

INSTRUCTION MANUAL
for
FOSTER CARE/
CHILD PLACEMENT AGENCY & CHILD CARING INSTITUTION
COST SCHEDULES
(DHS-573 & DHS-573-A-F)

Office of Contracts and Purchasing (OCP)

PLEASE RETAIN THIS MANUAL FOR FUTURE USE
Changes will be made to individual pages only.

This manual includes all changes as of April 1, 2011

DHS Manual No. 43

**INSTRUCTION MANUAL FOR THE PREPARATION OF THE
CHILD PLACEMENT AGENCY & CHILD CARING INSTITUTION
COST SCHEDULE (DHS-573)**

I. INTRODUCTION

PURPOSE OF FORMS

The primary purpose of the Cost Schedule (DHS-573) and its supporting forms is to document provider management and service program costs. This information is used by the Michigan Department of Human Services (DHS) to establish an equitable rate for purchased services. The Cost Schedule also provides detailed information which can be used for cost analyses, research and evaluation purposes. The Cost Schedule is supported by the following forms:

DHS-573-A - Residential Program Cost Schedule by Function This form (and its supporting forms) is to be submitted by providers operating residential or group home programs. Its purpose is to determine the cost per institutional day of care by service function for an individual facility (or group of facilities representing one program). The form, referred to as Schedule A, shows the total direct residential or group care expenditures by program function - that is, by type of expense incurred. The "Total Expenditures" reported for a program on line 21, column (a) must be reflected on line 22 of the Cost Schedule (or Cost Schedule Supplement) under a RESIDENTIAL PROGRAMS heading. The total expenditures for the program must equal the sum of the "Soc. Serv." and "Maint." amounts reported for that residential program. The DHS-573-A is supported by the following three forms:

Schedule B - Salaries DHS-573-A (Sch. B) documents the distribution of residential program salaries by function.

Schedule C - Supplies DHS-573-A (Sch. C) documents the distribution of residential program supplies by function.

Schedule D - Specific Assistance DHS-573-A (Sch. D) documents the distribution of residential program specific assistance expenditures by function.

DHS-573-B - Adoption This form documents the distribution of salaries by function for adoption programs. The "Total Adoption Salaries" figure appearing on this sheet must appear on line 1, column (G) of the Cost Schedule.

DHS-573-C - Management and General This form documents the distribution of salaries by function for management and general expenses. The "Total Management and General Salaries" figure appearing on this sheet must appear on line 1, column (B) of the Cost Schedule.

DHS-573-D - Family Foster Care This form documents the distribution of salaries by function for Foster Care programs. Depending on the number of employees involved in the program, the form may require more than one sheet to describe a particular program. (The program and program number appear on the upper left of the form.) A separate form is used for each program described. For the first program described, the "Family Foster Care Total" figure appearing on this sheet must appear on line 1, column (E) of the Cost Schedule, under the heading "FAMILY FOSTER CARE (or SIL)". If additional programs are described, the total figure for each of them must appear on line 1 of the supplemental Cost Schedule (DHS-573 (Supp.) under the same heading (column (E), column (I) or column (M)).

DHS-573-F - Independent Living This form documents the distribution of salaries by function for Independent Living programs. As with the Family Foster Care form (DHS-573-D), more than one sheet may be needed to report on all employees. Likewise, multiple forms may be needed to report on more than one program. For the first program described, the "Total Salaries for Independent Living" figure appearing on this sheet must appear on line 1 of either the Cost Schedule or the supplemental Cost Schedule under the heading "FAMILY FOSTER CARE (or SIL)".

DHS-573-G - Depreciation This form documents the depreciation being claimed for the year for which the report is being produced. The total from column 7 will appear on line 21, column (A) of the Cost Schedule

Copies of these forms must be retained in the provider's records for at least seven years for auditing purposes.

Comments and questions or suggestions concerning the instructions or purchase of services system are always welcome. After reviewing the manual, any questions or problems completing the required forms should be directed to:

Department of Human Services
Office of Contracts and Purchasing
P.O. Box 30037
Lansing, Michigan 48909

or phone: (517) 373-3724

or e-mail: DHS-OCP@michigan.gov

SUGGESTED REFERENCES

1. Compliance Supplement for Single Audits of Educational Institutions and other Nonprofit Organizations (OMB).
2. Financial Accounting Standards Board (FASB) 116.

ELECTRONIC FORMS

To assist providers with the completion and submission of these cost documentation forms, the forms have been revised and put into an electronic format. A Microsoft Excel workbook has been developed which incorporates the forms as separate spreadsheets, each of which can be printed on 8 1/2" X 14" paper. Forms which are printed from the electronic workbook contain the suffix "-EX" following the form number. Most calculations and the transfer of totals between sheets, where appropriate, are performed by the software. The workbook may be downloaded from the DHS Web site at http://www.michigan.gov/dhs/0,1607,7-124-5455_7199---,00.html.

II. FOSTER CARE

PURPOSE OF FOSTER CARE

The purpose of Foster Care is to provide effective temporary living arrangements for children. Explicit in this purpose is the requirement that care and services must be provided which facilitate the individual child's development and lead to the youth's subsequent reunification with the family, ultimate adoption, or independence at the earliest possible date.

TYPES OF CARE AND SERVICES PURCHASED

The State of Michigan purchases a variety of child foster care and services related to foster care. Most purchased care and services fall within five broad categories identified as; Foster Family Home Placement Services, Foster Family Home Care, Residential Foster Care, Supervised Independent Living, and Adoption Services. Other programs providing specialized care and services will be included in the basic rate **only** if they are identified in the contractual agreement between DHS and provider. Programs considered outside the definition of basic care and services such as Parental Counseling for youth not directly related to the foster care programs, or Community Group Sessions, will be purchased only by specific arrangement with the department. **The cost of these programs is to be included in the Other Programs cost column on the Cost Schedule.**

The major care and services currently being purchased by the State, and subject to DHS cost reporting rules and regulations are as follow:

1. **Foster Family Home Placement Services** -Administrative Rate

Agencies providing this service supervise the placement and care of children who can no longer remain living with their natural family because of social, emotional, or health problems, but still need and can benefit from family living experiences. Homes that are considered to provide this kind of care are licensed foster family homes, relative homes, or guardian homes, foster family group homes, and subsidized foster family group homes.

It is the providers' responsibility to recruit families that are willing to become licensed foster family homes and foster family group homes. Providers will be paid an administrative rate for recruiting foster homes, certifying homes for license, developing foster parents, and supervising children placed in these homes. Aftercare directly related to the reason for the children being in care, is included in the Administrative Rate.

Reimbursement for family foster care is based on Board and Care rates established by DHS and must not be included in the administrative rate. The amounts paid for board and care must be passed on to the foster families providing the family foster care.

2. Foster Family Home Care - Board and Care Rate

Rates are paid for the actual use of licensed foster homes, relative's homes, or guardian's homes for the board and care of children whose parents are unable to care for them adequately because of social, emotional, or health problems and who can benefit by family living experiences. This includes foster family homes, foster family group homes, and subsidized foster family group homes. Youth in foster family care are supervised by the placing agency. However, when placement services are purchased, ultimate administrative responsibility for the youth is retained by DHS.

3. Residential Foster Care

Licensed Child Care Institutions providing this service will generally be caring for children who have behavioral or emotional problems requiring that the child be removed from the care of the family. Services provided for these children will consist of board and care, 24-hour supervision, and special treatment programs that are directed at correcting the child's behavioral or emotional problems. It is intended that these children will benefit from the group living environment and be returned to their homes, be placed in foster family homes, or be able to cope in an independent living environment within time frames established by DHS. For all children released from institutions, sixty (60) days of transitional service is expected.

Each facility must be licensed by the DHS Bureau of Children & Adult Licensing.

4. Supervised Independent Living

Agencies place and supervise older children in non-foster care living arrangements to prepare them for the independence they will experience when they leave the system as young adults.

5. Adoption Services

Agencies providing this service are responsible for recruitment, evaluation, and selection of adoptive families, as well as determining the needs of each adoptive child and preparing the child for placement to assure a permanent placement. They must also follow legal and social procedures as required and follow-up with post-placement services to assure that the adoptive transition is proceeding satisfactorily.

Some adoption services are provided while the child is being housed in a foster home or an institution. Agencies that are providing Foster Care Services and/or Institutional Care in addition to Adoption Services must maintain separate accounting for each program so that costs will be accurately charged to the proper program.

III. THE PURCHASE OF SERVICES SYSTEM

PURPOSE

The purchase of services system assures that the variety, quantity, and distribution of child-serving agencies is satisfactory to meet the needs of children for whom government agencies have responsibility.

It is the responsibility of the governmental unit to recognize and define the service needs of the child to be placed. The decision to place a child with a private agency is made prior to the actual placement.

CRITERIA

The purchase of services system is guided by the following criteria:

1. Procedures that implement the system will be administered uniformly throughout the State --all providers will be treated equitably.
2. Appropriate mechanisms will be developed to differentiate between types of services provided.
3. State legislative action determines amounts available for purchased care and treatment.

AGENCY RESPONSIBILITIES

Each child-caring agency that provides service to youth under an agreement with DHS and/or provides services to court wards is required to provide an annual financial audit report no later than five months from the end of the provider fiscal year. Annual verification of the amounts for social services and maintenance for each residential program must also be provided within the annual audit report (see page 32).

New programs or revised programs **preapproved by DHS** must submit the DHS-573 and supporting schedules for a minimum 12 month period to have a rate determined. Certain programs subject to the bidding process may also be required to follow the DHS-573 format.

These forms must be signed by the provider's executive director, or a person authorized by the provider, to verify the cost schedule report figures, and that DHS requirements as stated in this instruction manual are faithfully met.

Note: Annual financial audit reports must comply with all requirements of the Accounting Guide for Foster Care Agencies.

Return schedules and/or a complete copy of the provider's Financial Audit Report to:

Michigan Department of Human Services
Office of Contracts and Purchasing
Suite 1201 Grand Tower
P.O. Box 30037
Lansing, Michigan 48909

DHS RESPONSIBILITIES

DHS has the responsibility to monitor and process fiscal reports in the purchase of services system. This activity is currently performed within the Financial and Administrative Services Financial Administration. DHS also implements Michigan statutes by establishing policy and procedures for use by providers.

An additional DHS responsibility is to establish controls over rates paid for child-caring services. Some of the control mechanisms used include:

1. Calculation of child care rates.
2. Development of a uniform reporting system.
3. Development of a systematic means to analyze program and financial expenditures.
4. Exclusion of specified activities or expenditures from reportable costs.
5. Determination of an effective utilization rate to assure against high costs because of low utilization in child care institutions.

SPECIAL NOTE: The following penalties may be imposed if the required forms and/or audit reports are not received by DHS:

1. An immediate 20% rate reduction for failure to submit the required documents within 30 days of the due date, without a written extension from DHS.
2. Elimination of rates from publications and the payment system if the required documents are not received within 90 days of the due date.

INTERIM RATE REQUESTS

If a provider desires to have an interim rate established, projected cost data is to be submitted to the Office of Contracts and Purchasing (OCP) at least 60 days prior to the desired effective date. No rate will be deemed in effect until a notice is sent to the provider showing the rate and its effective date. When a provider has met all reporting requirements, interim rate status will be terminated. Rates will then be established based on legislative appropriations, subject to contractual agreements. If there are any questions about reporting requirements, call (517) 373-0448.

Requests for an interim rate may be initiated by the provider under the following circumstances:

New or Reorganized Provider or Program

Newly formed or completely reorganized providers, or a new and separate program within an established provider, must complete a projected cost schedule (DHS-573) and all appropriate supporting schedules consistent with this manual in support of the program description and licensing requirements.

Only DHS approved projected costs will be used in determining the interim rate. An interim rate for a new agency will usually be based on 97.5% of an institution's licensed capacity or 100% of projected "days of care" for a child placing provider.

Semiannual reports of actual expenditures are required to support the projected costs of programs that are operating with an interim rate. The report form is the DHS-573, Cost Schedule. Supporting schedules (573-A through G) are not required.

Note: If you are using the electronic form offered by DHS for interim rate cost documentation, you will need to use the DHS-573-C, along with the Cost Schedule, to pick up the total for Management and General salaries. This is because the Cost Schedule and the sheet reporting Management and General salaries (DHS-573-C) are linked together in a way which prevents the direct entry of a figure in column (B) of the Cost Schedule salaries line. That spreadsheet cell receives its content from the total reported for Management and General salaries on DHS-573-C (Distribution of Salaries by Function - Management and General). Simply insert all of the Management and General salaries on line 1 of the DHS-573-C. For the semiannual report submitted in support of an interim rate you do not need to list employees individually. The electronic workbook will total the salary figures you enter and carry the sum over to line 1 of the Cost Schedule (column (B)). When you submit the completed Interim Cost Schedule to DHS, you do not need to include the DHS-573-C.

The established rate is subject to an adjustment if actual rates are less than the original budget projections. Any difference up to that point in time will be considered as an overpayment to the provider. The amount of any overpayment must be returned by the provider to DHS for all units of service paid at the higher projected rate.

A provider submitting an interim rate request must prepare and submit an interim rate proposal to the DHS Office of Contracts and Purchasing. This proposal must include:

- a. The purpose and scope of services to be provided, highlighting changes from any current program;
- b. A description of the type of youth to be served; i.e., age, sex, behavioral problems. etc.;
- c. A complete description of the treatment program; i.e., what intervention and treatment techniques will be used, and how these will be integrated into an effective treatment program;
- d. A description of the manner in which the program integrates with existing DHS and community resources; and
- e. Preliminary cost information (DHS-573), including an estimated per diem rate.

Assistance in preparing a budget and determining an estimated per diem rate can be requested from the Office of Contracts and Purchasing; phone the unit at (517) 373-3724, or send e-mail to DHS-OCP@michigan.gov.

The DHS Central Office staff reviews the proposal to determine the need for and potential use of the program. A rate will be established for non-DHS purchasers. All complete proposals will be accepted or rejected within 60 days of submission of the required documents.

Approved Program Change

Existing provider program change or augmentation may be approved for an interim rate when the change or augmentation is contractually agreed to by DHS. This interim rate is to cover costs of DHS requested changes in the improvement of service or in meeting minimum licensing requirements. Included in the projected cost will be those costs which may result from the loss of other **public** funds supporting essential services.

A provider requesting support for program changes must include projected costs for the entire agency along with its rate change request to the Office of Contracts and Purchasing.

For existing programs, if the calculated cost does not cause a per diem increase greater than 5%, it will not be considered for an interim rate.

Routine or general program improvement costs or costs of major changes not receiving DHS approval, will not be considered as part of an interim rate change request.

New or changed residential programs will have interim rates computed using 97.5% of the institution's licensed capacity, unless special circumstances warrant using a lower percentage.

IV. COST SCHEDULE REPORTING - OVERVIEW

The DHS-573 and its supporting documents are available in electronic form, and may be downloaded from the DHS Services to the Public Web site. The forms are contained in an MS-Excel 2002 workbook and print out in an 8 1/2" X 14" format. To download the workbook, go to **www.michigan.gov/dhs**. Click on the "Doing Business with DHS; click "Contractor Resources". Scroll down the page to Forms and Publications.

Each Cost Schedule (DHS-573) is to show the complete expenditures of the provider. For multiple service providers, the total provider cost is to appear in Column A of the Cost Schedule. Costs allocated to the specific programs or to other programs are to be identified in the other columns as appropriate. The task of completing the Cost Schedule should be assigned to a person who has knowledge of accounting procedure.

ACTIVITIES & SERVICES FOR WHICH COSTS ARE REIMBURSABLE

Providers may be providing care and services other than foster care and adoption, such as marital counseling, pregnancy counseling, drug treatment programs, or adult foster care (to name a few). The primary intent of the cost schedule is to document expenditures for programs and services purchased by DHS for which payment rates must be determined. Therefore, it is **not necessary** for providers to itemize expenditures for services not related to those other programs and services. Costs for these types of services are to be reported in the "Other Programs" column, Column (H), on the DHS-573.

The following list is a guideline to the activity costs which are potentially reimbursable and which should be included in the cost schedule documents:

1. Child Supervision and Care Provisions -- those elements necessary for survival, protection, and development, such as room, board, and adult supervision.
2. Social work with the child, the child's parents, or relatives (foster care only).
3. Social work with the child or adoptive parents during the year of supervision and during pre-placement.
4. Recruitment of foster homes and adoptive homes.
5. Evaluation for licensing, and the training and development of foster parents.
6. Intake evaluations and decisions relative to the placement of a child, including adoptive home studies.
7. Supervision of the child in the foster home and in the adoptive home. (Only during the year of supervision)
8. Preparation of the child for placement and discharge.
9. Participation in, and preparations for, court hearings.
10. Development of written procedures and summaries.
11. Collateral contacts with schools, doctors, legally responsible agents, or relatives.
12. Supervision of the worker providing these activities and the administrative functions which enable the worker to carry out these activities.
13. Post foster family care for the child.
14. Taxes, except for available exemptions, special assessments and federal income taxes. (See OMB A-122 for additional details.)
15. Subject to the interest expense limitation specified under PARTIALLY. REIMBURSABLE OR CONTROLLED EXPENDITURES, mortgage interest for loans existing prior to 10/1/91 is allowed as a social service cost. Payments to a related party are not allowable.

PARTIALLY REIMBURSABLE OR CONTROLLED EXPENDITURES

The following categories of expenditures will be reimbursed up to a maximum amount based on a percentage of the program expenditures:

1. Expenses incurred as a result of conferences, conventions, meetings and major trips. These are reimbursed up to 1 % of the provider salary and related costs of a specific cost column (B through H).
2. Membership dues for professional associations are reimbursed up to 1 % of the provider's total reimbursable costs, for each specific cost column (B through H). **Note:** For dues paid to organizations involved in lobbying activities (e.g., Michigan Federation of Private Child and Family Agencies) you must report as nonreimbursable that portion of the amount which is related to the lobbying activities of the organization. If the organization is involved in lobbying activities, but is unable to determine what percentage of expenditures applies to such activities, then 50% of the dues paid must be reported as nonreimbursable.
3. Interest expenses for loans existing prior to 10/1/91 are reimbursable only to the extent that they exceed investment income for the organization as a whole. Investment income realized during the year must be prorated against reported interest expense. Certain investment income is exempt, including income from true trusts, endowments or other pooled assets where the corpus is unavailable to the organization under any circumstances. Also exempt is investment income from funded depreciation, that is those funds designated specifically for the maintenance and replacement of capital assets. If any portion of investment income from funded depreciation is used for purposes other than the maintenance and replacement of capital assets, then all income realized from those funds must be used to offset interest expense.

For the items above, agencies must actually incur costs for reimbursement.

NON-REIMBURSABLE ACTIVITIES AND EXPENDITURES

Certain activities and expenditures are not directly related to the provision of foster care or adoption services, and are not reimbursable. The following types of expenditures are to be excluded from reimbursable costs and must be entered in Column I on the Cost Schedule (DHS-573):

1. **Legal Expenses for Administrative Purposes** -- All incurred costs of legal services except those allowable under OMB A-122. Costs associated with the prosecution of claims against federal, state or county government are not allowable.
2. **Costs of Fines, Penalties, Legal Judgments and Out-of-Court Settlements** – All fines, penalties, judgments, settlements and interest resulting from failure to comply with Federal, State and Local laws, or fines, judgments and penalties imposed by a Court, or agreed to in an out-of-court settlement unless incurred as a result of compliance with specific provisions of an award (contract), or written instructions from the awarding agency.

3. **Allocated Overhead Charges for "Parent" Organizations** -- All charges that are allocated to the provider by "parent" or similar types of organizations.
4. **Special Religious Instructors** -- All costs incurred to bring in persons to provide religious training in the agency or institution.
5. **Parochial School Tuition** -- All costs for tuition to parochial school.
6. **Chaplain Services** -- All expenses incurred to provide chaplain services.
7. **Other Activities or Services** -- Costs associated with activities or services that are not specifically included in the contractual agreement (if one exists) between DHS and the provider cannot be reported in Columns C through G on the DHS-573. They must be shown as non-reimbursable (Column I) unless they qualify as Column B costs within the definition of Management and General (on page 31).
8. **Specific Assistance Costs** -- Expenditures by placement providers for basic in home care costs (i.e., room and board, clothing, allowance and incidentals, etc.) cannot be included in the administrative rate. These amounts must be shown on line 13 of the DHS-573, see page 24 for further clarification.
9. **Pregnancy Counseling Services** -- All costs for activities related to pregnancy counseling.
10. **Certain Severance Payments** -- Non accrued lump-sum severance payments to employees, or former employees, unless prior signed written approval is received from DHS.
11. **Excess Costs** -- Excess costs attributable to any contributions, donation, kickbacks, or other types of payment received by the provider from any person or organization which has or intends to supply goods or perform services for the provider. These amounts must be clearly identified in the audit and on the DHS-573 in Column I for each line item. These amounts must be netted against the gross cost (for a particular good or service) in the appropriate column (B through I). Donations received from providers of goods or services that were awarded contracts as the lowest bid in a legitimate competitive bidding system are considered acceptable and should not be separately identified as excess costs.

REVENUE FROM OTHER SOURCES

1. **Revenue to be Deducted from Reimbursable Costs (Line 26 .DHS-573)**
 - a. Payments from other Governmental Bodies -- Monies received from other governmental bodies that are not directly related to purchase of foster care for individuals are to be deducted from reimbursable costs. These include grants, rebates, or appropriations from public tax funds not designated for a particular child for whom purchase of services was initiated. **Note:** An amount will be deducted on line 26 for each program where a provider is eligible for federal food program reimbursement, but fails to participate or pursue such funding. See Cost Schedule completion step #25 on page 38.

- b. Fee Duplication - In a few instances, a parent or guardian may pay the provider all or a portion of the costs involved in caring for the child. If the child is a state ward, or is the responsibility of another purchaser who also reimburses the provider, the provider is not to charge DHS, or must refund this money to DHS if the DHS pays a fee which has been paid by another party. This simplifies the reimbursement procedures and avoids duplication of payments for the youth's care.
 - c. Applicable Credits - Purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds and adjustments of overpayments or erroneous changes.
 - d. Employee contributions or donations -amounts in excess of \$100 per employee (or members of their immediate family). These amounts must be allocated proportionately by column, exactly as line 1 salaries are allocated.
2. **Nondeductible Revenue** -- The provider may receive money or goods from other sources. The following are examples of revenues that are not deducted from reimbursable costs:
- a. The United Fund
 - b. Endowments
 - c. Church contributions

TIME ALLOCATION METHODS

It is necessary to distribute provider costs on both the DHS-573 and the DHS-573-A by program and by function. It is generally easier to allocate expenditures for cost elements other than salaries and wages. When an individual is spending significant amounts of time in more than one program, his/her time is to be allocated as a basis for distributing associated costs.

See OMB A-122 Attachment B Item 7m. Documentation must be provided to DHS upon request and should also be made available to your auditor. Reports reflecting the distribution of activity must be maintained for each staff member (professional and nonprofessional) whose compensation is charged in whole or in part for a particular program.

COST REASONABLENESS

See OMB Circular A-122.

PROPERTY LEASE AND RENTAL

See OMB Circular A-122.

EQUIPMENT AND PROPERTY ACQUISITIONS

A provider's acquisition of equipment and property generally constitutes a significant portion of its yearly budget. The type and amount of the expenditure determines the category within which the costs are allocated. There are two types of expenditures which must be identified and separated:

1. **Major Property and Equipment** -- This is any property or equipment having a unit cost of \$5,000 or more and having a useful life of more than two years. (See page 27 for further detail)
2. **Equipment (current expense)** -- This is all equipment having a unit cost of less than \$5,000.

Major property and equipment acquisitions are considered capital expenditures and the purchase price is not included in reimbursable costs. Similarly, repairs costing \$5,000 or more which add value to or extend the useful life of an asset are to be capitalized, and treated as major acquisitions.

Providers are required to maintain price documentation for items and repairs, having a unit cost of less than \$5,000, but more than \$500. The documentation must be maintained for at least six years after final payment is received at a rate which was based on costs incurred during the year the asset was acquired. A special or separate file for the documentation is not mandatory.

DEPRECIATION (ALLOWANCE FOR THE USE OF MAJOR PROPERTY AND EQUIPMENT)

Depreciation is the means of recovering all investments in property that have or had an original unit cost of \$5,000 or more. Depreciation accounting is a system whereby the costs of capital assets are distributed over the estimated useful life of the unit. Depreciation for the year is the portion of the total charge under such a system that is allocated to the reported year.

DHS will allow provider recovery of capital investment according to the following policy:

1. Each provider must prepare a depreciation schedule (Schedule G) when claiming reimbursement of capital investment if the useful life of the item is more than two years.
2. Providers filing a Cost Schedule (DHS-573) for the first time may include the undepreciated balance of capital assets, as recorded on their depreciation schedules for income tax purposes, in establishing a depreciation schedule for cost reimbursement. Providers not maintaining income tax records must use **original cost** of capital assets verified by purchase records or a certified appraisal of the value of the asset, less depreciation that would have been allowable from date of acquisition to date of Cost Schedule, whichever is less. In no case will reimbursement for fully depreciated assets be allowed.

3. All newly acquired assets are to be added to the schedule at actual cost at time of acquisition. Imputed values of donated assets or any assets acquired by providers in any manner that results in a cost less than fair market value may be added to the depreciation schedule at fair market value, if recorded on provider's records, and if the basis of valuation is disclosed in the footnotes to the audited financial statements. Imputed asset values will be allowed for depreciation purposes at time of initial licensing and then only according to paragraph 2.
4. "Residue" Receipts for Depreciated Items -- If a fully depreciated item is sold, the "residue" income must be deducted from the line item which includes the purchase price of the replacement item or from Schedule G, Column 3 (which establishes the depreciable base of the new item).
5. The basis upon which a provider has valued its fixed assets should be explained in the yearly audit report.
6. Each provider must conduct an annual inventory to "retire" obsolete equipment on the depreciation schedule. Monies received from the sale of retired equipment must be deducted from the cost of newly acquired equipment being added to the depreciation schedule.
7. DHS does not require the actual funding of depreciation cost for equipment replacement. However, such funding constitutes good management and is strongly recommended.
8. Depreciation costs are to be itemized on Schedule G, and Internal Revenue Service Guidelines for life expectancy of depreciable capital assets are to be followed.
9. Depreciation commonly known as the **straight line method** will be the **only** method used for computing annual depreciation costs. (This policy precludes any alternatives listed in OMB A-122.)
10. Depreciation for idle facilities is not reimbursable and should be shown on line 21, Column (I), of the DHS-573. Exception: Idle facilities necessary to meet fluctuations in caseload may be reimbursable depreciation expense.

The following rates are considered reasonable and may be used if an IRS Guideline for the straight line method is not available:

Institution Buildings and Structures	2.5%
Furniture, Fixtures, and Equipment	10.0%
Motor Vehicles	33.3%
Land Improvements	5.0%
Computers, servers and printers	20.0%

These percentages apply to the net cost of depreciable assets. (See #4 and #6 above.)

IMPUTED COSTS

When a provider receives donated goods or services, or receives them at a substantially reduced rate from that which would be necessary if that purchase were made at the going rate, the cost difference is the **imputed** cost.

For example, if a certain machine, normally valued at \$500, was donated to a provider at a token cost of \$50, the imputed cost or value would be \$450. If, however, the provider paid nothing for that machine, the imputed cost would be \$500.

In another example, if a provider receives the services of any staff member at a rate which is substantially lower than the Fair Market Value of those services, the difference between the actual salary or wage paid and the going rate is the imputed cost.

DHS **will** reimburse providers for the imputed value of **donated goods**, including major fixed assets and equipment received. Because of the difficulty of placing a monetary value on and the absence of control over donated services, DHS **will not** reimburse providers for the value of donated services.

Only donated goods of significant amounts which are recorded at their fair market value when received will have imputed reimbursable value. The basis for the recorded value can be price lists, market quotations (adjusted for deterioration and obsolescence), appraisals, etc. Such records, necessary for the proper accounting of all transactions of the organization, and for recognizing stewardship control over all materials received, must be reflected in the agency financial audit.

V. DEFINITIONS OF ELEMENTS COMMON TO THE COST SCHEDULE AND RESIDENTIAL PROGRAM COST SCHEDULE BY FUNCTION

This section identifies the elements and expenditures which are common to both the Cost Schedule (DHS-573) and the Residential Program Cost Schedule by Function (DHS-573-A). This will prevent repetition in subsequent sections of the manual and will allow greater consistency in form completion.

Each of the following elements is identified and then defined. Its location on the DHS-573 or DHS-573-A is noted. Then, examples and samples are shown (including United Fund Account Number).

Salaries - Account 7000

DHS-573: Line 1

DHS-573-A: Line 1

32Definition: Cost Schedules should include expenditures for salaries and wages earned by a provider's regular employees (full-time and part-time) and by temporary employees, but not by consultants and others engaged on an individual contract basis. Payments to persons employed on a fee-for-service basis, such as lawyers, auditors, or physicians should not be reported here, but under Account Numbers 8000 or 8900, as the case may be. Providers may subdivide this account -- e.g., show professional salaries separate from clerical and maintenance salaries and wages. However, the totals of all salaries and wages must appear in the totals column.

Professional Staff Salary - Account 7002

Full or part-time professional members of the agency staff include:

Agency Executive	Lawyer
Audiologist	Licensed Practical Nurse
Dietician	Nutritionist
District or Division Director	Occupational Therapist
Physiotherapist	Physician
Program Director	Social Worker (Case, Group, etc.)
Psychiatrist	Speech Therapist
Psychologist	Teacher
Registered Nurse	Public Relations Director

Clerical Staff Salary - Account 7003

Full, part-time, and temporary members of the provider's clerical staff include:

Bookkeeper	Secretary
Clerk	Statistical Clerk
Office Manager	Typist
Receptionist	

Student Stipend - Account 7007

All payments in lieu of salary to students in training in the provider organization, or staff member on leave to pursue studies, are to be reported here. Tuition aid should not be reported here, but in Account 9100.

Other Staff Salary - Account 7008-7099

Aide	Housekeeper
Attendant	Janitor
Carpenter	Kitchen Helper
Cook	Laundry Staff
Cottage Parent	Orderly
Custodian	Painter
Home Aide or Homemaker	Waiter or Waitress
House Mother	Watchman

Employee Fringe Benefits - (Employee Benefits) Account 7100

DHS-573: Line 2

DHS-573-A: Line 2

Definition: Cost Schedules should include expenditures for amounts paid and accrued by a provider under its own or other (private) employee health and retirement benefit plans, including voluntary employee termination or retirement payments outside a formal plan. Do not include employee contributions or payments.

Health Benefit Plan - Account 7103

Enter here the provider's cost for hospitalization, health, and accident insurance, or medical premiums for staff.

Retirement Plan - Account 7104

Provider costs of the Retirement Annuity Plan or other approved private retirement plans are to be reported under this account number.

Supplemental Staff Benefits - Account 7108

Enter provider costs for food, housing, transportation, or other benefits which the provider supplies to employees for their benefit, and/or which the employee would have to purchase if not supplied by the provider.

Other Benefits - Account 7109 - 7199

The cost of any other provider employee benefits which cannot be reported here, e.g., group life insurance premiums.

Payroll Taxes - Account 7200

DHS-573: Line 3

DHS-573-A: Line 3

Definition: Cost Schedules must include expenditures for Social Security, taxes, and worker's compensation insurance premiums that are payable by employers under federal, state, or local laws.

Payroll Tax - 7201 - 7299

FICA payments (employer's share), unemployment insurance premiums, worker's compensation insurance, disability insurance premiums. Also, provisions for a reserve under a self-insurance program for unemployment compensation (See OMB Clrc. A-122 for allowability).

Professional Fees and Contractual Service Payments - (Professional Fees) Account 8000

DHS-573: Line 4
DHS-573-A: Line 4

Definition: Cost Schedules should include expenditures for the fees and expenses of professional practitioners and consultants who are not officers or employees of the provider, but who are engaged as independent contractors for specified services on a fee or other individual contract basis. The cost of one complete accreditation study per foster care program may be included.

Attorney Fees - Account 8003

Fees paid to attorneys by the provider for legal services. See page 11 and Circular A-122 Attachment B item 39 for allowability.

Auditing and Accounting Fees - Account 8008

Fees paid for auditing the provider's books. Salaries for regular bookkeeping services should be reported in Account 7003 if the bookkeeper is on the staff.

Other Purchased Services - Account 8010

The cost of other services purchased by the provider on a fee-for-service basis.
Examples:

Physicians and dentists (except where reported under Account 8901-8903)

Architectural and engineering fees

Funerals and funeral directors

Chaplain fees

Tutors fees

Guard service, such as night watchman, unless the guard is on the agency staff, in which case charge to Account 7008.

Supplies - Account 8100

DHS-573: Line 5
DHS-573-A: Line 5

Definition: Cost Schedules should include expenditures for materials and other supplies used by the provider.

Office Supplies - Account 8106 & 8107

Photocopy supplies. Purchase of street directories, etc. Tools for minor office and equipment repairs. Payments for repairs and maintenance of office equipment.

Building and General Supplies - Account 8105

Janitor supplies such as shovels, rakes, brooms, soaps, detergents, disinfectants, and supplies for wash rooms such as paper toweling, toilet paper, soap, electric light bulbs.

Medical Supplies - Account 8101

Drugs, dressings, medications, medical appliances, nurses' bags, medical laundry (including nurses' uniforms and aprons).

Recreational and Craft Supplies - Account 8103

Bowling shoes and other bowling supplies, ping pong, tennis, or golf balls. Supplies for craft classes. Compact disks, tapes, sheet music, song books (except for resale).

Food - Account 8104

The cost of food to be prepared or already prepared. (If provider A pays provider B to provide Meals-on-Wheels to a client, then provider A should show this payment in this account.) This item also covers food purchases for canteens.

Other Supplies - Account 8108-8199

Generally refers to consumable purchased goods having a unit cost of less than \$5,000. Examples are: agricultural and horticultural supplies; clothing and textiles; educational supplies; construction materials; electrical materials; motor vehicle supplies; painting; plumbing and heating materials; repair parts and minor repairs, excepting building repairs; minor hardware and tools; prosthetic appliances; linen and towels.

Telecommunications - Account 8200

DHS-573: Line 6

DHS-573-A: Line 6

Definition: Cost Schedules should include expenditures for communications, including: cable services, piped-in music, telephone, lines; coaxial cable rental; leased line service charges; telephone installation and alteration charges; telephone services, local and long distance.

Postage and Shipping - Account 8300

DHS-573: Line 7
DHS-573-A: Line 7

Definition: Cost Schedules should include expenditures for: postage, parcel post, trucking, and other delivery expenses, including shipping supplies.

Occupancy - Account 8400

DHS-573: Line 8
DHS-573-A: Line 8

Definition: Cost Schedules should include expenditures which arise from a provider's occupancy and use of owned or leased lands, buildings or offices. If a provider furnishes quarters for staff members within its main facility, or in a separate building which it owns, it should include its expenditure for this purpose under the appropriate sub-accounts below. If the value of those quarters is treated as income for tax and Social Security withholding purposes, the expenditures should be reported in Salaries (Account 7000).

Rent of Space - Account 8401 & 8402

Rent paid by the provider for office or other space occupied by the provider, such as garage facilities, is to be reported here. However, please note the cautions described in Section IV. If rental includes the cost of utilities, such as light, heat, water, and sewer services, the entire sum should be reported here. If, however, the provider pays for its own utilities, that cost should be reported under Accounts 8405-8408. If facilities are rented for program purposes other than meetings or conferences (which are Account 8800), those costs are reported here.

Utilities - Account 8405-8408

This includes the cost of any of the following, unless the cost of one or more of them is included in the rent: heating fuel, water, gas, or electricity, sewer services, or steam purchases.

Care of Buildings and Grounds - Account 8413

Building repairs and the cost of materials for such repairs. This also includes:

Cost of maintaining fences and roads on the property.

Cost of removing waste, garbage, rubbish.

Contracts for cleaning or maintenance, such as painting, plumbing, carpentry.

Maintenance of Buildings, Equipment, and Furnishings

Dry cleaning of draperies, rugs, furniture.

Maintenance of beds in an institution.

Repairs or maintenance of furnaces and boilers.

Maintenance of equipment such as lawn mowers, snow plows, and similar equipment used in maintaining buildings and grounds.

Mortgage Interest - Account 8404

Include interest charges associated with a provider mortgage. This amount must be included under the Social Services column subheadings when applicable to, and allowable for, program costs. Do not put any amounts for this account under the Maintenance subheadings. Also, the amounts for this account should be identified (by program) in Column (I).

Property Insurance - Account 8403

Include fire insurance, general liability insurance, boiler insurance, and elevator insurance.

Taxes - Accounts 8410 & 8411

Includes all real estate & personal property taxes.

Assessments for Street Cleaning, Snow Removal or Sidewalk Plowing - Account 8414

Other Building Occupancy Expenses - Account 8415-8499

Any other building occupancy expense that cannot be reported under the other headings in the 8400 account classifications. Examples would be moving expenses; the rental of building equipment or building furniture.

Printing and Publications - Account 8600

DHS-573: Line 9

DHS-573-A: Line 9

Definition: Cost Schedules should include charges of printers, commercial artists, and other suppliers for plates, art work, proofs, photographs, and other costs of "house organs", leaflets, films, or other informational materials produced outside the provider.

Travel and Local Transportation - (Local Transportation) Account 8700

DHS-573: Line 10

DHS-573A Line 10

Definition: Cost Schedules should include expenditures for travel or transportation for staff, clients, or patients of the provider necessary to perform regular duties within the area of its regular activities.

Local Bus & Taxicab Fares - Account 8701

Include fees paid for using these types of transportation.

Mileage Payments and Automobile Rental Costs - Account 8707

Include payments to staff, students, and volunteers for mileage incurred in provider functions. Include car rental expenditures and parking fees. (Not to exceed State of Michigan employee travel rates).

Provider Vehicle Operating Costs - Account 8702 & 8703

Include the costs of repairing and maintaining and operating provider cars.

Automobile Insurance - Account 8704

Include automobile insurance paid by the provider, including: Collision, liability, property damage, fire, theft, uninsured motorist, and non-ownership insurance.

Other Costs - Account 8709

Include other costs relating to expenditures for approved transportation and lodging costs not related to conferences, conventions, meetings, or major trips (see Account 8800). Include lodging, meals, and incidental expenses for necessary provider trips.

Conferences, Conventions, Meetings, and Major Travel - Account 8800

DHS-573: Line 11

DHS-573-A: Line 11

Definition: Cost Schedules should include expenditures for conducting (or staff attendance at) meetings related to a provider's activities and for all travel outside of a provider's regular operating area (see Account 8700, "Local Transportation").

Educational Conferences and Institutes - Accounts 8805 & 8806

Includes all travel and living expenses incurred by the provider in sending staff members or volunteers to regional and national conferences, such as the National Conference on Social Welfare, or to workshops or institutes. Registration and/or tuition costs for such conferences or institutes are also to be shown in this account. The travel and other costs incurred by a provider in bringing in an outside consultant to conduct a training session for the provider should also be reported here.

Annual Meetings - Accounts 8801 - 8804

Cost of provider annual meetings, including meals, refreshments, honorariums paid to a speaker, and rental fees of the meeting place.

Subscriptions and Reference Publications (for Staff Use) - Accounts 8606 & 8607

DHS-573: Line 12

DHS-573-A: Line 12

Definition: Cost Schedules should include expenditures for subscriptions, reference texts and resource publications purchased for use by staff, or for loan use by others (e.g., through inter-library loans), but not for distribution. Note, however, that reference and resource publications which are purchased for the purpose of distribution to other providers and individuals should be shown in the supplies account. Similarly, subscriptions for nonprofessional periodicals intended for use by clients, visitors, etc., in housing units or waiting rooms, (such as Ebony, Ladies Home Journal, or Good Housekeeping) should be categorized in the Supplies Account.

Examples may include: Technical journals; professional books and pamphlets; monographs; and other professional reference materials.

However, binders, card indexes, book shelves, magazine racks, etc., to operate staff library should be charged to Supplies (Account 8100).

Specific Assistance - Account 8900

DHS-573: Line 13

DHS-573-A: Line 13

Definition: Cost Schedules should include expenditures for services or material assistance for a particular client or patient, as opposed to routine services or assistance which are rendered to clients or patients in the normal course of the program activities. Specific assistance which is rendered by others at the ultimate expense of the provider should be included here. Be sure to indicate on line 26, those expenditures for which the provider receives governmental payments or duplicate fees (see page 13).

This category also includes materials and appliances purchased by the provider for, or identifiable with, a particular child.

Board Payments -United Fund Agencies -Account 8904

Boarding rate payments made to another United Fund agency or institution.

Board Payments -Independent Living -Account 8910

Room and/or board payments to clients for independent living placements.

Board Payments -Foster Homes -Account 8913

Boarding rate payments made to foster families who are caring for the provider's clients.

Financial Assistance - Account 8914

Financial assistance to clients for food, shelter, clothing, train tickets, other transportation costs (such as bus or taxicab fare) or like expenses.

Legal Assistance - Account 8915

Payments to attorneys for services on behalf of clients. If an attorney is a full or part-time employee, payments would be reported under Account 7002. Legal services for the provider itself should be reported under Account 8000.

Medical and Dental Service Payments - Accounts 8901-8903

Includes payments made in behalf of clients.

Professional services paid on a retainer fee or contract service basis are reported under Account 8000.

Fees paid to physicians and dentists for individual clients.

Psychiatric fees for individual clients.

Nursing fees, e.g., sums paid to an agency like Visiting Nurse Service for nursing visits.

Payments for physical therapy service for individual clients.

Payments to hospitals, nursing homes, clinic, convalescent homes.

Payments for health insurance for clients or patients (health insurance for staff should be shown in Account 7103).

Payments of medical supplies to a third party (includes dentures, eyeglasses, hearing aids, prescriptions, etc.).

Homemaker Service - Account 8905

Include fees paid for homemaker services which are purchased from another agency. Do not use this category to report the provider's homemaker service program, as the salaries and other costs would be shown in the Salaries Account and in the accounts most closely related to the purpose of the costs.

Food Purchases - Account 8906 (Non Residential Care Programs Only)

Include the expenditures for specially prepared foods for an individual.

Clothing and Personal Needs -Account 8908 and 8916

Include costs incurred in providing clothing, personal allowances, and to meet the personal needs of its clients or patients.

Membership Dues - Account 9000

DHS-573: Line 14

DHS-573-A: Line 14

Definition.: Cost Schedules should include expenditures for bona fide memberships in other organizations such as The Community Health and Welfare Council, Michigan League for Human Services, etc.

Expenditures for membership dues may be either for individual staff members or for the provider itself. However, an important distinction must be made between allowable expenditures in this category and those which belong to another. The dues which are paid for membership in another organization (excepting a parent organization) are included in this category only if the provider receives general membership benefits which it would not have received if it were not a member of the organization. These benefits might include regular services, publications, supplies, and other membership benefits furnished to all member agencies of the same class. Expenditures which may be classed as donations or which do not benefit the provider directly should not be included here. Similarly, expenditures for special consulting services should not be included here. (See page 19, Professional Fees and Contractual Service Payments.)

Expenditures for individual memberships to organizations are allowable in this category only if that membership procures for the individual substantial, direct, and private benefits. Substantial, direct, and private benefits means such benefits as the use of agency recreational, consulting, and other facilities and services, the right to receive directly useful publications, or the enjoyment of a professional standing or other honor. Expenditures are not allowable in this category if the member receives only indirect benefits as a result in this membership, such as voting rights, informational newsletters, or other materials which do not significantly raise the professional ability of the individual. In such a situation, expenditures should be reported in Awards, Grants, and Scholarships (Account 9100).

Also, do not include dues/support payments to "national" or parent organizations here. These should be reported in the Parent Organization Account (Account 9600).

Awards, Grants, and Scholarships - Account 9100

DHS-573: Line 15

DHS-573-A: Line 15

Definition: Cost Schedules should include expenditures for or to individuals or organizations for support of research, fellowship, scholarship, and other health or welfare programs.

Include here: Donations or other expenditures which do not benefit the provider or individual staff member directly, grants to research institutions, graduate fellowships, trainee scholarships, allowances for travel and equipment under particular awards or grants, and contributions to grants to other health or welfare organizations.

Dues, quota payments, and other formula-based or prescribed payments by a local agency in support of a national association are not included here, but in Account 9600 (Parent Organizations).

Equipment - Current Expenses - Account 8100

DHS-573: Line 16
DHS-573-A: Line 16

Equipment items with a unit cost of less than \$5,000.

Equipment - Capital Expenditures - No Account Number

DHS-573: Line 17
DHS-573-A: Not used

Definition: This category is used to show expenditures for major property, equipment acquisitions, and repairs (which add value to or extend the useful life) of equipment having a unit cost of \$5,000 or more.

The following costs are examples of Capital Outlays, additions, and major improvements which should be shown in this category if unit cost is \$5,000 or more: lands and interest in lands; buildings and structures including major repairs, additions and alterations which add to the original value; equipment purchases and repairs; Payments for moving buildings, fences, etc.; any permanent or long-term interest in lands acquired without outright purchase, such as permission to erect fire towers, highway rights-of-way, easements, etc.; landscaping, institutional roads, and all major work order expenditures except travel and reportable salaries or wages.

Miscellaneous - Accounts 9200 to 9499

DHS-573: Line 18
DHS-573-A: Line 17

Definition: Miscellaneous includes all expenditures which are not reportable in any other category or account classification.

Moving and Recruitment - Account 9401

Include reimbursements to staff and prospective staff for interviews; moving expenditures authorized by the provider's board of trustees.

Bonding Insurance - Account 9301

Include the expenditures for bonding of staff and employees against fraudulent or dishonest acts.

Interest Expenditures - Account 9200

This includes interest on borrowed capital (other than mortgage) and temporary use of Endowment funds which are to be shown under the Social Service column subheading when applicable to a particular program. Indicate the exact amount of interest expense in Column (J), including a breakdown by program.

Other Miscellaneous Expenditures - Accounts 9402 -9499

Parent Organization - Service Charge - Account 9600

DHS-573: Line 19
DHS-573-A: Line 18

Definition: Cost Schedules should show provider or branch office payments to parent organizations for direct services which are not available within the provider. Note that only the service costs which would otherwise be met by the branch office are considered reimbursable.

The criteria for including these expenses are: (1) that the activity is a regularly defined function and is provided on a regular and routine basis; and, (2) that the activity is an actual expense and is reflected in the accounting books of the parent organization.

Examples are: Special medical care provided by parent organization staff; centralized accounting services; centralized psychological testing, etc.

Parent Organization - Overhead Allocated - Account 9700

DHS-573: Line 20
DHS-573-A: Line 19

Definition: Cost Schedules should show charges by the Parent Organization which are not the result of direct or specific services which were provided.

The following may be included within this category:

Amounts paid or payable to national or parent organizations for bona fide memberships or formula-based support payments;

Fixed amounts charged to a provider that include an allocated share of the parent organization's overhead costs, including such items as maintenance salaries, employee benefits, telephone, postage, or occupancy.

Depreciation - Account 9500

DHS-573: Line 21
DHS-573-A: Line 20

Definition: Depreciation accounting is the technique used to spread the cost of an asset over a period of time and to allow for its eventual physical deterioration or technological obsolescence.

All capitalized property (items having an initial cost of \$5,000 or more and a useful life of more than two years) is to be included in the depreciation schedule. Refer to page 14 (DEPRECIATION) for further information.

Providers must depreciate all equipment, developed property, and other properties having a unit cost of \$5,000 or more. This should include all major repairs costing \$5,000 or more which add value to or extend the useful life of the asset.

Depreciation is itemized on Schedule G.

IV. PREPARATION OF THE COST SCHEDULE -- DHS-573

GENERAL INFORMATION

The DHS-573 is a form for reporting expenditures for activities and programs. The DHS-573 is used by newly established providers to project costs for a 12-month period, or show actual costs for a 6-month period for programs on interim rates. If there is a need to report on more than one residential program or more than one family foster care (or supervised independent living) program, an additional page is available to supplement the Cost Schedule. If the electronic version of the form is used, any amounts entered on the supplemental page will be included with the totals displayed on the Cost Schedule itself.

The Cost Schedule consists of the following sections:

1. Identification Headings Area -- Top portion of form
2. Cost Elements Column -- Left-hand column
3. Total Agency Cost, Management and General Cost, and Allocated Program Cost -- Columns A through I
4. Comments Area -- Column J (top)
5. Certification Section - Sheet 2 of 2
6. DHS Rate Calculation Area -- Lines 28 through 30

On the DHS-573, Cost Elements (e.g., salaries, supplies, etc.) are to be allocated to provider programs or to Management & General. The associated costs are then inserted in the box formed by the junction of the Cost Element line and the appropriate column (B through M). For example: To show the expenditures for supplies to Residential Care Programs, follow Line 5 (Supplies) over to Column C (Residential Programs). The junction of Line 5, Column C (or Line 5(C) is the correct box in which to enter those costs.

By inserting the allocated expenditures in the correct boxes, line 22 will show the total expenditures for each column, while column A will show the total expenditure for each Cost Element.

Providers using the electronic version of this form will notice that the spreadsheets round off entries to the nearest dollar amount. If the electronic form is not being used, the provider must round off all expenditures to the nearest dollar before transferring cost figures to the form.

The electronic form will only accept entries in the areas shaded in the light yellow color. If costs are not being claimed for a particular cost area, either nothing or a zero should be entered in the spreadsheet cell. Only numeric characters are permissible in spreadsheet areas designed for the reporting of costs.

After completing the Cost Schedule, send the original, not a copy, to DHS, unless an electronic version of the form is used. It may be sent as an e-mail attachment to the following address: **DHS-OCP@michigan.gov**, along with an explanatory message.

COLUMN DEFINITIONS ON THE COST SCHEDULE

A provider's expenditures for activities and services must be separated or prorated into categories that identify the type of program or area to which they are primarily related. In this way, the costs of individual programs can easily be identified. The DHS-573 shows the following major program elements.

Total Agency Cost - Column A

This column is used to show the line totals, and later, the total agency expenditures for all programs. Note that Column A includes the costs of non-reimbursable expenditures, and other cost figures which may not subsequently be included in reimbursement rates paid by DHS. The figures shown in Columns B through I must equal the total shown in Column A for each cost element.

Management and General - Column B

These are the variety of costs which cannot be specifically identified with any of the primary functions of the provider, but which are indispensable to the overall operation of the organization. These are sometimes referred to as administrative costs. Management and General activities are related to the provider's management, direction, and community relationships. Management and General includes planning, organizing, staffing and personnel administration, directing and coordinating various staff and functions, reporting, budgeting, and fiscal management, and community relations activities or those with other organizations.

Direct Program Costs - Columns C through G

All costs in these columns must represent activities and services identified in the contract with DHS during the time of the report. Costs related to activities or services not specifically identified within the contract segment titled "Services to be delivered" are not to be reported in these columns.

Residential Programs - Columns C and O

These are 24-hour group care facilities for children. The facilities must be owned or rented by the provider, and must provide specialized services to children who have behavioral or emotional problems.

Providers having residential programs must identify program costs as either Social Service related or Maintenance related. Each licensed group home may be identified separately. A composite of group homes all falling within a single program type may be costed out separately, or as a single institution. The same rate would be assigned to each home if the costs and days of care are combined.

Family Foster Care - Columns E and F

Providers that recruit foster care homes, place youth, and supervise youth in those homes are to show the expenditures related to that program. Most family foster care program activity costs are social service costs. However, specific assistance to individual youth must be categorized under Maintenance. Generally, this is the amount which is passed on to the foster home provider.

Adoption Services - Column G

These are services related to placement and supervision of children in adoptive homes.

Providers that provide adoption services should itemize expenditures and should include costs of recruitment, selection, placement, and post-placement services.

Foster care costs prior to adoption placement are to be identified in the Family Foster Care column. These costs must not be duplicated in the Adoption column.

Other Programs - Column H

Include any expenditures for programs not related to foster care or adoption in this column.

Non-Reimbursable Costs - Column I

All non-reimbursable costs and program expenditures are to be entered here. See page 10, Cost Schedule Reporting -Overview, for further explanation.

Comments - Column J

Explain differences between figures on DHS-573 and those in the corresponding audit report, if applicable. Include any other comments needed to clarify figures.

SOCIAL SERVICES AND MAINTENANCE -- DEFINED

Residential Programs and Family Foster Care (including Supervised Independent Living) normally provide both social service activities as well as maintenance to youth. Adoption Services are primarily social service oriented. The following definitions are offered to clarify these concepts:

Social Services Program Costs - Columns C and E

Social Service costs include only those costs which cannot be related to direct supervision of a child. Specific attention is to be given to the areas of Education, Recreation, and Social Work.

- A. Education -Testing, evaluation and assessment are Social Services and are to be allocated as such.
- B. Recreation -Only those costs that do not relate to direct child supervision are to be allocated as Social Services.
- C. Social Work -Social Work that is directed to a child's family is to be allocated as Social Service. Social Work with a child is to be allocated as a Social Service only if it does not involve direct supervision of a child or supervision of staff who supervise a child.

Psychology and psychiatry will normally be considered social services.

It is important that social service costs be directly identifiable with a specific agency program. If such identification is not possible they are to be allocated as Management and General.

Maintenance - Columns D and F

Maintenance usually constitutes more than eighty (80) percent of total program cost and includes all the costs incurred to supervise a child and to provide a child with basic necessities. This includes: food; clothing; shelter; children's allowances; dental or other special costs directly related to a youth's care; education with the exception of those items specified as social services; and daily supervision. Salaries of recreation and social work staff are maintenance costs whenever they relate to the direct supervision of a child or the supervision of staff providing direct supervision. Under maintenance, also include salaries of cooks, cleaning personnel and other staff members who contribute solely to child or building maintenance.

Maintenance costs must, as with Social Service costs, be directly identifiable with a specific agency program. If this is not possible, include them in Management and General.

Within a program, it often becomes necessary to allocate expenditures between Social Service and Maintenance. For example, a social worker may provide service to a child's family, but may also supervise a child in care. In many cases these workers do not have well-defined schedules that distinguish their Social Service duties from their Maintenance duties. In these instances, the percentages for expenditures for workers to be allocated to Social Service or Maintenance should be obtained through time studies. Thus, the portion of time spent by a social worker in counseling parents or in assessing a child's service needs while not providing direct supervision is considered a Social Service. Any other duties of the worker which are Maintenance-related are allocated similarly in the Maintenance column.

In the case of a placement agency, amounts other than those paid to the foster family home as specific assistance are considered Social Service costs.

In the case of occupancy costs, such as building maintenance or other expenses that benefit the institution as a whole, an allocation should be made on the basis of the percentage of space which the institution uses for Social Service activities or child maintenance. Under some programs, a building may be used for both. In these cases, an estimate is to be made of the time percentages used for each of the two purposes. Then, the total expense is to be allocated accordingly.

COST SCHEDULE COMPLETION STEPS -- DHS-573

The following are the recommended steps in completing the DHS-573. Note that a form is provided to supplement the DHS-573 for those providers that offer more programs than can be accommodated by the DHS-573 itself. The totals for costs recorded on the DHS-573 (Supp) must be brought forward and included with the corresponding cost element total in column A on the DHS-573. The electronic version of this form will do this automatically.

Identification Headings Area (Left to Right)

Providers utilizing the electronic version of this form must enter provider identification information on the workbook screen labeled Agency Identification. The information entered on that screen will transfer automatically to the DHS-573 and its various supplemental forms. If you are completing the forms manually, proceed as follows:

1. Insert the provider's official name in the space at the upper left of the form.
2. Insert the provider's mailing address.
3. Identify the city, state, and zip code of the mailing address.
4. Insert the provider's license number(s) and the telephone number.
5. Complete the other heading information as requested.

Cost Element/Program Management Allocated Cost - Matrix Completion

- Column A will be calculated automatically if the electronic version of the form is used. If you are completing the form manually, enter the total agency costs by cost element in Column A. (Include any costs reported on the Supplemental page.) This column represents the total expenditures of the agency for the reporting period (Columns (B) through (I)).
- Line 11 for Conferences, Conventions and Major Travel cannot exceed 1 % of what is being claimed for Salaries, Employee Benefits and Payroll Taxes combined. This limitation holds true for the Management and General column (B), the Residential Programs columns (C and D taken together), the Family Foster Care column (E), the Adoption Program column (G) and the Other Programs column (H). If the amount spent for this cost item exceeds the 1 % limit, enter only the 1 % in the affected column, and accumulate those amounts spent over and above the 1 % in column (I) (Non-Reimbursable Costs). The electronic version of this form should produce an error message if you attempt to do otherwise.

EXAMPLE: Assume that for Column (B), Line 1 = \$253,200; Line 2 = \$33,900 and Line 3 = \$20,400; and assume \$3,500 was spent on the Conferences, Conventions and Major Travel cost element.

Add:		\$253,200
	+	33,900
	+	<u>20,400</u>
Sum	=	\$307,500

To calculate the permissible Line 11 entry multiply \$307,500 x 1% = \$3,075.

Thus the amount spent (\$3,500) exceeds the permissible claim (\$3,075) by \$425.

Enter the permissible amount in this example on Line 11 of Column (B) and the excess on Line 11 of Column (I) (Non-Reimbursable Costs). The same procedure is to be followed for the other columns (except that for the RESIDENTIAL PROGRAMS columns, combine the Social Services and the Maintenance expenditures before doing the calculations). If the Supplemental DHS-573 is needed to report additional Residential or Family Foster Care Programs, follow the same procedures; any excess would be included in Column (I) of the DHS-573 since there is no Column (I) on the Supplemental DHS-573.

- There is a limitation as well on what can be claimed on Line 14 for Membership Dues. It cannot exceed 1 % of the TOTAL COSTS shown on Line 22. The limitation holds true for the Management and General column (B), the Residential Programs columns (C and D taken together), the Family Foster Care column (E), the Adoption Program column (G) and the Other Programs column (H). If the amount spent for this cost item exceeds the 1 % limit, enter only the 1 % in the affected column, and accumulate those amounts spent over and above the 1 % in column I (Non-Reimbursable Costs). **Note: Users of the electronic version of the form must make this the last entry on the DHS-573.**

EXAMPLE: Assume that Line 22 (columns (C) and (D)) = \$501,484, and assume that \$5,050 was spent on membership dues.

To calculate the permissible claim for membership dues, multiply: \$501,484 X 1% = \$5,015 (rounded off).

The amount spent (\$5,050) exceeds the permissible claim (\$5,015) by \$35.

Enter the permissible amount in this example on Line 14 (either column (C) or (O), as appropriate), and enter the excess on Line 14, Column (I).

9. Reimbursement cannot be made for amounts given out as awards, grants or scholarships. Enter those amounts on line 15, in column (I). They must also appear in column (A), on line 15.
10. Capital expenditures are not reimbursable and should be entered on line 17, in column (I). They must also appear in column (A) of that line.
11. Parent organization overhead is not reimbursable and should be entered on line 20, in column (I). They must also appear in column (A) of that line.
12. The non-reimbursable portions of each cost element must be entered on the appropriate line in column (I). If necessary, consult Section IV (page 11) to identify non-reimbursable costs.
13. Enter all other program or activity costs in the appropriate columns ((8) through (H)). If necessary, review the cost element definitions and examples shown in Section V (page 17).
14. When appropriate, allocate individual program costs (such as residential programs or family foster care) between Social Service costs and Maintenance costs (optional).

Completion of Depreciation Schedule G

15. Itemize the depreciation allowance for the provider in the following manner:
 - a. The provider name must be in the space provided.
 - b. Enter in Column 1 any information which is needed to describe equipment or capitalized assets, not otherwise listed, to be depreciated.
 - c. Enter in Column 2 the dates for which the items to be depreciated were acquired. If several items, such as furniture or equipment are lumped together, the word "various" may be used.
 - d. Enter in Column 3 the total actual or appraised costs of the item(s) to be depreciated.
 - e. Enter in Column 4 the cost figures which indicate the depreciation which as been allowed or allowable for the item(s) in prior years.

- f. Enter in Column 5 the method used to compute depreciation. This method must remain consistent from year to year for each class of assets. (Straight-line is the only acceptable method at this time.)
- g. For items or categories added in step b, enter in Column 6 the number of years (life or rate) for which the item is to be depreciated. (See page 15)
- h. Enter in Column 7 the depreciation allowed this year for each item to be depreciated.
- i. Total Column 3 and insert the sum on Line 10, Column 3.
- j. Total Column 7 and insert the sum on Line 10, Column 7.
- k. Distribute the depreciation costs to the appropriate programs on the Cost Schedule, and (if used) the Cost Schedule Supplement. The total appearing in Column (A) on line 21 of the Cost Schedule, must equal the total amount on Schedule G.
- l. Distribute the depreciation costs to the appropriate programs.

Calculation of Program and Agency Totals

- 16. Total expenditures in each column (A through I) must appear on Line 22.
- 17. For each cost element listed on lines 1 through 21 of the Cost Schedule (and Cost Schedule Supplement, if used), the figure appearing in Column (A) of the Cost Schedule must be the sum of the expenditures on that cost element for the programs described in Columns (8) through (I). These calculations will take place automatically on the electronic version of this form.
- 18. The total appearing on line 22, Column (A), must equal the sum of the amounts appearing on lines 1 through 21 of that column.

Allocation of Management and General

Follow the process below to allocate Management and General expenses:

Note: There may be a large expenditure shown on Line 17 of the DHS-573. In these cases, the percentage of management and general allocated to Column I will be limited to a maximum of 5% for Line 17 expenditures. (Total M and G allocated to this Column may be greater if there are figures on other lines in this Column). Do not make this adjustment when submitting your DHS-573. The adjustment will be made when your new rate is computed by the rate setting analyst.

19. Subtract Line 22(8) and 22(1) from Line 22(A).

EXAMPLE:

Line 22(A) --Agency Total =	\$501,484
MINUS Line 22(8) -Mgt & General =	(50,597)
MINUS Line 22(F) --Spec. Assist. =	(10,183)
Remainder	\$440,704

20. Divide each of the remaining column totals, such as Line 22(C), 22(O), 22(E), etc. by the remainder calculated in Step 19 above. The quotient should be rounded off to the third decimal place and converted to a percentage. For example, if the remainder was \$440,704, and column totals were:

$$\begin{aligned} \text{Line 22(C)} = \$220,350 & \quad 220,350 \div 440,704 \\ & = .500 = 50.0\% \end{aligned}$$

$$\begin{aligned} \text{Line 22(O)} = \$125,704 & \quad 125,704 \div 440,704 \\ & = .285 = 28.5\% \end{aligned}$$

$$\begin{aligned} \text{Line 22(H)} = \$94,651 & \quad 94,651 \div 440,704 \\ & = .215 = 21.5\% \end{aligned}$$

21. Enter each of the percentages in the correct column on Line 23. As a test, the sum of the percentages on Line 23 across should be 100.0%. If the sum does not equal 100.0%, recheck all division.
22. Multiply each of the percentages in Line 23 times the Management & General total located in Line 22(8). Round off the product to a whole number. For Example, if the M&G total in Line 22(8) is 501,484, and percentages were:

$$\begin{aligned} \text{Line 23(C)} = 50.0\% & \quad 50.0\% \times 501,484 \\ & = \$250,742 \end{aligned}$$

$$\begin{aligned} \text{Line 23(O)} = 28.5\% & \quad 28.5\% \times 501,484 \\ & = \$142,923 \end{aligned}$$

$$\begin{aligned} \text{Line 23(H)} = 21.5\% & \quad 21.5\% \times 501,484 \\ & = \$107,819 \end{aligned}$$

23. Enter each of the dollar allocations (products) in the correct columns on Line 24.
24. For Columns (C) thru (I), add the figures on Lines 22 and 24. Enter the total on Line 25. The sum is the Total Program Cost.
25. Distribute, by program, all payments from other governmental bodies as described on page 13 of this manual. Enter this non-reimbursable revenue in the appropriate columns on Line 26. Consult page 13 for a description of those funds to be included here.

26. In Columns (C), (E), and (H) on line 27 enter the days of care that are projected by the provider during the period. (See page 9 for additional information regarding the utilization factor to be used,)

Comments Area

27. Enter any necessary or applicable comments on Column J that explain, justify, or otherwise clarify cost or day care figures on the balance of the form. When possible, cite the line or column which applies to each separate comment.

Certification Section

28. Enter the name and title of the provider executive or other appropriate person authorized to verify contents on the form.
29. Enter the date of signature.
30. Signature. The signature of the agency director or the designated person verifies the accuracy of the form's content and compliance with requirements of the instruction manual. Forms will be returned to the provider if this section is incomplete.

Submission of Form

31. Send a completed original and the completed supplemental schedules as required to:

DHS
Office of Contracts and Purchasing
P.O. Box 30037
Lansing, Michigan 48909

The electronic version of this forms may be submitted as an e-mail attachment to:

DHS-OCP@michigan.gov

VII. PREPARATION OF THE RESIDENTIAL PROGRAM COST SCHEDULE BY FUNCTION - DHS-573-A

GENERAL INFORMATION

The DHS-573-A is a four-page form for determining the costs per institutional day of care by service function. The form (hereinafter called the Residential Program Supplement) must be completed only for residential programs. A Residential Program Supplement must be completed for each facility, or group of facilities operated by the provider, having a separate rate.

Capital expenditures, such as major equipment purchases or repairs, and mortgage principal payments are not to be carried to the Supplement. The cost of capitalized items is captured through charges to depreciation.

SUPPLEMENTAL SCHEDULES

The Residential Program Supplement consists of the following:

Schedule A - Residential Program Cost Schedule by Function

Schedule A shows the total residential expenditures by function.

Schedule B - Distribution of **Salaries** by Function

Schedule B shows the distribution of salaries by function. The original is submitted to DHS, and a copy is retained by the provider in the event that an audit is subsequently performed. The electronic version of this form contains up to eight worksheets upon which to enter employee salary information. The accumulated totals appearing on the first Schedule B sheet feed automatically to the Salaries line (line 1) on Schedule A.

Schedule C - Distribution of **Supplies** by Function

Schedule C shows the distribution of supply costs by program function. The original is submitted to DHS, and a copy is retained by the provided in the event that an audit is subsequently performed. If the electronic version of this form is used, the accumulated supply totals appearing on Schedule C will feed automatically to the Supplies line (line 5) on Schedule A.

Schedule D - Distribution of Specific **Assistance Expenditures** by Function

Schedule D shows the costs of specialized supplies and services to specific individuals. The original is submitted to DHS, and a copy is retained by the provider in the event that an audit is subsequently performed. If the electronic version of this form is used, the accumulated specific assistance totals appearing on Schedule D will feed automatically to the Specific Assistance line (line 13) on Schedule A.

COLUMN DEFINITIONS ON THE RESIDENTIAL PROGRAM SUPPLEMENT COMPONENTS

Institutional expenditures for activities and services must be separated or prorated by the type of function or expense to which they primarily relate. In this way, allocated costs by program function can be easily identified. Each schedule in the Residential Program Supplement has similar column headings (with one minor exception*) to facilitate form completion. These are:

Total Institutional Expenditures -Column a

This column is used to show the line totals, and later, the total institutional expenditures by program function. The cost entries are distributed to the various appropriate program functions which follow.

***Method Used to Distribute Column a (Schedule A only) -Column b**

This column, which is found on Schedule A only, is designed to show the method(s) used to distribute the costs of salaries, supplies, and specific assistance expenditures respectively. If, for example, Schedule B IS used to distribute salaries, the words "Schedule B" would be inserted in this column, opposite Line 1. Employee benefits and payroll taxes are generally distributed on the same percentage or basis that salaries, by function, relate to total salaries. If this is true of the reporting agency, the word "Salaries" may be inserted in this column on the appropriate line.

Administrative

Administrative activities include management, direction, and community relationships. Examples are: planning; organizing; staffing and personnel administration; directing and coordinating various staff and functions; reporting, budgeting, and fiscal management; and, activities relating to the community or other organizations.

1. **Typical staff positions:** Administrator, assistant administrators, secretaries, typists, bookkeepers, receptionists, personnel officers, purchasing agents.
2. **Typical expense items:** Salaries and wages of the above personnel; office supplies and services; organization dues; conference and travel; automobile expenses and taxi fares; bonding and insurance premiums; minor repairs and replacements of office furniture, fixtures, and equipment; accounting; auditing; budgeting; legal services; surveys; and studies.

Plant Maintenance

This function includes expenditures for occupancy, including rent, mortgage interest, utilities, insurance, and other related costs, as well as: expenditures for building and ground supplies; repairs and replacements to furniture, fixtures, and equipment such as heating plant and boilers. It includes time spent in purchasing supplies for hiring or supervision of maintenance staff; and planning of building improvements or upkeep spent by the staff assigned to this function.

1. **Typical staff positions:** Maids, janitors, housekeepers, plant operators, handymen, mechanics, watchmen,
2. **Typical expense items:** Salaries and wages of the above personnel; rent; heating fuel; aid conditioning, utilities; snow removal; window washing; insurance premiums for property and casualty coverage; janitorial supplies such as shovels, rakes, brooms, disinfectants, light bulbs; minor repairs and replacements to building structures, and building and grounds equipment.

Dietary - Raw Food

This column includes only the expenditures for the food which must be prepared for consumption.

1. **Typical staff positions:** None.
2. **Typical expense items:** All foods used in the preparation of meals to be consumed on the institution premises.

Dietary – Kitchen

This column includes activities related to the purchase, preparation, and serving of meals, including arrangements for storage, transportation, or disposal of food stuff. It includes the proportion of time spent by staff assigned to buy food, plan menus, hire and instruct kitchen staff, or to equip kitchen or dining room.

1. **Typical staff positions:** Cooks and helpers, waiters, dieticians, nutritionists, food buyers, dining room staff.
2. **Typical expense items:** Salaries and wages of the above personnel, kitchenware and utensils, dish towels and linens, monies for meals away from the institution (for example, school lunches), supplies, rental of food storage lockers, fees to dieticians and nutritionists, licenses, chest x-rays for food handlers, and minor repairs and replacements to kitchen furniture, fixtures, and equipment.

Clothing

This function includes activities related to the purchase and maintenance of clothing items for institutional youth.

1. **Typical staff positions:** Laundry staff and clothing supervisors.
2. **Typical expense items:** Salaries and wages of the above personnel; laundry and dry cleaning of clothing; shoe repair; clothing and wearing apparel; and, minor repairs and replacement of clothing and laundry equipment. (Note: Initial clothing will be obtained at no cost to the provider. Replacement clothing needs of the children are to be provided by the provider --the cost of which is to be entered as "Specific Assistance" within the program category.)

Personal Needs

This function includes activities related to the purchase and maintenance of: bedding; household linen; expenses of personal grooming, such as haircuts, or beauty parlor services; children's allowances; and miscellaneous expenses incurred by off-grounds schooling.

1. **Typical staff positions:** Barbers and beauticians.

2. **Typical expense items:** Salaries and wages of the above personnel, laundry and dry cleaning of draperies, rugs and furniture; bedding; linen and towels; books and other miscellaneous supplies for children attending off-grounds schools; children's general allowances, and allowances for school supplies; bus tokens. Note that school tuition is charged to Education -General.

Medical and Dental

This function includes the activities directed toward maintaining physical and dental health of the children. It includes medical, dental, and nursing activities; hospital expenses; and transporting children for health care.

1. **Typical staff positions:** Physicians, dentists, nurses, and infirmary employees.
2. **Typical expense items:** Salaries, wages, and fees of the above personnel and other professionals; reading materials for hearing and speech therapy; medical and accident insurance premiums; drugs and medicines; transportation to, and expenses of, clinics and hospitals; inoculations; routine x-rays; supplies, minor repairs and replacement of medical and dental furniture, fixtures, and equipment.

Residential Care Staff

This function includes activities by workers responsible for the daily care and supervision of a group of children living together, and the individual children in the group. This function may include time supervising recreation, laundry, or meal preparation.

1. **Typical staff positions:** Residential child care staff supervisors; houseparents and assistants; cottage parents; counselors; and group counselors.
2. **Typical expense items:** Salaries and wages for the above personnel.

Education - General

This function includes activities directed toward providing assistance for the general education available to all children in the community in public or private schools.

1. **Typical staff positions:** School liaison staff and tutorial aides.
2. **Typical expense items:** School supplies, textbooks; educational materials; cost of special activities and events sponsored by the school; transportation to and from education activities; educational furniture, fixtures, and equipment.

Education - Special

This function includes activities that provide education for children unable to participate in general education because of learning difficulties or because they create classroom disturbances.

It includes help on a part-time basis as well as special tutoring (individual assistance to children, provided on a supplemental basis) to help them participate in either general or special education.

1. **Typical staff positions:** Special education teachers, education therapists, tutors, office staff.
2. **Typical expense items:** Salaries, wages, and fees of above personnel; supplies; textbooks; blackboards; transportation; expenses of special events or activities related to the function; and minor repairs and replacements for special education furniture, fixtures, and equipment.

Recreation

This function includes agency work directed toward organized recreational activities. It includes camping experiences and payments to other organizations, as well as provision for activities and facilities provided directly by the agency.

1. **Typical staff positions:** Recreation director, camp staff, recreation aides, and recreation workers.
2. **Typical expense items:** Salaries, wages, and fees of the above personnel; compact discs, tapes and sheet music; arts and crafts materials; scout and club dues; tickets to recreational and cultural events; transportation cost incurred in attending such events; costs of voluntary lessons or classes in dancing, music, art, woodworking, etc.; camp fees; minor repairs and replacement of recreation furniture, fixtures and equipment.

Psychiatry and Psychology

This function includes psychiatric services to children and activities to provide psychological services to children. This may include: individual or group therapy; consultation with other staff; diagnostic interviews with children; in-service staff training; work with parents; and administering and interpreting psychological tests.

1. **Typical staff positions:** Psychiatrists, office staff.
2. **Typical expense items:** Salaries, wages, and fees of above personnel; or fees paid by the institution for psychiatric services; office expenses and supplies; transportation incurred to obtain the service; and minor repairs and replacement of furniture, fixtures, and equipment used in the function.

Social Work

This function includes social work services provided by the institution. These may include intake responsibilities, counseling with children, individual or group therapy, consultation with other staff, work with other organizations in the community, work with the child after he leaves the institution, work with the parents, and time spent at clinics and hospitals.

1. **Typical staff positions:** Case workers, social group workers, social work supervisors, and office staff.

2. **Typical expense items:** Salaries, wages, and fees of above personnel; supplies; travel expenses; materials for staff training; conference expenses; and minor repairs and replacements of furniture, fixtures, and equipment used in the function.

Fund Raising and Other

For fund raising, this function includes time spent, and expenses incurred when the primary purpose is an appeal for financial support of the institution, or part of an organized fund raising effort. It may also include solicitation in person or by mail; publicizing fund raising campaigns; solicitation of bequests, foundation grants, and other special gifts; training sessions for volunteers in preparation for solicitation of funds. This also includes any function which does not properly fit within other columns, including Management and General. Examples might include: research activities; farm activities; agency sales shop; or other nonreimbursable expenditures.

1. **Typical staff positions:** Professional fund raisers; paid volunteers; staff members (when used for fund raising and other functions).
2. **Typical expense items:** Salaries, wages, and fees for the above personnel; materials for fund raising, including brochures, pamphlets, and other supplies; travel expenses; postage and telephone charges for the above. Also included are materials and supplies to fulfill those other functions; and necessary travel, postage, and other expenditures.

SCHEDULE B -OVERVIEW

Schedule B is to be used by institutions as a worksheet to distribute the salaries and wages of staff members. Since some individuals spend significant time working in more than one program or function, it may be necessary to use a reliable time allocation method to determine the proper percentages of time spent within the program.

This schedule consists of the following sections:

1. Identification headings Area -Top portion of form.
2. Employee Name/Program Function Matrix -Lines 1 through 240.
3. Totals Area -Each sheet and "Total Salaries" for all sheets, if more than one is used.

The matrix of Employee Name and Program Function (number 2 above) is used to allocate individual salaries by function. The associated costs are then inserted in the box formed by the junction of the line containing the employee's name and the program function(s) within which the costs are to be distributed.

After inserting the allocated salary expenditures in the correct boxes, the Columns will be added to show totals for each function. The lines, when added across, will show the total salary of each individual employee being allocated to the program. These calculations will take place automatically on the electronic version of this form, and the grand total will appear on the Salaries line of Schedule A.

The total for all Schedule B salaries must equal line 1, column A, on Schedule A.

To eliminate unnecessary calculation, round off all expenditures to the nearest dollar before transferring expenditures onto the form. Boxes which represent no expenditures for the agency should be left blank.

SCHEDULE B - COMPLETION STEPS (DHS-573-A) (Sch. B)

The following are the recommended steps to complete Schedule B:

Identification Headings Area

1. Insert the official name of the institution or group home care facility, as well as the program name and number, in the space at the upper left of the form. On the electronic version of this form the reporting agency name will correspond to the name entered on the Agency Identification page. Likewise the program name and program number will be carried forward automatically from the descriptions entered for the program on Schedule A.
2. In the upper right of the form, insert the ending month and year for which annual cost figures or projections are being reported. This is inserted after the phrase "For Year Ended." On the electronic version, this will automatically reflect what has been entered on the Agency Identification page.

Employee Name/Program Function Matrix

3. In the left-hand column (Employee Name and Job Title), enter the name of each employee on a separate line along with the person's job title.
4. In Column (a), enter the total salary or wage for the reporting year next to the name of the employee. On the electronic version, nothing can be entered in this cell; it will automatically total the figures entered in column (b) through (o).
5. In Column (a-1), enter the percentage of each employee's total salary that is shown in column (a).
6. In Column (a-2), enter the number of weeks employed if less than 52.
7. Distribute each salary in Column (a) to the appropriate columns which indicate the function within which the expenditure(s) will incur.

Calculation of Program Function and Agency Totals

8. For each Schedule B sheet, add the expenditures in each of Columns (a) through (o) to calculate the total for each column. These sums will appear on the line labeled "Total Salaries on this sheet:". If Schedule B consists of more than one sheet, total, for each column, all such entries from all of the residential program salary sheets on the line labeled "Total Salaries:". This will take place automatically on the electronic form.
9. For each employee, the figure entered in column (a) must equal the sum of the figures entered on that line in columns (b) through (o). (Automatic on electronic form.)

10. The figure appearing in column (a) on the Total Salaries line must be the sum of the entries in columns (b) through (o) on that line. (Automatic on electronic form.)
11. The figures appearing in columns (b) through (o) on the Total Salaries line must be duplicated on the Salaries line (line 1) of Schedule A. (Automatic on electronic form.)

SCHEDULES C AND D - OVERVIEW

Because Schedule C is very similar to Schedule D except for line headings, the completion steps for both are identical and are outlined together below.

Schedule C is to be used by institutions as a worksheet to distribute the cost of supplies by program function.

Schedule D is to be used by institutions as a worksheet to show the distributed expenditures for services or material assistance to particular clients or patients (as opposed to routine services or assistance normally rendered in the course of program activities). For a more complete discussion of Specific Assistance, please refer to pages 24-26.

Both schedules consist of the following sections:

1. Identification Headings Area - Top portion of form.
2. Line Headings/Program Function Matrix - Lines 1 through 9.
3. Totals Area

The matrix of the line heading and the program function (number 2 above) is used to allocate expenditures for supplies or specific assistance by program or management function. The associated costs are then inserted in the box formed by the junction of the line and column within which the costs are to be distributed. Subsequently, the columns will be added to show totals for each program or management function. The lines, when added across, will show the totals for each line heading.

To eliminate unnecessary calculation, round off all expenditures to the nearest dollar before transferring expenditures onto the form. (Automatic on electronic form.) Boxes which represent no expenditures for the agency should be left blank.

SCHEDULES C AND D -COMPLETION STEPS (DHS-573-A) (Sch. C) and (DHS-574-A) (Sch. D)

The following are the recommended steps to complete Schedules C and O:

Identification Headings Area

1. Insert the official name of the institution or facility, as well as the program name and number, in the space at the upper left of the form. On the electronic version of this form the reporting agency name will correspond to the name entered on the Agency Identification page. Likewise the program name and program number will be carried forward automatically from the descriptions entered for the program on Schedule A.
2. In the upper right of the form, insert the ending date of the year for which annual cost figures are being reported or projected. This is inserted below the phrase "For Year Ended." On the electronic version, this will automatically reflect what has been entered on the Agency Identification page.

Line Heading/Function Matrix

3. For supplies (Column C) and specific assistance (Column D) enter the costs incurred in the appropriate columns (b) through (q) to reflect type of expenditure incurred.
4. The figure entered in column (a) must, for each cost element, be the total of the costs entered for that cost element in step 3.

Calculation of Program Function and Agency Totals

5. Total the figures entered in each column, and enter the sums on the line labeled "Total Supplies" (Schedule C) or "Total Specific Assistance" (Schedule D), as appropriate. (Automatic on electronic form.)
6. The total for column (a) must equal the sum of the totals calculated for columns (b) through (q). (Automatic on electronic form.)
7. The figures entered in column (a) must, for each cost element, be the total of the figures entered in columns (b) through (q). (Automatic on electronic form.)
8. The figures appearing in columns (b) through (q) on the Total Supplies line of Schedule C must be duplicated on the Supplies line (line 5) of Schedule A. (Psychiatry and Psychology must be combined.) (Automatic on electronic form.)
9. The figures appearing in columns (b) through (q) on the Total Specific Assistance line of Schedule O must be duplicated on the Specific Assistance line (line 13) of Schedule A. (Psychiatry and Psychology must be combined.) (Automatic on electronic form.)

SCHEDULE A - OVERVIEW

Schedule A is a functional compilation of all expenditures for residential programs or facilities during the reporting period.

Schedule A Consists of the following sections:

1. Identification Headings Area - Top portion of form.
2. Cost Element/Program Function Matrix - Lines 1 through 20.
3. Program Function Totals - Line 21.
4. Allocation of Management and General - Lines 22 through 23.
5. Cost Per Institutional Day of Care Calculation - Line 24.

Residential program expenditures are documented in the Cost Element/Program Function Matrix (number 2 above). On Schedule A, cost elements (e.g., salaries, supplies, etc.) are to be allocated by residential program functions. The associated costs are then inserted in the cell formed by the junction of the cost element line and the function column. For example, in order to show the expenditures for Local Transportation related to Recreation, follow Line 10 (Local Transportation) to Column (m) (Recreation). The junction of Line 10, column (m) is the correct location to enter those costs.

By inserting the allocated expenditures in the correct cell junctions, the columns will show the total expenditures by program or management function. The lines will show the costs incurred for each cost element.

Round all expenditures to the nearest dollar before inserting costs onto the form. (Automatic on electronic form.) No entries are permissible in the darkly shaded areas. Cells which represent no expenditures for the institution should be left blank.

SCHEDULE A COMPLETION STEPS - (DHS-573-A)

The following are the recommended steps to complete Schedule A:

Identification Headings Area

1. Insert the official name of the institution or facility. On the electronic version of this form the reporting agency name will correspond to the name entered on the Agency Identification page.
2. Insert the program name and program number for the program being described.
3. Enter the address information, including city, state and zip code. This will be carried forward automatically from the Agency Identification page on the electronic version.

4. In the upper right of the form, below the phrase "For Year Ended", insert the ending date of the year for which annual cost figures are being reported. On the electronic version this will automatically reflect what has been entered on the Agency Identification page.

Cost Element/Program Function Matrix

5. For each type of expense incurred [columns (c) through (p)] enter the amounts claimed for the various cost elements. For Salaries (line 1), Supplies (line 5) and Specific Assistance (line 13), the amounts entered must duplicate the corresponding totals shown on Schedules B, C and D. On the electronic version of this form this will take place automatically. If necessary, review the cost element definitions and examples shown on pages 17 through 29, or the function definitions shown on pages 39 to 44.
6. Total expenditures on each function are recorded in column (a). For each cost element the amount shown must summarize the figures entered in columns (b) through (p). This will take place automatically on the electronic version of this form.

Program Function Totals

7. Add the expenditures in each column (c) through (p) and insert each column total on Line 21. (Automatic on electronic version.)
8. On each line from 1 to 20, add each of the expenditures across Columns (c) through (p). The sum must equal the total for that line, which is located in Column (a). If the sum does not equal the Total, either an error in calculation or a failure to distribute costs correctly has occurred. (Automatic on electronic version.)
9. On Line 21, add each of the column totals across. The sum of the columns must equal the total found on Line 21(a). (Automatic on electronic version.)

Cost Per Institutional Day of Care Calculation

10. Enter the total number of days care provided by the institution during the reporting year (or the projected number of days of care to be provided) on Line 23(a).
11. Divide each column on Line 21 by Line 23(a). Enter the result in the same column on Line 24. For instance, divide Line 21(c) by Line 23(a) and enter the result on Line 24(c), etc.

INSTRUCTIONS

Forms DHS-573-B, DHS-573-C, DHS-573-D, DHS-573-F

Form DHS-573-B -Distribution of Salaries by Function -Adoption

The "Total Adoption Salaries" on page 1 of this form must equal the amount on Line 1, Column G of the DHS-573. (Use as many sheets as necessary, but make sure the total for all sheets is on the first page in Column (a).) The name of each individual and the person's job title must be shown. Column A must show the entire amount of salary for the individual which was charged to the adoption program. Column (a-1) must show what percentage of the total salary paid to the individual by the reporting agency has been included in Column (a). Columns (b) through U) must add up to the amount on Column (a) for each individual. (Automatic on electronic version.)

Form DHS 573-C - Distribution of Salaries by Function - Management & General

The "Total Management and General Salaries" on page 1 of this form must equal the amount on Line 1, Column B of the DHS-573. The name of each individual and the person's job title must be shown. Column (a) must show the entire amount of salary for the individual which was charged to the Management & General cost column. Column (a-1) must show what percentage of the total salary paid to the individual by the reporting agency has been included in Column (a). Columns (b) through U) must add up to the amount in Column (a) for each individual. (Automatic on electronic version.)

Form DHS-573-D - Distribution of Salaries by Function -Family Foster Care

The "Family Foster Care Total" on page 1 of this form must equal the amount on Line 1 of the Family Foster Care (or SIL) program column of the DHS-573 or on the DHS-573 (Supp) if the supplemental sheet is being used. The name of each individual and the person's job title must be shown. Column (a) must show the entire amount of salary for the individual which was charged to the foster care program. Column (a-1) must show what percentage of the total salary paid to the individual by the reporting agency has been included in Column a. Columns (b) through (o) must add up to the amount in Column (a) for each individual. (Automatic on electronic version.)

Form DHS-573-F -Distribution of Salaries by Function - Supervised Independent Living (SIL)

The "Total Salaries for Independent Living" on page 1 of this form must equal the amount on Line 1 of the Family Foster Care (or SIL) program column of the DHS-573 or on the DHS-573 (Supp) if the supplemental sheet is being used. The name of each individual and the person's job title must be shown. Column (a) must show the entire amount of salary for the individual which was charged to the supervised independent living program. Column (a-1) must show what percentage of the total salary paid to the individual by the reporting agency has been included in Column (a). Columns (b) through (n) must add up to the amount in Column (a) for each individual. (Automatic on electronic version.)

The reporting agency is required to submit one DHS-573-C (Management and General salaries listing). A DHS-573-B, DHS-573-D or DHS-573-F must be submitted for each program for which a rate is to be determined. Please note that these three schedules are in direct support of the DHS-573 and do not relate to the DHS-573-A -Residential Program Cost Schedule by function.

Computer reproductions of the supporting schedules will be accepted if they follow the exact format of the originals. We reserve the right to reject any reproductions for any reason and to require that the original version of the forms be completed and submitted. (Providers are encouraged to use the electronic version of the DHS-573 and its supporting documents which is provided by DHS.) Be sure to provide the information in the boxes at the top of each schedule. Brief definitions or references to definitions elsewhere in this manual for the functional categories are shown below. Use your best judgment when distributing costs to these functions if documented support is unavailable.

Adoption

Administrative	-	See page 40 and apply to adoptive function.
Plant Maintenance	-	See page 40 and apply to adoptive function.
Administration	-	Management/Supervision of direct program staff.
Recruitment	-	Staff time devoted to the recruitment of adoptive parents. (All tasks related to this function)
Placement	-	Staff time related to the actual placement of the child in the adoptive home.
Clothing & Personal Needs	-	Staff time related to the acquisition of these items for an adoptive child.
Medical & Dental	-	See page 42 and apply to adoptive function.
Social Work	-	See page 43 and apply to adoptive function.
Others	-	See page 44 and apply to adoptive function.

Management & General

Plant Maintenance	-	See page 40 and apply to Administrative.
Planning & Admin.	-	All agency planning and administrative tasks carried out by M & G employees.
Personnel Admin.	-	All staff time related to personnel functions such as hiring, job classification, wage negotiation, etc.
Accounting, Finance and Budget	-	All staff time related to bookkeeping/accounting, financial forecasting/budgeting, financial management (reimbursable costs only), purchasing, etc.
Clerical	-	All staff time related to clerical support of professionals.
Secretarial	-	All staff time related to traditional secretarial duties such as typing/word processing, phone, filing, etc.
Community Relations	-	All staff time related to written or verbal contact with the community for the purpose of providing general information or responding to specific inquiries.
Fund Raising	-	See page 44 and apply to Administrative.
Others	-	See page 44.

Family Foster Care

Administrative	-	See page 40 and apply to family foster care.
Plant Maintenance	-	See page 40 and apply to family foster care.
Case Aide	-	Activities performed by persons in support of casework done by full-time professionals.
F .H. Cert. Work	-	Staff time related to the recruitment and licensing of family foster care homes.
Clothing	-	Staff time related to the acquisition of clothing.
Personal Needs	-	Staff time related to the provision of personal need items.
Medical & Dental	-	See page 42 and apply to adoptive function.
Aftercare	-	Staff time related to the supervision of the child in an aftercare setting.
Education (General)	-	All staff time related to providing for general education available to all children.
Education (Special)	-	Staff time related to providing education for children unable to participate in general education activities.
Psychiatry, sociology, Social Work	-	See page 43 and apply to family foster care.
Others	-	See page 44.

Supervised Independent Living/Youth in Transition

- Administrative - See page 40 and apply to Supervised Independent Living (SIL)
- Plant Maintenance - See page 40 and apply to IL
- Community Development - Staff time related to networking with community representatives to coordinate existing and future programs on SIL
- SIL Assessment - Staff time related to developing and administering SIL assessment to determine level of proficiency
- Educational - See page 42 "Education-General" for high school, G.E.D., trade school, two- and four-year college) as it applies to SIL
- Training Foster Parents - Staff time related to the training of foster parents
- Classes and Workshops - Staff time related to preparing, conducting or facilitating classes and workshops on SIL skills
- Counseling - Staff time related to providing, both individual and group counseling
- Specialized Services - Staff time related to facilitating mentorships, family reunification and other specialized caseload services
- Staff Training - Time related to training of employees in areas of SIL and adolescent development
- Follow-up Services - Staff time related to the development, implementation and provision of follow-up services to enhance the chances of sustained independence for discharged youth
- Case Management - Staff time related to the monitoring, coordinating, developing and subsequent updating of a service plan for a specific case (youth)
- Other - See page 44 and apply to SIL

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