



Michigan Department of Health and Human Services

**Annual Cost Report Handbook –
Private Child Placing Agencies**



**ANNUAL COST REPORT HANDBOOK -
PRIVATE CHILD PLACING AGENCIES
Reporting for Fiscal Year Ending 9/30/2020**

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CHILDREN'S SERVICES AGENCY



Annual Cost Report Handbook – Private Child Placing Agencies



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PART 1: PROGRAM OVERVIEW

The purpose of the Michigan Department of Health & Human Services (MDHHS) foster care program is to provide effective, safe, temporary living arrangements for children. Implicit 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, adoption, permanency or independence at the earliest possible date. To accomplish this purpose, contracted private Child Placing Agencies (CPA) receive and place children in foster care. The MDHHS in conjunction with these CPAs administers the following foster care programs:

Adoption

Provides adoption services for permanent wards (Title IV-E or state ward board and care funded) or Michigan Children's Institute (MCI) wards for which adoption is the plan, or children from a participating Inter-State Compact (ICPC) state's child welfare system that has been referred for adoption services to Michigan through ICPC. Services include recruitment, orientation and training of families, placing with identified families, pre-placement activities, utilization of Michigan Adoption Resource Exchange (MARE), and all other duties associated with finalizing an adoption of permanent and MCI wards.

Placement Agency Foster Care

Placement Agency Foster Care (PAFC) provides foster care services to children and families for children who have been removed from the home and MDHHS is responsible for the child's care and supervision, or a child who, by family court, has been returned home in a trial reunification arrangement. Services include recruitment and retention of foster homes and all required services to children and families to work toward the goal of the case.

Treatment Foster Care

Treatment Foster Care (TFC) is a family-based service that provides individualized treatment for children and their families. TFC services are directed towards diverting children from placement in a residential setting or assisting children after discharge from a residential setting. The treatment foster family is viewed as the primary focus of intervention with children in their care. It is a family setting that seeks to integrate with rather than replace treatment services provided outside of the home. Treatment will be delivered through service interventions provided by treatment foster care program staff and external resources with the child, identified permanent placement (including parents when reunification is the permanency planning goal), and treatment foster parents.

Unaccompanied Refugee Minors

The Unaccompanied Refugee Minors (URM) program provides culturally appropriate foster care services to assist eligible minors to develop appropriate skills to enter adulthood, while achieving economic self-sufficiency and social adjustment. The URM program currently operates in 20 program sites in 14 states. The URM program ensures



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that eligible unaccompanied minor populations receive the full range of assistance, care and services available to all foster children in the state by establishing a legal authority to act in place of the child's unavailable parent(s). These URM programs encourage reunification of children with their parents or other appropriate adult relatives through family tracing and coordination with local refugee resettlement agencies. However, if reunification is not possible, the program designs a case specific permanency plan for each minor in care.

General Independent Living

General Independent Living provides services to children in an independent living placement type. Independent living is only considered for those youth who are at least 16 years of age and demonstrate they have the maturity and decision making to be able to live with minimum supervision. Independent living for a 16 or 17 year old is intended to be a transition into independent adulthood. Youth placed in independent living must engage in a formal, signed agreement with the supervising agency regarding the service plan and rules required to maintain the independent living status and further develop their capacity to become self-sufficient.

Independent Living Plus

Independent Living Plus (ILP) is a time limited intervention to meet the youth's specific ILP needs and goals until the youth is able to step down to the less restrictive environment general independent living foster care offers. ILP provides staff supported housing and services for children aged 16 through 19 who, because of their individual needs and assessment, are not initially appropriate for general independent living foster care. These children may have a demonstrated history of unsuccessful foster care placements. This program is also designed as a post-placement resource for children in which all the following apply:

- i) Children leaving residential foster care who cannot return home.
- ii) Children who cannot be placed into a family foster home.
- iii) Children for whom adoption is not planned.
- iv) Children who have demonstrated a capacity for and willingness to learn independent living skills in a supervised, structured environment.



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PART 2: FISCAL FACTORS

All contracted private child placing agencies (CPA) shall be reimbursed for care on a per diem basis for each child based upon the child's program type. One per-diem unit equals the initial calendar day of placement of a referred child and any 24-hour period thereafter where a child is receiving basic supervision and care, and any specialized services as defined by the contract.

For payment to occur, CPA shall verify (*through the MiSACWIS system*) the bi-weekly roster for any child in their care. The verification shall indicate the units of service provided by the CPA and shall be submitted to MDHHS within 30 days from the end of the billing period.

For any County Child Care Fund children, MDHHS provides payment to CPA and seeks the County's share through the Chargeback process. Payment for these children is the statutory responsibility of MDHHS, however the County Child Care Fund is a 50/50 cost share with counties and tribes.

The fund source and payment procedures to be utilized in paying for the out-of-home care of youth are determined by a combination of factors including legal status, living arrangement and federal regulations. The MiSACWIS verification process is still required to process the DHS-659 payment voucher to the county for payment.

CPAs receive a per diem administrative rate based on the type of care provided and the programs offered. In MiSACWIS, the administrative rate paid to the CPA will be paid separately from the family foster care/maintenance rate, i.e., the provider will receive two electronic fund transfer (EFT) deposits or checks (warrants). The entire rate paid to the CPA for family foster care/maintenance rate (board and care, clothing and allowance) shall be paid by the CPA to the foster families providing the family foster care.

MDHHS determines the fund source and payment procedures to be utilized in paying for the out-of-home care of youth by a combination of factors including legal status, living arrangement and federal regulations.

Sources of Funding

Title IV-E Funding

Title IV-E funds are established by Title IV-E of the Social Security Act to provide federal financial participation in the administrative costs and foster care maintenance payments for eligible youth.

County Child Care Funding

The County Child Care Fund is a county-state fiscal program whereby the State of Michigan reimburses counties that provide care and service for children and their families. Based upon proper establishment of a County Child Care Fund account by the county treasurer, an approved county annual plan and budget for the expenditure of foster care money and a County Child



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Care Fund policy, county costs are reimbursed at a rate of 50 percent for foster family care, independent living, placement agency foster care (PAFC) supervision, residential facility, county-operated facility, in-home service, and intermittent or non-scheduled payments.

State Ward Board and Care Payments

State Ward Board and Care (SWBC) is the state legislative appropriation that provides payment of foster care costs for state wards who are not eligible for Title IV-E or the placement is not Title IV-E reimbursable.

SWBC funds are available to support youth in out-of-home placements under certain conditions. SWBC funds may be used to reimburse the foster family, or placement agency foster care (PAFC) provider for care provided, for certain intermittent or non-scheduled payments and for independent living payments to the youth if the following criteria are met:

1. The youth is a state ward committed to MDHHS under Act 150 (Delinquent), Act 220 (MCI or MCI-O), or Act 296 (Adoption Voluntary Release).
2. The child is in a MDHHS supervised and approved out-of-home placement.
3. The child (or the placement) is not eligible for Title IV-E funding; see FOM 902, Funding Determinations and Title IV-E Eligibility.
4. The youth has not attained age 19. An exception is a P.A. 150 state ward who has had court jurisdiction extended to age 21 due to a class I or II criminal offense; see FOM 903-08, Payments Requiring Special Processing.

SWBC payments are subject to reimbursement from the county to the state for eligible children and expenses at a rate of 50% of the cost for residential placement under Act 150 and Act 220. Foster care placement is subject to reimbursement from the county to the state for eligible children and expenses at the annually determined state chargeback rate. This rate is published in August/September annual report through a letter issued to the courts.

Limited Term/Emergency/General Funds

Limited term/emergency/general funds is a limited funding source to assist MDHHS staff in providing foster care payment and service under the following specific circumstances:

1. The child is a court ward (legal status 40, 41 or 42) and Title IV-E eligible except for the receipt of Supplemental Security Income (SSI). The Reconciliation and Recoupment Section determines eligibility for this fund source.
2. Former Michigan Children's Institute (MCI) wards between age 19 and 20 who are in foster care or independent living.
 - a. Limited term and emergency foster care may be used to meet the living expenses of former MCI wards, but funding is not to extend beyond the ward's 20th birthday.
 - b. Payment for the basic board and care rate will be made for youth placed in family foster care, independent living or adult foster care (AFC) homes as a case service



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payment. Payments for determination of care supplements, administrative rates, and the cost of residential care or costs that exceed the AFC rates established in ASM 377, Monthly Provider Rates, are **not** covered.

3. Emergency foster care for children in families receiving FIP (Family Independence Program) and the caretaker is hospitalized or incarcerated for seven days or less and no other plan can be made through the FIP program. If care is needed for more than seven days see Payment for Own Home Placements.
 - a. Open a voluntary foster care case in MiSACWIS through the non-CPS intake process with legal status 51 (non-ward) and fund source limited term/emergency/general funds.
 - b. No case service payments are to be authorized.
 - c. For purposes of the use of these funds, the limit of such emergency care will be one week.
4. Children may be placed in foster care prior to release to MDHHS under the Michigan Adoption Code.



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PART 3: REPORT PROCEDURE

The Michigan Department of Health and Human Services (MDHHS) established the “Annual Cost Report Workbook – Private Child Placing Agencies.” Information obtained from this cost report is used to establish payment rates for costs and services that may be made to child placing agencies.

A separate cost report format has been created for Child Care Institutions (CCIs). The CCI format was developed based on allowable costs and activities specific to their agency type. If you did not receive a CCI cost report, and require one, please contact Amanda Doane of MDHHS DoaneA@michigan.gov to receive the necessary documentation.

Per contract with MDHHS, the contracted provider shall submit their annual financial cost reports based on the State’s fiscal year which begins October 1 and ends September 30. The reports shall contain the annual costs incurred by agencies in delivering services required in the agreement to MDHHS clients for the reporting period. Reports will be submitted using a template provided by MDHHS. The financial reports shall be submitted annually, by November 30 of each fiscal year. The contracted agency must comply with all program and fiscal reporting procedures as established by MDHHS including following the guidance of the “Annual Cost Report Workbook – Private Child Placing Agencies.” Reports shall be submitted electronically to MDHHS-Foster-Care-Audits@michigan.gov.

Failure to meet reporting responsibilities as identified in the agreement may result in MDHHS withholding payments until receipt of the annual financial cost report. MDHHS may withhold from current payments an amount equal to five percent (5%) of the contractor’s reporting year MDHHS revenue, not to exceed \$60,000. MDHHS may retain withheld funds as a penalty if delinquency reaches sixty (60) days past due. MDHHS may terminate the contract if the contractor is ninety (90) days delinquent in submitting the required annual financial cost report. Contracts requiring this report are:

- Adoption (A)
- Placing Agency Foster Care (PAFC)
- Treatment Foster Care (TFC)
- Unaccompanied Refugee Minors (URM)
- Independent Living Plus (ILP)



PART 4: EXPLANATION OF COMMON TERMS

To facilitate the completion of the cost report, certain terms are defined with brief explanations below:

Allocation Methodology

Documentation and/or a description of the methodology used to distribute costs, including direct or indirect costs, to programs and to the direct service columns on the cost report is required. All benefiting cost objectives must receive an equitable distribution in accordance with benefits received. For example, a CPA operating two separate programs may allocate shared costs to these programs based on the total utilization (days of care) for each program.

Costs should be allocated across the cost report's direct service columns if there is clear delineation and documentation for the allocation. There are many reasonable ways to allocate costs across programs or activities. In general, the methodology you choose should fairly distribute costs based on all benefiting programs and/or activities.

Days of Care

- Actual Days of Care - For each contract, report actual days of service to MDHHS children only, obtained directly from MiSACWIS. The days of care must be based on Per-Diem Revenues approved and paid by the State of Michigan for the reporting year. Providers must type the obtained data into the Revenue section tab "3 CPA - Direct", instead of Statistics tabs (See [REVENUES in Part 5: COMPLETING THE ANNUAL COST REPORT WORKBOOK](#). Also see the CPA workbook at tab "3 CPA - Direct"). Days of Care typed in the Direct tab are linked to tab "6 Statistics".
- For each adoption case, report the number of days between the DHS Form 3600 date to finalization date. (See handbook Part 5, Section 6: Reporting Program Statistics and CPA workbook tab "Statistics" table 6.1)
- Available Days of Care - Providers are no longer required to report Available Days of Care and Number of Contracted Beds.

Exits From Employment

Enter the number of positions that exited employment during the reporting period, ending September 30th. (See handbook Part 5, Section 6: Reporting Program Statistics and CPA workbook tab "Statistics" table 6.2)

Full Time Equivalent (FTE)

Starting in FY20, FTEs are calculated automatically based on total hours that each position contributed to the Contract. Enter the number of total hours the position worked during the reporting year (October 1 through September 30). The worksheet calculates FTEs as dividing the work hours by 2,080 hours (1 FTE = 2,080 hours worked in a year). The report will show up



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to four (4) decimal places, identical positions should be reported on the same line entry, and their costs totaled as one.

- Example for calculating FTEs:** Program employs a total of 4 CPA RMTS Participants, total hours worked for these 4 positions was 6,395 hours. FTE entered on the cost report would be 3.0745 (6,395 hours ÷ 2,080 hours per FTE). (See [Part 5 – SECTION 1: SALARIES AND FRINGE BENEFITS](#). Also see Table 3.3 on Tab “3 CPA - Direct” of the CPA workbook). As shown below, Table 3.3 calculates Average Annual Salary as well, for review purposes. In this case, the average salary of CPA RMTS Participants is \$30,323.44 (\$93,230.00 Total CPA RMTS Participants costs reported by the provider / 3.0745 FTE = \$30,323.44).

ILP20-123		Table 3.3		
TOTAL		Hours Contributed	Average Annual Salary	Full Time Equivalents
	\$ -			0.0000
\$ 93,230	\$ 93,230.00	6395	\$ 30,323.44	3.0745
	\$ -			0.0000
	\$ -			0.0000
	\$ -	6395		3.0745

Non-Reportable Cost

Non-Reportable Costs are identified in Part 5, Sections 1- 5 of this Handbook and should NOT be reported on any worksheet (or tab) of the “Annual Cost Report Workbook – Private Child Placing Agencies.”

Number of Children Served

For each contract, report all MDHHS children served for the reporting period, regardless of funding source (IV-E, County, State Ward Board & Care, General Fund). To determine if a child is an MDHHS child, the child must have been referred to the contractor by MDHHS. (See handbook Part 5, Section 6: Reporting Program Statistics and CPA workbook tab “Statistics” table 6.1)

On-Site Reviews

MDHHS may conduct on-site reviews of the financial and programmatic information used as the basis for the cost report(s). MDHHS will generate a report for each on-site review. The MDHHS report will conclude whether the CPA’s annual reported costs are adequately supported, allowable, allocated appropriately, and eligible under foster care guidelines.



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Other Program Costs

Costs incurred that are additional unallowable costs but required for MDHHS reporting purposes. Other program costs have been defined below in Part 5, Sections 1 – 5 of this Handbook and should be reported on the “Other Program Costs” worksheet (or tab) of the “Annual Cost Report Workbook – Private Child Placing Agencies.”

Random Moment Time Study (RMTS)

A random moment time study or RMTS is a statistically based process to gather information from direct service child placement staff members on how they spend their time. The information collected will be used to distribute the cost of child placement staff.

Reasonable

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness of a given cost, consideration must be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the entity or the proper and efficient performance of the contract.
- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; federal, state, local, tribal, and other laws and regulations; and terms and conditions of the contract.
- Market prices for comparable goods or services for the geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the contractor, its employees, its clients, beneficiaries, students or membership, the public at large, and the Federal Government.
- Whether the contractor significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the cost.

Record Retention

Records used to complete the cost report must be retained for a minimum of seven years for review purposes. Records should include, but are not limited to:

- Financial
- Programmatic
- Recipient records
- Allocation methodologies

Reportable Cost

For a cost to be included on the cost report, it must meet the following general criteria:

- Be necessary and reasonable for the performance of contractually required CPA activities.
- Conform to any limitations or exclusions set forth in this handbook or in the contract as to types or amount of cost items.
- Be allocated consistently across all programs.



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- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally funded program.
- Be adequately documented.

Reportable costs are categorized in two different ways:

1) Reportable – CPA Direct

Direct costs are those costs that can be identified specifically with a particular final cost objective toward the fulfillment of the CPA contract. Reportable direct costs are defined in Part 5, Sections 1 – 5 of this Handbook and should be reported on the “CPA - Direct” worksheet (or tab) of the “Annual Cost Report Workbook – Private Child Placing Agencies.”

2) Reportable – CPA Indirect/Administrative

Indirect or administrative costs are those that have been incurred for a common or joint purpose benefitting more than one cost objective and cannot be readily assignable to the cost objectives specifically benefitting. After direct costs have been determined and assigned to a contract/program, indirect costs are those remaining to be allocated to benefiting cost objectives. Specific reportable indirect and administrative costs are defined in Part 5, Sections 1 – 5 of this Handbook and should be reported on the “CPA - Indirect/Administrative Costs” worksheet (or tab) of the “Annual Cost Report Workbook – Private Child Placing Agencies.” A cost may not be allocated to a program’s indirect cost section if that cost has been reported as a direct cost.



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PART 5: COMPLETING THE ANNUAL COST REPORT WORKBOOK

The “Annual Cost Report Workbook – Private Child Placing Agencies” contains worksheets (or tabs) designed for the CPA to report the revenues and expenses incurred, and services delivered by your agency. The various worksheet tabs include:

- Tab 1 - Instructions
- Tab 2 - CPA Information
- Tab 3 - CPA – Direct
- Tab 4 - CPA – Indirect/Administrative
- Tab 5 - CPA – Other Program Costs
- Tab 6 - Statistics

Each tab on the cost report is broken down into rows that correspond to typical expenditures for activities or services performed by private Child Placing Agencies (CPA). Regardless of funding source, please report all expenditures as detailed below so that MDHHS can capture the entire costs for the respective programs. The CPA should report results on the cost report workbook matching its general ledger in both method and amount. The following is a detailed explanation for each of the expense items on the report.

REVENUES

Starting in FY20, providers are required to report Contract Per-Diem Rates and respective Days of Care obtained from MiSACWIS records, to reinforce the accuracy of Per-Diem Revenues as well as Actual Days of Care; See Revenue section in Tab “3 CPA - Direct”. With the Per-Diem Rates and Days of Care typed into Direct Cost Tab(s), the worksheet automatically calculates the Per-Diem Revenue, and uses the Days of Care data as Actual Days of Care in Statistics Tab(s).

In the FY20 CPA Cost Report Workbook every CPA contract, except for Adoption where rates vary, has a drop-down cell for Contract Per-Diem. When clicked, the cell shows the current rate for each contract. Click the rate and enter the number of Days of Care obtained from MiSACWIS. Based on the Per Diem and Days of Care entered, the workbook automatically calculates and displays the Per-Diem Revenue for the selected contract. For example, Provider retrieves 50 days from MiSACWIS for PAFC, and selects \$46.20 in the drop-down box of Line – Contract Per Diem and types 50 into Line – Days of Care Approved. As shown in the table below, the workbook calculates the Per-Diem Revenue for the PAFC contract and displays \$2,310.00 as the total Per-Diem Revenue for the Contract.



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Contract Number:		
	0	PAFC20-123
Line Item Description	Adoption	Placing Agency Foster Care
Contract Per Diem		\$ 46.20
Days of Care Approved		50
MDHHS: Total Contract Per Diem Revenue	\$ -	\$ 2,310.00

Tab 3 – CPA Direct is linked to Tab 6 CPA - Statistics. The sum of “Days of Care Approved” for each Contract (50 days, in this case) is displayed in the Statistics tab, as Actual Days of Care (See [SECTION 6: REPORTING PROGRAM STATISTICS](#)).



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**SECTION 1: SALARIES AND FRINGE BENEFITS
CPA – DIRECT and CPA – INDIRECT/ADMINISTRATIVE**

1) SALARIES

Compensation paid to employees including vacations, holidays, sick leave and leaves of absence. Salaries of employees chargeable to more than one program must be supported by documentation maintained by the CPA that shows an equitable and appropriate distribution of time and effort.

Salary Guidelines:

- i) Conforms to 2 CFR 200.430.
- ii) Conforms to the established written policy of the CPA that is consistently applied to all activities.
- iii) Only costs that support the goals and activities of the total program.
- iv) Rates reasonable and consistent with those paid for similar activities by the contractor; See [HOW TO REPORT](#) below.
- v) Rates competitive with those paid for similar services provided by other contractors for doing similar work.
- vi) Incentive compensation for efficient performance may be paid if it is part of a standard agreement between the employer and employee and entered into in good faith before the services were rendered.
- vii) Overtime and multi-shift premiums:
 - (1) When management of the contractor authorizes such costs as part of their established policies and in accordance with sound business practices.
 - (2) For emergencies or performance of tasks which cannot reasonably be interrupted.

HOW TO REPORT

Starting in FY20, providers are required to report hours that each position contributed to perform services for State Contracts, instead of hard-coded FTEs; see [FTE in PART 4: EXPLANATION OF COMMON TERMS](#).

For each position, providers must report both Salary Cost and Hours Contributed. If the provider only reports Salary Cost without Hours Contributed, the worksheet will cross out the cost as shown below, indicating that the cost is not supported and thus invalid. **Any numbers crossed out shall be disregarded or require resubmission.**

ILP20-123		Table 3.3		
		Hours Contributed	Average Annual Salary	Full Time Equivalents
TOTAL				
	\$ -	0		0.0000
\$ 93,230	\$ 93,230.00	0		0.0000



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Likewise, if the provider enters Hours Contributed without Salary Cost, the worksheet crosses out the hours as shown below.

\$	-	\$	-	6395	\$	-	3.0745
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When the provider reports both Salary Cost and Hours Contributed, the worksheet will display both data as shown below, and calculate Average Annual Salary (\$30,323.44, in this case). It is recommended that providers use Average Annual Salary data to ensure the accuracy of Hours Contributed and Salary Cost.

\$	93,230.00	\$	93,230.00	6395	\$	30,323.44	3.0745
----	-----------	----	-----------	------	----	------------------	--------

REPORTABLE COSTS – DIRECT: (CPA - Direct Worksheet)

Reportable direct salary line item definitions include:

- a) **Administration:** Senior staff that provide direct leadership and direction of the contracted agency. This may include the Directors of the contracted agency.
- b) **Second-line Supervisors:** Staff that manage first-line supervisors. This may include Program Managers or Directors that oversee a particular program area or division within the contracted agency.
- c) **First-line Supervisors:** Staff that manage Caseworkers. This may include Foster Care, Adoption, Certification, MiTEAM Specialist and Support Staff of the contracted agency.
- d) **Child Placing Agency (CPA) - Random Moment Time Study Participants:** Staff of the contracted agency who carry a foster care or adoption caseload 50% or more of their time.
- e) **Foster Home Licensing:** Licensing Specialist staff of the contracted agency responsible for the recruitment and certification of foster family homes. This also includes “Relative Licensure and Training” costs but excludes any part time licensing staff who also carry a caseload and are therefore included in the CPA-RMTS Participant cost pool.
- f) **Direct Service Staff:** Staff that supervise and assist with basic necessities of children. This may include Direct Care Worker or Technicians of the contracted agency.
- g) **Other Staff:** Other Direct Staff including but not limited to a Behavioral Aide, Independent Living Plus Coach, MiTEAM Specialist, Interpreters, and Case Managers for Direct ILP for the contracted agency.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (CPA - Indirect/Administrative Worksheet)

- a) Costs related to administrative personnel incurred in an indirect manner by the contractor that provide benefit related to the contract with MDHHS. Indirect administrative personnel positions include, but are not limited to:
 - i) CEO or Executive Director
 - ii) Financial Staff
 - iii) Human Resource Staff



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- iv) IT Staff
- v) Legal Staff
- vi) Clerical Staff - Staff that provide clerical support. This may include Office Manager, Receptionist and Administrative Assistant related to the contract with MDHHS.

OTHER PROGRAM COSTS: (CPA – Other Program Cost Worksheet)

- a) Case Aides and Transporters, Recruiters, MiSACWIS Specialist, or Therapists.
- b) The value of donated volunteer time in providing services.

NON-REPORTABLE COSTS:

- a) Any payment over and above regular salaries and wages for the purpose of inducing employees to undertake or continue work at locations which may be isolated or in an unfavorable environment.
- b) Costs identified as unallowable in 2 CFR 200 Subpart E.

2) FRINGE BENEFITS

Funds allocated to cover allowances, costs and services provided by the contractor to or on behalf of its employees and not included as compensation or salaries and wages.

Fringes of employees chargeable to more than one program must be allocated to all applicable programs as supported by documentation maintained by the CPA that shows an equitable and appropriate distribution of time and effort.

(The determination of Direct vs. Indirect costs correlates to the identification made above within "1 – Salaries")

REPORTABLE COSTS – DIRECT: (CPA - Direct Worksheet)

- a) Required Fringe Benefits
 - i) FICA
 - ii) Unemployment
 - iii) Worker's Compensation
- b) Optional Fringe Benefits
 - i) Retirement
 - ii) Medical, Vision & Dental Insurance
 - iii) Life Insurance
 - iv) Disability Insurance
 - v) Any other services costs or allowances paid by the employer as required by law, agreement, or established policy.
- c) All fringes required by law are mandatory. Those not required by law, such as health insurance, retirement and disability, must meet the following criteria to be allowable:
 - i) Fringe benefits must be reasonable.
 - ii) Fringe benefits must be established in policy, labor agreements, etc. prior to the time the contract is awarded.



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- iii) Fringe benefits charged to the contract must be calculated in the same manner as fringes not charged to the contract for employees in similar classifications.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: *(CPA - Indirect/Administrative Worksheet)*

- a) Required Fringe Benefits
 - i) FICA
 - ii) Unemployment
 - iii) Worker's Compensation
- b) Optional Fringe Benefits
 - i) Retirement
 - ii) Medical, Vision & Dental Insurance
 - iii) Life Insurance
 - iv) Disability Insurance
 - v) Any other services costs or allowances paid by the employer as required by law, agreement, or established policy.
- c) All fringes required by law are mandatory. Those not required by law, such as health insurance, retirement and disability, must meet the following criteria to be allowable:
 - i) Fringe benefits must be reasonable.
 - ii) Fringe benefits must be established in policy, labor agreements, etc. prior to the time the contract is awarded.
 - iii) Fringe benefits charged to the contract must be calculated in the same manner as fringes not charged to the contract for employees in similar classifications.

OTHER PROGRAM COSTS: *(CPA - Other Program Cost Worksheet)*

- a) Any costs associated with an employee's personal expenditures during the course of normal employment, such as parking, clothing, and meals.
- b) Any costs associated with employee recreational or morale activities.
- c) Costs or allowance paid by the contractor but not required by law, agreement, or established policy.
- d) Bonuses, non-accrued lump-sum severance payments, annuities or other deferred compensation unavailable to all employees in the organization.
- e) Costs in excess of the prorated portion attributable to partial (less than fulltime) FTE's.
- f) Self-insured worker's compensation and unemployment compensation costs are not allowable if costs exceed rates and premiums that would have been allowed if insurance premiums or taxes would have been paid.

NON-REPORTABLE COSTS:

- a) Costs identified as unallowable in 2 CFR 200 Subpart E.



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SECTION 2: OPERATING CPA – DIRECT and CPA – INDIRECT/ADMINISTRATIVE

1) **BACKGROUND CHECKS and DRUG SCREENING**

Costs of purchasing outside consulting services to evaluate employment candidates, and continuing employees, for their eligibility or suitability to work under the MDHHS contract. Background check and drug screening costs reported must be limited to the portion attributable to the MDHHS contract.

REPORTABLE COSTS – DIRECT: (*CPA - Direct Worksheet*)

- a) Employee Background Checks
- b) Employee Drug Screens

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (*CPA - Indirect/Administrative Worksheet*)

- a) None/not applicable

OTHER PROGRAM COSTS: (*CPA – Other Program Cost Worksheet*)

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Contracted services performed by the officers or employees of the contractor.
- b) Costs identified as unallowable in 2 CFR 200 Subpart E.

2) **BIRTHDAY GIFTS FOR CLIENTS**

Costs of providing a birthday gift of “up to \$25.00” for the MDHHS client when the client experiences a birthday while under the contractor’s care. The contractor should purchase the gift reasonably close to the client’s birthday. The purchased gift must be identifiable to the client. Gifts reported must be limited to the portion attributable to the MDHHS contract.

HOW TO REPORT

Starting in FY20, the cost report tests whether Birthday Gift Cost exceeds a multiplication of \$25 and its respective Number of Children Served reported in Tab-Statistics. For example, there were two clients in PAFC program. On Tab-6.1 Statistics, the provider reported two clients.

The provider spent \$30 for each client’s birthday ($\$30 \times 2$ clients = \$60 birthday cost), so reported \$60 in Line-Birthday Gift for Clients as shown below.



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Contract Number:	0	PAFC20-123
Section 2: Operating		
Background Checks, Employees		
Birthday Gift for Clients		\$ 60

The worksheet calculates the maximum reportable birthday cost (\$25 x 2 = \$50) and compares it with the reported cost (\$60). Since the reported cost exceeds the maximum reportable cost, the worksheet highlights the \$60 in red, as a warning signal. The birthday cost must be corrected to \$50 in the example to comply with [the State guideline](#).

REPORTABLE COSTS – DIRECT: (CPA - Direct Worksheet)

- a) Birthday gift *purchased* for the MDHHS client in Foster Care and limited to \$25 per child and given reasonably close to the client’s birthday; or
- b) A cash gift limited for up to \$25.00 and given reasonably close to the client’s birthday.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (CPA - Indirect/Administrative Worksheet)

- a) None/not applicable

OTHER PROGRAM COSTS: (CPA – Other Program Cost Worksheet)

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Costs identified as unallowable in 2 CFR 200 Subpart E.
- b) Any amount that exceeds \$25 per MDHHS client.
- c) Any gift that is not a birthday gift (e.g., allowance for cleaning).

3) CLIENT PROFESSIONAL SERVICES

Costs for professional or consulting services regarding MDHHS clients and their families. Services may be purchased (fee for service) or contracted. The services are rendered by persons who are members of a profession or who possess a special skill, and who are not officers or employees of the contractor. Reportable costs are limited to expenses which are *not eligible* for direct payment (or reimbursement) from the State of Michigan. Client professional service costs reported must be limited to the portion attributable to the MDHHS contract.

REPORTABLE COSTS – DIRECT: (CPA - Direct Worksheet)

- a) Services that offer attention to the areas of client education, social services (and social work), medical, psychological and recreational.



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- b) These costs may include fees for a contracted certification worker, parenting class, anger management class, and work preparation/readiness class.
- c) Passes for client recreational activities, entertainment and outings and which are identifiable to individual clients.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (*CPA – Indirect/Administrative Worksheet*)

- a) None/not applicable

OTHER PROGRAM COSTS: (*CPA – Other Program Cost Worksheet*)

- b) None/not applicable

NON-REPORTABLE COSTS:

- a) Contracted services performed by the officers or employees of the contractor.
- b) Services and costs which are reimbursable from or directly paid from the State of Michigan are not reportable. For example, Medicaid covered costs and costs under *specific assistance* or *case service payments* are not reportable.
- c) Retainer fees.
- d) Subcontracts with persons who meet the legal definition of an employee for the purpose of avoiding mandatory fringe benefits.
- e) Subcontracts with agencies or individuals that have common ownership or contracts with the Contractor.
- f) Costs identified as unallowable in 2 CFR 200 Subpart E.

4) COMMUNICATION

Costs for written, verbal or data communication. Communication costs reported must be limited to the portion attributable to the MDHHS contract.

REPORTABLE COSTS – DIRECT: (*CPA - Direct Worksheet*)

- a) Telephone, wireless devices, internet, data service, postage, and similar expenses related to communications of the contracted agency.
- b) Printing, reproduction and publication costs required by the contract.
- c) Cable TV, Satellite TV and internet-based services.
- d) Court administrative fees related to adoption caseloads only.
- e) State and Federal excise taxes related to items above.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (*CPA - Indirect/Administrative Worksheet*)

- a) Telephone, wireless devices, internet, data service, postage, and similar expenses related to indirect administrative personnel.

OTHER PROGRAM COSTS: (*CPA – Other Program Cost Worksheet*)



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- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Costs identified as unallowable in 2 CFR 200 Subpart E.

5) CONTRACTED BUSINESS SERVICES

Costs of business services rendered to the contractor by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the contractor. Contracted business services costs reported must be limited to the portion attributable to the MDHHS contract.

REPORTABLE COSTS – DIRECT: (CPA - Direct Worksheet)

- a) None/not applicable

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (CPA - Indirect/Administrative Worksheet)

- a) IT personnel services required for the administration of the contract.
- b) Legal expenses required in the administration of the contract are allowable. Legal expenses for prosecution of claims against the State of Michigan are unallowable.
- c) Advertising expenses specifically for: 1) recruitment of personnel required for the contract, 2) solicitation of bids for the procurement of goods and services required, and 3) other purposes specifically provided for in the contract.
- d) The cost of establishing and maintaining all accounting and other information systems required for management of the contract. This includes costs incurred by a central administration for those purposes.
- e) Data processing expenses specifically required in the contract or where required for management, such as payrolls and personnel records.
- f) Expenses that cover processing of checks or warrants from preparation to redemption, including the necessary wire fees for the transfer of cash and records of accountability and reconciliation of such records with related cash accounts.
- g) Preparing contract payrolls and maintaining necessary related wage records.
- h) Contracted security for the contracted agency.
- i) Insurance policy premiums required by the contract including: 1) commercial general liability, 2) umbrella excess liability, 3) cyber liability, and 4) professional liability (errors and omissions).

OTHER PROGRAM COSTS: (CPA – Other Program Cost Worksheet)

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Contracted services performed or provided by the officers or employees of the contractor.



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- b) Contracted services performed or provided by subsidiaries or parent companies.
- c) Costs identified as unallowable in 2 CFR 200 Subpart E.

6) **DUES - FAMILY FOCUSED TREATMENT ASSOCIATION (FFTA)**

Costs for agency level membership dues in the Family Focused Treatment Association (FFTA). The reportable cost is limited to those contractors with a Treatment Foster Care (TFC) contract.

REPORTABLE COSTS – DIRECT: *(CPA - Direct Worksheet)*

- a) One agency level membership per year.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: *(CPA – Indirect/Administrative Worksheet)*

- a) None/not applicable

OTHER PROGRAM COSTS: *(CPA – Other Program Cost Worksheet)*

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Individual memberships.
- b) Any membership fee that is not an agency-level FFTA membership for TFC contract.
- c) Costs identified as unallowable in 2 CFR 200 Subpart E.

7) **EQUIPMENT**

Any tangible personal property having a useful life of more than one year that is not attached to the facility (or included as part of the cost of the program/service delivery). The amount reported on the cost report for equipment should match the institution's capitalization and/or expense depreciation policy. The capitalization threshold cannot exceed \$5,000. Any item costing \$5,000 or more must be capitalized and depreciated. However, the CPA can establish a lower capitalization threshold. If requested, proper depreciation records must be available to MDHHS. If depreciation is claimed as equipment expense, the amount reported must be for allowable items only. Equipment costs reported must be limited to the portion attributable to the MDHHS contract.

REPORTABLE COSTS – DIRECT: *(CPA - Direct Worksheet)*

- a) Purchases of furniture, appliances, computer equipment, computer maintenance and security applications, printers, chairs, and other durable goods.
- b) Equipment maintenance and repair costs of the contracted agency.
- c) Rental costs for equipment paid to a third party.
- d) Employee uniforms for the contracted service/program.



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REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: *(CPA – Indirect/Administrative Worksheet)*

- a) Purchases of furniture, appliances, computer equipment, computer maintenance and security applications, printers, file cabinets, chairs, and other durable goods for the use of contracted facility space for indirect administrative personnel.
- b) Equipment maintenance and repair costs of the contracted agency for the use of facility space for indirect administrative personnel.
- c) Rental costs for equipment paid to a third party for the use of the contracted agency facility space for indirect administrative personnel.

OTHER PROGRAM COSTS: *(CPA – Other Program Cost Worksheet)*

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Intangible property.
- b) Costs identified as unallowable in 2 CFR 200 Subpart E.

8) FUNDRAISING

Costs incurred to raise capital or obtain charitable contributions.

REPORTABLE COSTS – DIRECT: *(CPA - Direct Worksheet)*

- a) None/not applicable

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: *(CPA – Indirect/Administrative Worksheet)*

- a) None/not applicable

OTHER PROGRAM COSTS: *(CPA – Other Program Cost Worksheet)*

- a) Organized fundraising.
- b) Financial campaigns.
- c) Endowment drives.
- d) Solicitation of gifts and bequests.
- e) Salaries, wages, and fees of professional fundraisers, paid volunteers and staff members.
- f) Travel expenses, postage and telephone charges for staff positions listed in (e).
- g) Materials for fundraising including brochures, pamphlets, and other supplies.

NON-REPORTABLE COSTS:

- a) All fundraising costs not listed in “Other Program Costs” above.
- b) Costs identified as unallowable in 2 CFR 200 Subpart E.



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9) **OCCUPANCY – BUILDINGS & REAL ESTATE**

Costs arising from occupancy and use of owned or leased buildings for the contracted agency and for direct and/or indirect administrative personnel. Occupancy costs reported must be allocated to all applicable programs as supported by documentation maintained by the CPA that shows an equitable and appropriate distribution of time and effort. Occupancy costs reported must be limited to the portion attributable to the MDHHS contract.

(The determination of Direct vs. Indirect costs correlates to the identification made above within "Section 1: Salaries and Fringe Benefits, 1 – Salaries")

REPORTABLE COSTS – DIRECT: (CPA - Direct Worksheet)

- a) The payment of rental costs to a third party at arm's length for use of the contracted agency facility and property as contained in 2 CFR 200.465.
- b) Depreciation cost related to the contracted agency facility. Depreciation is computed applying the rules contained in 2 CFR 200.436(c),(d),(e).
- c) Insurance to cover loss of the contracted agency facility and property assets.
- d) The payment of interest expense related to the contracted agency facility in accordance with provisions contained in 2 CFR 200.449.
- e) The payment of property taxes for use of the contracted agency facility in accordance with provisions contained in 2 CFR 200.470.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (CPA - Indirect/Administrative Worksheet)

- a) The payment of rental costs to a third party at arm's length for use of the contracted agency facility and property for indirect administrative personnel.
- b) Depreciation cost related to the contracted agency facility space for indirect administrative personnel. Depreciation is computed applying the rules contained in 2 CFR 200.436(c),(d),(e).
- c) Insurance to cover loss of the use of the contracted agency facility space for indirect administrative personnel and property assets.
- d) The payment of interest expense related to the contacted agency facility space for indirect administrative personnel in accordance with provisions contained in 2 CFR 200.449.
- e) The payment of property taxes for use of the contracted agency facility space for indirect administrative personnel in accordance with provisions contained in 2 CFR 200.470.

OTHER PROGRAM COSTS: (CPA – Other Program Cost Worksheet)

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Special assessments on land that represent capital improvement, such as sewer and sidewalk assessments.
- b) Costs related to idle facilities.



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- c) Mortgage principal payments.
- d) Costs identified as unallowable in 2 CFR 200 Subpart E.

10) OPERATIONS – BUILDINGS & REAL ESTATE

Costs incurred to run the contracted agency facility for direct and/or indirect administrative personnel. Operations costs reported must be allocated to all applicable programs as supported by documentation maintained by the CPA that shows an equitable and appropriate distribution of time and effort. Operations costs reported must be limited to the portion attributable to the MDHHS contract.

REPORTABLE COSTS – DIRECT: (CPA - Direct Worksheet)

- a) Lawn maintenance, snow removal, and trash removal for the contracted agency facility.
- b) Utilities for the contracted agency facility.
- c) Contracted janitorial/maintenance/repair services for the contracted agency facility.
- d) Repairs that don't add value to the contracted agency facility and that are not capitalized.
- e) Other non-professional contracted services for the contracted agency facility (to the extent they are not otherwise included in any other line item expenses).

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (CPA - Indirect/Administrative Worksheet)

- a) Lawn maintenance, snow removal, and trash removal for the contracted agency facility space for indirect administrative personnel.
- b) Utilities for the contracted agency facility space for indirect administrative personnel.
- c) Contracted janitorial/maintenance/repair services for the contracted agency facility space for indirect administrative personnel.
- d) Repairs that don't add value to the contracted agency facility space for indirect administrative personnel and that are not capitalized.

OTHER PROGRAM COSTS: (CPA – Other Program Cost Worksheet)

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Selling and marketing costs in accordance with provisions of 2 CFR 200.467.
- b) Costs identified as unallowable in 2 CFR 200 Subpart E.



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11) RECRUITMENT AND RETENTION

Costs of recruiting and retaining foster parents. Recruitment and retention costs reported must be limited to the portion attributable to the MDHHS contract.

REPORTABLE COSTS – DIRECT: (CPA - Direct Worksheet)

- a) Foster parent continuing education.
- b) Foster parent and volunteer annual appreciation event. The cost is limited to one event per license, per year.
- c) Costs for incentives, such as but not limited to, the purchase of passes and tickets for mini golf, local sports games, movies, and children's museums.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (CPA - Indirect/Administrative Worksheet)

- a) None/not applicable

OTHER PROGRAM COSTS: (CPA – Other Program Cost Worksheet)

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Advertising costs for foster parents should be reported under the *Contracted Business Services* category as an indirect cost.
- b) Advertising costs to recruit personnel required for the contract should be reported under the *Contracted Business Services* category as an indirect cost.
- c) Contracted services performed by the officers or employees of the contractor.
- d) Costs which were fully or partially paid from other State (non-per-diem) sources such as from the local MDHHS office or from the MDHHS central office.
- e) Costs which were fully or partially paid from private donor (non-per diem) sources.
- f) Fundraising costs.
- g) Costs identified as unallowable in 2 CFR 200 Subpart E.

12) STAFF TRAINING

The cost of training provided for employee development. Training costs reported must be limited to those portions attributable to the MDHHS contract.

REPORTABLE COSTS – DIRECT: (CPA - Direct Worksheet)

- a) External Training: The admission fee and materials cost for attending an external training conference if that conference, and its courses, contain material specific to the service categories listed in the contract.
- b) Internal Training: The agency's cost for the preparation and maintenance of an internal instructional program, as it relates to its contracted service categories.
 1. Costs could include classroom training and *on-the-job training*;



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2. Costs could include the fee of an outside person or entity qualified to provide training at the licensed facility.
- c) Training costs when related to childcare.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (*CPA – Indirect/Administrative Worksheet*)

- a) None/not applicable

OTHER PROGRAM COSTS: (*CPA – Other Program Cost Worksheet*)

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Cost of training for service categories that are not listed in the contract.
- b) Tuition reimbursement for employees. The college tuition of employees attending classes that are not specifically related to the contract are not reportable.
- c) Lost per diem revenue due to staff attending a training conference.
- d) General professional development costs.
- e) Cost of training for indirect positions.)
- f) Costs identified as unallowable in 2 CFR 200 Subpart E.

13) SUPPLIES

Supplies are tangible personal property that have a normal useful life of less than a year. Supplies costs reported must be limited to the portion attributable to the MDHHS contract.

REPORTABLE COSTS – DIRECT: (*CPA - Direct Worksheet*)

- a) Office supplies, maintenance supplies, and cleaning supplies for the contracted agency facility.
- b) Hygiene supplies for children (e.g. Shampoo, Soap, Toothpaste, etc.).
- c) State sales taxes on supplies.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (*CPA – Indirect/Administrative Worksheet*)

- a) None/not applicable

OTHER PROGRAM COSTS: (*CPA – Other Program Cost Worksheet*)

- a) Supplies that will not reasonably be consumed during the contract period.
- b) Costs of medical and educational supplies for the contracted agency.
- c) Food and food preparation for contracted agency employees or office employees.

NON-REPORTABLE COSTS:

- a) Costs identified as unallowable in 2 CFR 200 Subpart E.



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14) TRAVEL

Travel costs as defined by “Standardized Travel Regulations” issued by the State of Michigan Civil Service Commission and Department of Technology, Management & Budget. Travel costs may include expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the contracted agency. Travel costs reported must be limited to the portion attributable to the MDHHS contract.

REPORTABLE COSTS – DIRECT: (*CPA - Direct Worksheet*)

- a) Cost of a contractor owned or leased vehicle, including insurance, gasoline, oil, depreciation and all normal maintenance when primary use of the vehicle is required to accomplish the contracted service(s). Depreciation for vehicles must be based on acquisition cost (less salvage value of vehicle to be replaced). Use straight-line and 5-year useful life.
- b) Leased or rental vehicles at a mileage or fixed rate that includes vehicle maintenance, inspection and repair services.
- c) Transportation of clients when this cost is required by the contract.
- d) Mileage costs (for employees who are in travel status on official business) in accordance with the prevailing Contractor rate or State of Michigan rate, whichever is less.
- e) Lodging costs (for employees who are in travel status on official business) in accordance with the prevailing Contractor rate or State of Michigan rate, whichever is less.
- f) Food costs (for employees who are in travel status on official business) in accordance with the prevailing Contractor rate or State of Michigan rate, whichever is less.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (*CPA – Indirect/Administrative Worksheet*)

- a) None/not applicable

OTHER PROGRAM COSTS: (*CPA – Other Program Cost Worksheet*)

- a) Air travel unless prior written authorization from MDHHS is received.
- b) Mileage costs (for employees who are in travel status on official business) in excess of prevailing Contractor rate or State of Michigan rate, whichever is less.
- c) Lodging costs (for employees who are in travel status on official business) in excess of prevailing Contractor rate or State of Michigan rate, whichever is less.
- d) Food costs (for employees who are in travel status on official business) in excess of prevailing Contractor rate or State of Michigan rate, whichever is less.
- e) Costs related to conferences/meetings/trainings that are not required by MDHHS as activities to be included.

NON-REPORTABLE COSTS:

- a) Agency travel costs reimbursed or reimbursable by the State of Michigan for attendance at training events.
- b) Costs identified as unallowable in 2 CFR 200 Subpart E.



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**SECTION 3: CHILD/FAMILY SPECIFIC PAYMENTS
CPA – DIRECT**

This section groups together agency expenditures made on behalf of the client for which MDHHS will reimburse, cover or pay the costs.

When a provider reports child/family specific costs, the respective revenues should also be reported, and vice versa. The FY20 CPA Cost Report workbook tests whether over \$100 of child/family specific cost is entered but its respective revenue is blank, or vice versa. As shown below, if the revenue is not entered, the workbook highlights the revenue cell in red as a warning sign, which is subject to a follow-up review by Bureau of Audit (BA).

Contract Number:	A20-123
Line Item Description	Adoption
Other Revenue and Other Funding Sources - List Sources and Descriptions	
MDHHS: Specific Assistance	
Section 3: Child/Family Specific	
Specific Assistance	\$ 101

1) BOARD & CARE PAYMENTS TO FOSTER PARENTS

Costs for the approved maintenance rates and determination of care supplemental rates for youth placed in foster family care or independent living.

REPORTABLE COSTS – DIRECT: *(CPA - Direct Worksheet)*

- a) Board & care pass through payments from the State of Michigan to foster parents.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: *(CPA – Indirect/Administrative Worksheet)*

- a) None/not applicable

OTHER PROGRAM COSTS: *(CPA – Other Program Cost Worksheet)*

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Costs not in compliance with FOM 905-3.
- b) Costs for Adoption or Independent Living Plus Host-Home, or Independent Living Plus Staff-Supported.



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2) EVALUATIONS (PSYCHIATRIC, SUBSTANCE ABUSE)

Placement Agency Foster Care (PAFC) providers must provide treatment services based on an assessment of each child's needs to the children they are supervising. (FOM 903-09)

REPORTABLE COSTS – DIRECT: (CPA - Direct Worksheet)

- a) State of Michigan reimbursed costs for children such as psychological evaluations or substance abuse evaluations which are covered by MDHHS funding sources. (FOM 903-9)

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (CPA – Indirect/Administrative Worksheet)

- a) None/not applicable

OTHER PROGRAM COSTS: (CPA – Other Program Cost Worksheet)

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Costs for Adoption or Independent Living Plus Host-Home, or Independent Living Plus Staff-Supported

3) FOSTER PARENT MILEAGE

Mileage costs incurred by foster parents which MDHHS authorized, and reimbursed, or will reimburse, to foster parents for non-routine transportation.

REPORTABLE COSTS – DIRECT: (CPA - Direct Worksheet)

- a) MDHHS authorized and reimbursable costs to foster parents to transport children to visitation with families and siblings. (FOM 903-09)

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (CPA – Indirect/Administrative Worksheet)

- a) None/not applicable

OTHER PROGRAM COSTS: (CPA – Other Program Cost Worksheet)

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Costs for Adoption or Independent Living Plus Host-Home, or Independent Living Plus Staff-Supported.



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4) **SPECIFIC ASSISTANCE**

Costs incurred which MDHHS specifically reimbursed, or will reimburse, the contractor for services or other unique purchases on behalf of a particular client. Specific assistance costs reported must be limited to the portion attributable to the MDHHS contract.

REPORTABLE COSTS – DIRECT: *(CPA - Direct Worksheet)*

- a) Items purchased for a specific client and given to that client as required by the contract.
- b) Children's Clothing Allowances (e.g. Initial, Semi-annual, and Special) must be identifiable to an individual MDHHS client. (FOM 903-09 and FOM 905-3)
- c) Case Service Payments. (FOM 903-09)
- d) Costs reimbursed by the Children's Benefit Fund. (FOM 903-13)
- e) Goods and Services purchased in situations to meet case related individual family needs. (CPM 209)
- f) Holiday Allowance. (FOM 905-3)

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: *(CPA – Indirect/Administrative Worksheet)*

- a) None/not applicable

OTHER PROGRAM COSTS: *(CPA – Other Program Cost Worksheet)*

- a) None/not applicable

NON-REPORTABLE COSTS:

- a) Any cost that is not identifiable to the specific MDHHS client (e.g., shared computer).
- b) Cost or allowance that is not contractually required (e.g., allowance for cleaning).



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**SECTION 4: MISCELLANEOUS
CPA – DIRECT and CPA – INDIRECT/ADMINISTRATIVE**

1) MISCELLANEOUS

MDHHS does not expect the placing agency to report miscellaneous costs as a matter of routine. Miscellaneous costs are expenses related to the contract, which are not specific to, or appropriately included with, other cost report categories. The contractor should report miscellaneous costs only after requesting and receiving permission from MDHHS that a unique need or reason exists to report costs in the miscellaneous category. Otherwise, MDHHS expects that most direct and indirect costs can and should be reported in the body of the cost report under Section 1 (Salaries) or Section 2 (Operating Expenses).

Miscellaneous costs reported must be separately described. Miscellaneous costs reported must be limited to the portion attributable to the MDHHS contract.

HOW TO REPORT

In the table below, a provider erroneously reported professional liability premium cost in the Miscellaneous section on Tab-3 CPA - Direct. Since the insurance cost is a Contracted Business Services Cost, not a Miscellaneous Cost, MDHHS marked it as “Reclassified.” The worksheet crosses out the cost and Subtotal of Allowable Direct Expenses is zero, since the cost is reported elsewhere in the cost report.

The provider also reported a miscellaneous cost without a description. Since miscellaneous costs with no specified/approved purposes are unallowable, MDHHS marked the cost as “Removed.” The worksheet crosses out the amount and the cost description. Also, the cost is disregarded, and not added to Subtotal of Allowable Direct Expenses.

<u>Section 4: Miscellaneous (must be itemized and approved)</u>			MDHHS Approved	Reclassified/ Removed
				Reclassified
Professional Liability Insurance Premium	\$1,000.00	\$1,000.00		Reclassified
[Miscellaneous Description]	\$500.00	\$500.00		Removed
[Miscellaneous Description]		\$ -		
[Miscellaneous Description]		\$ -		
Subtotal of Allowable Direct Expenses	\$ -	\$ -		

Starting in FY20, providers with Federally Approved Indirect Rate may elect to apply the rate, instead of reporting each individual indirect cost item, upon the submission of supporting documents issued by the Federal Government and MDHHS’s approval. The FY20 CPA Cost Report workbook automatically calculates the indirect cost by multiplying Total Direct Costs by Federally Approved Rate.



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For example, Provider A has incurred \$1,000,000 of total Direct Costs and has obtained 10% Federally Approved Indirect Rate and elected to use it (\$1,000,000 Total Direct Costs x 10% Federally Approved Rate = \$100,000 Total Indirect Cost). Provider A prepared the cost report without submitting supporting documents for the rate. In this case, the workbook would highlight the cell for Indirect Costs – Federally Approved Rate in red as a warning sign, as shown below. Regardless of MDHHS’s approval, the workbook crosses out and excludes the other indirect costs previously typed, as Provider A chose to use the Federally Approved Rate.

Communication	\$ 2,000.00			
Equipment	\$ 3,000.00			
Contracted Business Services	-			
Section 3: Miscellaneous - Indirect			Federally Approved Rate	MDHHS Approved
[Miscellaneous Description]	-			
Indirect Costs - Federally Approved Rate (Document Required)	\$100,000.00		10.00%	
GRAND TOTAL	\$100,000.00			

Provider A subsequently sent MDHHS supporting documents issued by the Federal Government. MDHHS reviewed them and approved the rate by marking an ‘X’ as shown below. Then, the workbook removes the red highlight as the pending approval is now resolved.

Section 3: Miscellaneous - Indirect			Federally Approved Rate	MDHHS Approved
[Miscellaneous Description]	-			
Indirect Costs - Federally Approved Rate (Document Required)	\$ 100,000.00		10.00%	X
GRAND TOTAL	\$ 100,000.00			

REPORTABLE COSTS – DIRECT: (CPA - Direct Worksheet)

- a) Costs previously approved by MDHHS.

REPORTABLE COSTS – INDIRECT/ADMINISTRATIVE: (CPA – Indirect/Administrative Worksheet)

- a) Costs previously approved by MDHHS.
- b) Other miscellaneous costs related to indirect administrative personnel that benefit more than one cost objective, are not readily assignable and are in accordance with provisions of 2 CFR 200.412 and 200.414.



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OTHER PROGRAM COSTS: (*CPA – Other Program Cost Worksheet*)

- a) Costs for Gifts, plaques and/or recognition dinners for staff, foster parents and/or volunteers *beyond* the one event per year.
- b) Costs of preparing contracts or bid proposals.
- c) Individual staff memberships in community, civic, trade, business, technical and professional organizations.

NON-REPORTABLE COSTS:

- a) See Section 5



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SECTION 5: GENERAL NON-REPORTABLE COSTS

Costs incurred by the contractor are unallowable and cannot be charged to MDHHS if they meet any of the definitions below:

- a) Costs that are unreasonable or unnecessary.
- b) Costs already funded through a separate contract and/or another funding source.

Expenditures that should not be reported on the “Annual Cost Report Workbook – Private Child Placing Agencies” in addition to those previously identified in Sections 1-4 are:

- a) Alcoholic beverages.
- b) Chaplain Services - All expenses incurred to provide chaplain services.
- c) 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.
- d) Defense costs incurred in connection with any criminal, civil or administrative proceeding that relates to a violation of, or failure to comply with, any statute, regulation or the terms and conditions of the contract; and results in a criminal conviction, a determination of liability, a decision against the contractor in an administrative proceeding, or the rescission/termination of the contract.
- e) Legal Expenses for prosecution of claims against the State of Michigan.
- f) Bank fines and penalties (including “Non-Sufficient Fund” fees).
- g) Fundraising.
- h) Investment management costs.
- i) Gifts, plaques and/or recognition dinners for staff, foster parents and/or volunteers beyond the one event per year.
- j) Gift cards & fees associated with the acquisition of gift cards.
- k) Goods or services for personal use.
- l) Lobbying and membership dues to lobbying organizations/entities.
- m) Parochial School Tuition - All costs for tuition to parochial school.
- n) Rearrangement, alteration and reconversion costs.
- o) Relocation costs of employees.
- p) Royalties and other costs for use of patents and copyrights.
- q) Special Religious Instructors - All costs incurred to bring in persons to provide religious training.
- r) Employee Termination costs.
- s) Interest on borrowed capital (other than that allowed for facility occupancy) or temporary use of endowment funds.



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- t) Investment and related expenses incurred solely to enhance income from investments.
- u) The costs of amusement, diversion, social activities, ceremonials and incidental costs relating hereto, such as meals, lodging, rentals, transportation and gratuities, unless required by the contract.
- v) Costs resulting from violations of or failure to comply with Federal/ State/local laws and regulations.
- w) Contributions and donation costs for free-will offerings to individuals and agencies.
- x) Contingency costs related to possible future events or conditions rising from presently known or unknown causes, the outcome of which is indeterminable at the present time, e.g. pending litigation and other general business risks.
- y) Bad debt losses (whether actual or estimated) arising from uncollectible customer's accounts and other claims, related costs and related legal costs.
- z) Penalty charges and fees i.e. overdraft, late fees, and delinquency.
- aa) Costs identified as unallowable in 2 CFR 200 Subpart E.



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SECTION 6: REPORTING PROGRAM STATISTICS

1) **DEFINITIONS and METHODS:**

This section provides guidance on how to report statistical (non-financial) information for the Child Placing Agencies (CPA). MDHHS gathers statistics on:

a) **Number of Children Served - Table 6.1**

- i) For each CPA contract, the “Number of Children Served” means the number of MDHHS children.
- ii) To determine if a child is an “MDHHS” child, either MDHHS or an MDHHS licensed Child Placing Agency must have referred the child to the CCI.
- iii) Report the number of children served under each contract listed in Tab-6.1 Statistics or Tab-6.2 Statistics - JJ. The total number of children served across all contracts automatically totals in column - TOTAL.

b) **Actual Days of Care - Table 6.1**

- i) “Actual days of care” relates only to MDHHS children.
- ii) For each adoption case, report the number of days between the DHS Form 3600 “request” date to “finalization” date.
- iii) For the reporting period, retrieve the number of actual days of care that the child received under the contract, from MiSACWIS. The days of care must be supported by Per-Diem revenue. Add up all days of care records for all children. If Child A and Child B received seven and five days of care under one contract, then the calculated Days of Care equals 12: $(1 \times 7) + (1 \times 5) = 12$ under that one contract. Perform this calculation for each contract under the cost report.
- iv) Report the subtotal of “Days of Care Approved” under each CPA contract in the Revenue section on Tab 3 CPA - Direct. The total across all CPA contracts automatically totals in column “TOTAL.” Starting in FY20, Days of Care must be reported on the Direct Cost tabs to improve Per-Diem revenue reporting accuracy. The Days of Care data are then transferred to the Statistics tabs.

c) **Full Time Equivalent (FTE) employees that worked on the contract – tabs “3 CPA Direct” Table 3.3 and “4 CPA Indirect/Administrative” Table 4.2**

- i) Table 3.3 *Full Time Equivalents* requires that the contractor report the number of FTE’s for the corresponding direct salary amount on the same row.
- ii) Tab 4.0 Indirect Administrative, Table 4.2, *Full Time Equivalents*, requires that the contractor report the number of FTE’s for the corresponding indirect salary amount on the same row.
- iii) On column – Hours Contributed in Table 3.3 (4.2 for Indirect), enter the number of hours each position worked to perform Contract related duties. Starting in FY20, providers are required to report Hours Contributed, instead of FTEs.



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- iv) The worksheet automatically calculates FTEs by dividing the Hours Contributed by 2080 hours (40 hours/week x 52 weeks); see [FTE](#) for detailed examples.

d) Number of employees working on the contract that exited during the reporting period - Table 6.2

- i) Enter the number of employees that exited employment during the reporting period, ending September 30th.
- ii) For all MDHHS contracts report the total number of employees that exited all positions during the fiscal year.

Example for calculating Number of Employees that Exited: The agency filled one staff social worker position with three different people during the fiscal year. Ann held the position between October 1st and April 12th. Dave held the position between May 15th and July 10th. Kay held the position between August 5th and November 22nd. Kay was still employed at the end of the reporting period on September 30th. During the reporting period, October 1st through September 30th, Ann and Dave exited the position. For cost report purposes only two employees exited the position during the reporting period. On Table 6.2, the agency would report two (2) exits.



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PART 6: STATUTES AND REGULATORY AUTHORITY

Statutes and Regulations related to Foster Care:

1) **State Statutes**

a) Foster Care and Adoption Services Act

[https://legislature.mi.gov/\(S\(pl1jqiswg5mqw3mpk5imwiw\)\)/mileg.aspx?page=getobject&objectName=mcl-Act-203-of-1994](https://legislature.mi.gov/(S(pl1jqiswg5mqw3mpk5imwiw))/mileg.aspx?page=getobject&objectName=mcl-Act-203-of-1994)

b) Children's Foster Care Manual

<https://dhhs.michigan.gov/olmweb/ex/FO/Public/FOM/000.pdf#pagemode=bookmark>

c) Child Welfare Policy Manual

https://acf.hhs.gov/cwpm/programs/cb/laws_policies/laws/cwpm/index.jsp

2) **Applicable Administrative Codes**

a) Licensing Rules for Child Placing Agencies

http://w3.lara.state.mi.us/orr/Files/AdminCode/1548_2015-045HS_AdminCode.pdf

3) **Code of Federal Regulation**

Title 2 – Subtitle A – Chapter II – Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (parts referenced herein)