

s. Renovation and Remodeling costs allowable to the extent that they are meet the provisions of Section 2170.

t. Rent or Mortgage costs are allowable to the extent that they are reasonable. A cost which is in excess of normal market rates may be allowable in full if the location is essential to the vendor's performance of the terms of the grant contract. Generally, the State does not pay rent for space occupied in publicly building; the actual costs of operating these buildings (i.e. utilities, janitorial service, grounds keeping, etc.) may be allowable.



u. Salaries and Wages are allowable to the extent they are reasonable. A general guideline of reasonableness of salaries/wages is the fair market value of wages paid in the area for comparable positions. Accrued leave may be identified under this item or under Fringe. Bonuses that are paid in accordance with vendor's salary plan, which has been submitted to and approved by the Director are allowable.

v. Staff Entertainment Costs for holiday parties or employee recognition are allowable up to a limit of \$800 per year if approved by the Director of the program administration.

w. Travel costs are allowable when related to the grant/contract. Travel costs by automobile, van or truck will be allowed at the State of Maryland mileage reimbursement rate are specified in The DBM Budget instructions for the applicable fiscal year. Other travel costs may be governed by DHMH Policy 3232. See The Appendices, Section 3020.

x. Vehicle purchase or leasing costs are allowable if the vehicle is for transportation of recipients of grant/contract services to or from service locations or for the transportation of service personnel and/or supplies from on service site to another or to home-bound clients for the purpose of delivering service. Rates published in the DBM Budget Instructions should be used as a reasonableness test.

y. Training costs for staff are allowable to the extent that they are reasonable.



Section 2150.09 Unallowable Costs

Unallowable Costs Guidelines

The following items are costs generally considered to be unallowable for purposes of Departmental grant/contract support. The list is not exhaustive; omission does not constitute acceptance as an allowable cost. The Director may allow cost in any of these categories when it is in the public interest to do so; conversely, he/she may elect not to support funding of a cost not listed here, including those generally considered to be allowable under the previous section.

The Unallowable Costs are:

- a. Administrative costs** which relate to unallowable elements,
- b. Bonuses**, except when awarded in accordance with a vendor's salary plan, approved by the Director
- c. Client Funeral and/or Burial Expenses** in excess of \$500
- d. Contingency Funds for Reserves**,
- e. Costs in Excess of the Grant/Contract Award**,
- f. Cost of Response to RFP** except as provided by the RFP,
- g. Depreciation** - on all real property and on equipment purchased with DHMH grant funds. (See Section 2150.08.01i, for Depreciation allowed),
- h. Employee/Staff Relocation**, in excess of \$500
- i. Entertainment**, except for holiday parties for staff, or employee recognition, as approved by the Director of the program administration.
- j. Fines, Claim, Awards, Judgments, or Penalties.**
- k. Fund-Raising** (beyond the limits specified in 2150.08),
- l. Gifts, Contributions, Donations**,



- m. Interest on obligations** to local, state or federal governments or on obligations arising from "j" above.
- n. Lobbying and/or Advocacy Costs** (including membership dues in industry associations whose principal activity is lobbying or advocacy)
- o. Malpractice insurance for a consultant.**
- p. Sabbatical Leave.**
- q. Bad debts** incurred by private paying clients or third party payers and bad debts resulting from denied costs by the Department.
- r. Chaplainry training** and other religious training programs for staff members
- s. Conferences, conventions, meetings.** Usually, the business meetings are allowed subject to the Director's determination that the costs are reasonable. Registration fees and overnight expenses for conference or conventions are allowed only with the program director's approval.
- t. Costs** not Adequately documented.
- u. Housing** of non-clients unless it is a prerequisite of staff employment.
- v. Income Taxes**
- w. Licensure fees** for staff members except for class C drivers license where having the license was not a condition of employment at the time of employment.
- x. Losses on other grants and contracts.**
- y. Expense of business activities** operated by the vendor are allowed only to the extent of income generated.
- z. Expense of renting** out a portion of the facility is allowable only to the extent of income generated.
 - aa.** Expenses resulting from transactions with related parties and/or parent organization which are greater than the expense to the related party.



bb. costs or expenses incurred for the benefit of or on behalf
an individual or organization other than the vendor.

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