

**Michigan Department of Community Health  
Division of Chronic Disease and Injury Control  
HIV Care Section**

MDCH Ryan White Program Guidance #14-02  
Administration Expense Cap

**PURPOSE**

This guidance sets forth requirements related to Ryan White legislation regarding the cap on sub-recipient administration costs.

**BACKGROUND**

The legislative intent for Ryan White funds is to fund services and keep administrative costs to a minimum. Sub-recipients must keep administrative costs to 10% of the total Ryan White budget unless MDCH provides the sub-recipient a written exception. There are also caps on evaluation costs (5%) and quality management (5%). The cumulative total of administrative, evaluation and quality management cannot exceed 15%.

**IMPLEMENTATION**

*Administrative Costs*

The following items are considered administrative expenses and should be identified in the budget narrative as such when creating your budget.

- A. *Salaries*
- i. Management and oversight: This includes staff that has agency management responsibility but no direct involvement in the program or the provision of services.
  - ii. Quality management, quality assurance, quality control and related activities: This includes staff whose duties relate to agency-wide quality assurance (e.g., developing agency quality assurance protocols, reviewing a sample of charts to determine the quality of services agency-wide, or participating on an agency's/facility's quality committee). This does not include supervisor quality assurance (e.g., reviewing charts with direct service staff to determine the appropriateness and comprehensiveness of services delivered to the staff person's clients). **These costs can be included in quality management costs instead of administrative costs.**
  - iii. Finance and Contract administration: This includes proposal, work plan and budget development, receipt and disbursement of contract funds, and preparation of programmatic and financial reports as required by the grant. A position or percentage of a position may be considered administrative. Examples of titles that are 100% administrative: Controller, Accounting Manager, Director of Operations, Bookkeeper, Accountant, Payroll Specialist, Finance Coordinator, Maintenance Worker, or Security Officer. Examples of titles that may in part involve administrative duties: Deputy Executive Director; Program Manager, Program Coordinator, or Clinic Manager.

- iv. **Planning and Evaluation:** This includes evaluation and needs assessment activities. This can include everything from designing an evaluation process to implementing the evaluation and analyzing the results to serving on a Needs Assessment Committee, assisting with drafting the assessment, facilitating focus groups to gather information about consumer needs, or writing the report. **These costs can be included in planning and evaluation costs instead of administrative costs.**
  
- B. *Fringe*  
The fringe rate should be applied to the amount of staff salaries devoted to administration in order to calculate the amount of administrative fringe benefits.
  
- C. *Supplies*  
All funds budgeted for office supplies are considered administrative. Supplies such as educational or clinical materials would be considered programmatic.
  
- D. *Travel*  
Travel pertaining to the financial operations or overall management of the organization is considered administrative. Client travel or travel of program staff to training would be considered programmatic. For employees who work a portion of their time in different categories of expense (administrative, quality management, planning and evaluation, and/or program), travel should align with employee time sheet activity reporting.
  
- E. *Equipment*  
Equipment purchased for administrative staff or for the financial operations or overall management of the organization is considered administrative. Equipment purchased for program staff or to support or enhance service delivery would be considered programmatic.
  
- F. *Miscellaneous*  
Includes 100% of rent, utilities, computers (desktop and laptop), telecommunications (except for those that relate to a unique number or service purchased specifically for this program), audit expenses, general liability and board insurance. In addition, the percentage of staff time devoted to administration (as calculated on the salary page) should be applied to items of expense shared by program and administrative staff (such as photocopiers, printers, and maintenance agreements).
  
- G. *Subcontracts/Consultant*  
Includes contractors who perform non-service delivery functions, e.g. bookkeepers, payroll services, accountants, security, maintenance, etc.
  
- H. *Indirect*  
100% of funds budgeted in the indirect line are administrative. Only sub-recipients with a federally approved indirect cost rate agreement may request indirect costs (capped at 10%). This rate must be 10% or less for Ryan White contractors. We recognize that some administrative resources are needed by contractors to support direct service programs; however, it is important to note that Ryan White funds are meant to support direct

services rather than administration. Upon review of the budget, MDCH staff will work with you, if necessary, to reduce administrative costs.

### *Evaluation Costs*

The following items are considered evaluation expenses and should be identified in the budget narrative as such when creating your budget.

- A. **Salaries**  
Program evaluation, customer satisfaction, needs assessment and related activities: This includes staff whose duties relate to agency-wide evaluation activities as well as program specific evaluation. **These costs can be included in administrative costs instead of evaluation costs.**
- B. **Fringe**  
The fringe rate should be applied to the amount of staff salaries devoted to evaluation in order to calculate the amount of evaluation fringe benefits.
- C. **Travel**  
Travel pertaining to evaluation activities can be considered an evaluation cost. Client travel specifically for the purpose of participation in a focus group or other evaluation activity can included in evaluation costs.
- D. **Equipment**  
Equipment purchased for evaluation staff exclusively for evaluation activities can be considered an evaluation cost.
- E. **Miscellaneous**  
Expenditures specifically for focus groups for program evaluation or needs assessment purposes (e.g., meeting room, client incentives) can be considered an evaluation cost.
- F. **Subcontracts/Consultant**  
Includes contractors who perform evaluation activities.

### *Quality Management Costs*

The following items are considered quality management expenses and should be identified in the budget narrative as such when creating your budget.

- A. **Salaries**  
Quality management, quality assurance, quality control and related activities: This includes staff whose duties relate to agency-wide quality assurance (e.g., developing agency quality assurance protocols, reviewing a sample of charts to determine the quality of services agency-wide, or participating on an agency's/facility's quality committee). This does not include supervisor quality assurance (e.g., reviewing charts with direct service staff to determine the appropriateness and comprehensiveness of services delivered to the staff person's clients). **These costs can be included in administrative costs instead of quality management costs.**

- B. *Fringe*  
The fringe rate should be applied to the amount of staff salaries devoted to quality management in order to calculate the amount of quality management fringe benefits.
- C. *Travel*  
Travel pertaining to the quality management activities of the organization can be considered a quality management cost.
- D. *Equipment*  
Equipment purchased for quality management staff exclusively for quality management activities can be considered a quality management costs.
- E. *Subcontracts/Consultant*  
Includes contractors who perform quality management activities.