

## Alberta Wildfires 2016: Community Organization Partnerships Program

### *Eligible Costing Rules and Financial Management Guidelines*

#### TOP TIPS

##### WHEN PREPARING YOUR BUDGET

- For each Budget Category a non-exhaustive list of examples of records that should be retained are included. These records do not need to be sent with financial reports. But they do **need to be available if the Canadian Red Cross Society (CRCS) or an authorized representative audits the Project.**
- **Variations:** Excluding the Administrative Cost Rate, variations of under 10% between Budget Categories (i.e. I. Personnel to VII. Inventory) is permissible without prior approval of the CRCS. If you anticipate Variations over 10% between budget Categories requires the prior written approval of the CRCS. Variations within Budget Categories are permissible provided the total doesn't exceed the maximum budget for the project and costs incurred are in accordance with the Eligible Costing Rules.
  - Ensure you flag permissible variations in your financial reporting!
- **Administrative Costs:** The Administrative Cost Category is included as an easy way for organizations to include typical “indirect” costs (see table on page 16). The percentage rate used is dependent on the type of organization applying as well as the type of project being submitted. An Administrative Cost Rate higher than 9% is not permissible. See table on page 14 to determine what Administrative Rate you should use. **Upon receipt and review of the application, the Red Cross may further adjust the administrative cost.**
- Organizations are not entitled to double recuperate. In other words, if the Organization is receiving funding for items, they should not be included in the project budget. Moreover, please only account of a cost once within the Project Budget. For example if a facilitator is required to deliver a training session, don't account for them in the Training and Subcontractor Budget Categories.
- If your application is approved, you will only be required to report on activities and expenditures undertaken with CRCS funds. For example, if you are undertaking a larger program or initiative and you receive funds from another organization for one portion of that program, you only need to report on the activities and expenditures undertaken with CRCS funds.
- Build in your monitoring evaluation and reporting costs as direct costs throughout the Project Budget!
- When in doubt, ask! These rules are the general baseline but of course there are exceptions. Please send your questions to [ABCommunityPartners@redcross.ca](mailto:ABCommunityPartners@redcross.ca).

## WHAT ARE **ELIGIBLE COSTS**?

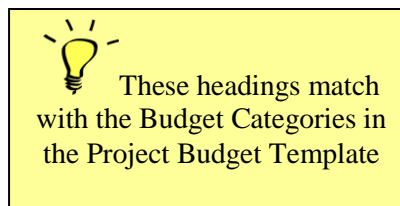
In order to be eligible for reimbursement the expenses must have the following characteristics, they must:

- a. be *Direct Costs*
- b. be *Directly Attributable to the Project*
- c. be *Reasonable*; and
- d. *Actually and Properly Incurred* in accordance with the CRC Agreement + Eligible Costing Rules.

Organizations must favour a competitive process for the procurement of goods, assets and services for the project that enhances access, transparency, competition and fairness and results in best value.

### **The following identified what are Eligible Costs per Budget Category, to be Eligible the costs must comply with the parameters set out herein.**

- I. Personnel, Payroll and other Compensation
- II. Arms Length Sub-Contractors
- III. Direct Aid to Beneficiaries
- IV. Logistics
- V. Training & Events
- VI. Travel Expenses
- VII. Project Equipment & Inventory
- VIII. Administrative Costs



## I. Personnel, Payroll and other Compensation

1. **Salary.** Actual and justifiable salaries for personnel required by the organization to carry out the project. If only a percentage of an individual's time this needs to be reflected in the budget. The total value in the budget includes the following:
  - i. **Direct Salaries:** actual and justifiable sums paid by the Organization to Employees in accordance with the Organization's pay scales as regular salary excluding overtime pay and bonuses. Rates shall be in accordance with local laws and practices including local market rate of remuneration.
  - ii. **Fringe Benefits:** in accordance with the Organization's policies, as follows:
    - a) time-off benefits: allowable number of days to be paid by the Organization for the following payable absences: statutory holidays, annual vacation and sick leave; and
    - b) paid benefits: actual sums paid by the Organization for paid benefits: the Organization's contribution to employment insurance and workers' compensation plans (where applicable), health and medical insurance, group life insurance, pension plans, or other mandatory government benefits;
2. **Overtime.** Overtime is permissible in accordance with the Organization's human resources procedures provided it is required for implementation of the Project.

### Filling in Personnel Costing into your Project Budget

1. The daily rate per Employee can be calculated as follows:  
[(Annual direct salary plus Annual paid benefits)] divided by [(260 days minus Annual allowable time off benefits)]
2. Overtime (as permitted by the Organization's HR policies and procedures) can either be costed into the budget or accounted for as an Eligible Cost within the financial reports.
3. Make sure the units are identified as well as partially funded positions (i.e. 50%/60%)

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### Examples of Records Required To Be Retained by Organization Related to Personnel:

- HR records, time management records such as payroll and/or timesheets (whatever practice already exists within the Organization).



### Examples of Ineligible Personnel Costs:

- Bonuses
- Additional remuneration
- Redundancy
- Accommodation
- Severance costs
- Salary increases or increased costs for personnel during the term

**Note: This list is non-exhaustive. These costs would not be eligible for reimbursement.**

## II. Arms Length Sub-Contractors (consultants, contractors, professional services)



In most applications (but not all) this Budget Line should not exceed 25% of the total Project Budget.

1. **Eligible Costing Rate:** The actual and justifiable cost of sub-contractors fees under a sub-contract.
  - a. Individual rates or amounts negotiated shall not exceed the fair market value that applies to the specific type of service in the regular place of work of the subcontractor or for similar work being performed under this Agreement and shall exclude any increased rate for overtime.
  - b. Must be an arms-length entity

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Tips

### Filling in Sub-Contractor Costing into your Project Budget

1. Anticipated cost/ rate per subcontractor/ contractor
2. Add a separate line per entity (for example one for a consultant and another for a contractor)

### Examples of Records Required To Be Retained by Organization Related to Sub-Contractors:

- Procurement records for tender/RFP/RFQ, due diligence on costing (including justification of fair market value rate), sole sourcing forms if applicable.
- Contract with sub-contractor, purchase orders (PO), invoices, receipts



Use this line to identify goods to be directly delivered to beneficiaries!

### III. Direct Aid to Beneficiaries – Supplies & Materials to be Distributed to Beneficiaries

This Budget Category is used to itemize direct delivery aid. For example – if your initiative is based on distributing school backpacks or clean-up kits to all the homes in a certain area, you would include the costs of the backpacks or clean-up kits here!

**Eligible Costing Rate:** Actual and reasonable costs arising from the purchase, rental, maintenance of goods, assets and supplies (excluding office supplies), provided that such costs do not exceed the fair market value that applies to the specific type of goods, assets and supplies.

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#### Filling in Direct Aid to Beneficiaries Costing into your Project Budget

1. Estimate and enter the anticipated cost/ rate for items
2. Make sure you note the number of units (if applicable)
3. Add a separate line for the different types of supplies or materials

#### Examples of Records Required To Be Retained by Organization Related to Direct Aid:

- Procurement records for tender/ RFP/RFQ, due diligence on costing (including justification of fair market value rate), sole sourcing forms if applicable.
- Contract with sub-contractor, purchase orders (PO), invoices, receipts



#### Examples of Ineligible Costs for Direct Aid

- Community events where a profit is being made by the organization
- Religious supplies (generally impermissible but there may be exceptions, contact us!)
- Commissioned or purchased artwork not for public use
- Gift cards, contests, prizes, awards, trophies and plaques unless **pre-approved** by the Red Cross
- Alcohol
- Promotional items

**Note: This list is non-exhaustive. These costs would not be eligible for reimbursement.**

## IV. Logistics

### Cost of transporting, storing and distributing supplies and materials to beneficiaries

**Eligible Costing Rate:** Actual and reasonable costs arising from the transportation, storing and distributing of goods, assets and supplies provided that such costs do not exceed the fair market value that applies to the transportation, storage and distribution of the specific type of goods, assets and supplies.

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#### Filling in Logistics Costing into your Project Budget

1. Estimate and enter the anticipated cost/ rate for the logistics
2. Add a separate line for the different aspects – transportation as opposed to storing as opposed to distribution



If you are using your own staff to distribute, you can keep the staffing cost under the Personnel Budget Line so there is no duplication of costing.

#### Examples of Records Required To Be Retained by Organization Related to Logistics:

- Procurement records for tender/ RFP/RFQ, due diligence on costing (including justification of fair market value rate), sole sourcing forms if applicable.
- Contract with sub-contractor, purchase orders (PO), invoices, receipts

## V. Training & Events



Use this line to identify the full cost of carrying out an event or training including facilitators and meeting space if applicable.

This Budget Category is used to set out all the components required to running a training session and/ or event. This includes, but is not limited to, costing such as facilitation services/ fees, transportation for the facilitator, renting room, coffee break costs, items for distribution as part of the event, training, seminar/ training materials, etc.

The intent of this Budget Category is to capture the total costs of a training session or event so the CRCS requests that you capture the various costing here. For example, you could put the facilitation services of a consultant in the subcontractor line, and the coffee break food in direct aid delivery but we are requesting that you itemize it in this Budget Category. Another example would be: if you hosted a personal preparedness training event where each participant would get a preparedness kit at the end, the cost of the kits would also be included in this Budget Category.

**Tip!** Justification for costs in this section should be clearly articulated in the application including how such activities support the achievement of the overall objective and recovery efforts of those affected by the Alberta Wild Fires.

**Eligible Costing Rate:** Actual and reasonable costs arising from the elements required provided they do not exceed the fair market value for each element.

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### Filling in Training and Event Costing into your Project Budget

1. Estimate and enter the anticipated cost/ rate
2. Add a separate line for the different aspects and identify clearly such as facilitator service fee, facilitator travel, meeting room rental



Ensure that costing is only reflected in one Budget Category to avoid duplication of costs. For example, if your organization owns the space you are conducting a training session or course in, this cost would fall under the Indirect Cost Rate and should not be captured here. If you are hiring a Facilitator for a training session, only include the cost in this Budget Category rather than in this Budget Category and in the Subcontractor Category.

### Examples of Records Required To Be Retained by Organization Related to Training and Events:

- Rental agreement for space/ venue.
- Procurement records for tender/RFP/RFQ due diligence on costing (including justification of fair market value rate), sole sourcing forms if applicable.
- Contract with sub-contractor, purchase orders (PO), invoices (with itemized expenses), receipts.
- Travel records if travel is undertaken (see Travel Expenses Records for more information).

## **Examples of Ineligible Costs for Training and Events**

- Fundraising events
- Promotional items
- Events where a profit is being made by the organization

**Note: This list is non-exhaustive. These costs would not be eligible for reimbursement.**



## VI. Travel Expenses

Use this budget category to capture expenses for travel directly related to the project, required to carry out the Project Objective.

1. **Eligible Costing Rate.** Travel costs actually and reasonably incurred by the organization in accordance with the provisions of the Travel Directive and the Special Travel Authorities of the Treasury Board of Canada Secretariat in force at the time of the travel. The Special Travel Authorities take precedence over the Travel Directive.
2. **Meals, incidentals, baggage fees and private vehicle usage.** The cost of meals, incidentals and private vehicle usage, in accordance with the meal, incidental, and private vehicle allowances specified in Appendices B, C and D of the Travel Directive, which can be found at the following Internet address: <http://www.njc-cnm.gc.ca/directive/travel-voyage/index-eng.php>.
3. **Accommodation.** The actual and reasonable cost of a single room in commercial accommodation or, when private non-commercial accommodation is used, the rate for such accommodation, in accordance with the provisions of clause 7.8 of the Special Travel Authorities and Appendix D of the Travel Directive;
4. **Transportation.** The cost of commercial transportation based on the lowest available fares, using the most direct routing.
  - a. The Organization shall endeavour to obtain the lowest possible airfare, such as by booking the reservation as early as possible. The standard for air travel is economy class, including APEX, charters and other reduced or discounted fares.
  - b. CRCS will reimburse at the lowest airfare available at the time of reservation, but never more than the maximum of a full-fare economy airfare.
  - c. The Organization must be able to demonstrate with proper supporting documentation deemed satisfactory to CRCS, the lowest fare available at the time of reservation.
5. **Flight Cancellation.** The cost of necessary changes or cancellations to flights is considered a legitimate reimbursable expense of the Project provided it is related to the Project and the circumstances surrounding these changes shall be documented in the Organization's Project file. However please note that travel insurance is not an eligible cost.

**Tip!** Explain how the travel is necessary for achieving the Project Objective and the relief, response and recovery of those affected by the Alberta Wild Fires.



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### Filling in Travel Costing into your Project Budget

1. Estimate and enter the anticipated cost/ rate for items
2. Add separate lines either per type of cost (transportation, accommodation versus per diems) and aggregate for all individuals (identifying how many individuals are captured in these aggregate costs). Or add a line for each individual expressing the total across each of these categories.

**Examples of Records Required To Be Retained by Organization Related to Travel:**

- Travel expenses claim forms (for per diem and reimbursement), original receipts for expenditures, or justification/due diligence for fair market value.
- Records justifying flight changes and/ or cancellations.



**Examples of Ineligible Costs for Travel Expenses**

- Seat upgrades and seat selection
- First class, or business class travel
- Alcohol
- Per diems or claims in excess of the treasury board standards
- International Travel (unless expressly pre-approved by CRCS in advance)

**Note: This list is non-exhaustive. These costs would not be eligible for reimbursement.**



In most applications this should not exceed 15% of the total Project Budget. This depends on the Project Activities.

## VII. Project Equipment & Inventory (capital assets)

This Budget Category is used to itemize actual, real and fair market value for assets, inventory and equipment purchased for the project required for the organization to meet the project objective. This can include assets such as computers, furniture and other tangible property that are required for the Project.

**Note!** Should not be for administrative and if is, needs to be approved on case by case (such as acquisition of vehicles).

**Note!** In order to be an Eligible Cost the Project Equipment and Inventory must be **newly** acquired during the Project Term, specifically for the Project. All **existing** equipment would represent an indirect Cost, to be covered by the Administrative Cost category.

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### Filling in Project Equipment and Inventory Costing into your Project Budget

1. Estimate and enter the anticipated cost/ rate for items
2. Make sure you note the number of units (if applicable)
3. Add a separate line for each type of inventory

### Examples of Records Required To Be Retained by Organization Related to Project Equipment and Inventory:

- Procurement records for tender/ RFP/RFQ, due diligence on costing (including justification of fair market value rate), sole sourcing forms if applicable.
- Contract with sub-contractor, purchase orders (PO), invoices, receipts.
- Inventory listing and identification of current location.
- Handover certificates if applicable at the end of the Project term.



### Examples of Ineligible Costs for Inventory

- Inventory for administrative purposes like desks and work stations

**Note: This list is non-exhaustive. These costs would not be eligible for reimbursement.**



Project Inventory is owned by the Project during the Term. Items should be exclusively used for the Project and Project activities. Organizations are required to retain a listing of Inventory purchased

pursuant to this category which must be available on audit.

At the end of the term these assets may be handed over to the organization for retention or the CRCS may direct the organization to dispose of them in another manner.

## **Additional Ineligible Cost Elements**

In addition to costs that do not fit within the above noted Budget Categories and identified Eligible Costs, the following costs are considered as ineligible costs not eligible for reimbursement by the CRCS:

- Entertainment expenses;
- Costs incurred before the effective date of the Agreement;
- Gifts;
- Provision for losses or potential future liabilities;
- Exchange losses;
- Travel insurance (health, cancellation, baggage, etc.);
- Membership and professional development fees; and
- Interest expenses.

**Note: List is not exhaustive.**

## VIII. Administrative Costs

### Where do we put our “Overhead” or Administrative Costs?

The Administrative Costs budget line is intended to permit Program Applicants to cost recover for ongoing operational costs, overhead and typical indirect costs incurred by the applicant organization. These include:

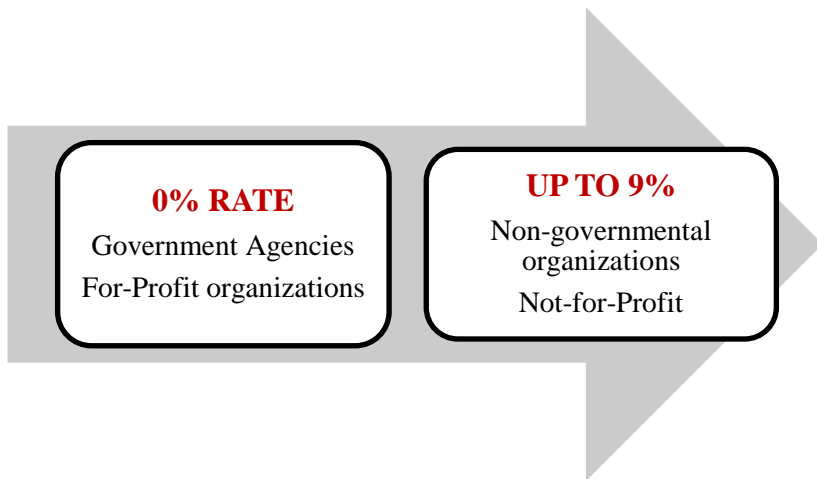
- Administrative or other expenses which are not directly allocable to a particular activity or project.
- Expenses related to general operations of an organization that are shared among projects and/or functions.

**Note: Some organizations would call the Administrative Costs line ‘overhead’, ‘indirect costs’ or ‘management costs’. The CRC uses the term Administrative Costs in recognition that applicant organizations incur indirect costs in its implementation of the project.**

## Administrative Cost Rate, Maximum Recoverable Administrative Costs:

**Maximum Administrative Costs Charge =  
Rate % \* Total Direct Project Costs which are reasonable + actually and properly incurred**

### The Rate %



For profit organizations and government agencies are not eligible for Administrative Costs Charge, regardless of the type of project they wish to undertake.

The CRC will consider up to 9% on direct project costs for non-governmental, not for profit organizations based on the type of project they would like to undertake.

Type of project	Type of organization	
	Not-for-profit, NGOs, other	For profit or government
One-time event/activity/initiative	up to 5%	0%
Service provision <i>With mandate directly related to wildfires</i>	up to 9%	0%

<sup>1</sup> The Canadian Red Cross may adjust the administrative costs based on a full review of application and budget.

<sup>2</sup> The Canadian Red Cross reserves the right to review these guidelines on a periodic basis, and may make modifications to this document.



**NOTE** This is an ‘UP TO’ percentage amount and the Administrative Cost Rate approved may be anywhere from 0% to 9% depending on the specific situation.

For example: at the discretion of the CRC a larger organization may be awarded for a Project that is short term, high value and requiring a lower burden on indirect functions such as the purchasing of equipment. In such a circumstance the actual administrative and maintenance costs recoverable through the Administrative Cost Rate do not necessarily increase in direct proportion to amount of funds provided.

### **What is meant by “Total Direct Project Costs Actually and Properly Incurred” as it relates to the Maximum Administrative Cost Charge?**



This relates to the principles in the Eligible Costing rules that in order for a cost to be eligible it is not just that it is budgeted, it has to reflect a paid cost. For example if an organization budgeted for 10 computers but only purchased 5 for the project, only 5 are eligible costs as they were actually incurred when implementing the Project.

The use of this statement above reflects the fact that it is the Administrative Cost Rate, say for example 5% against costs actually and properly incurred at the end of the project. This will be reconciled throughout the project and reporting to ensure that the total amount paid does not exceed 5%. For example if the budget is \$100,000 but only \$90,000 of the costs are actually incurred and of that \$85,000 are Eligible Costs (see Eligible Costing Rules for more details) the maximum for Administrative Costing will be 5% of \$85,000 so \$4,250 as opposed to \$5,000.

### **What does “Reasonable” mean as it relates to Eligible Costs?**

For a cost to be ‘reasonable’ it must not exceed in nature and amount what would be incurred by an ordinary prudent person carrying out a competitive business. In other words, imagine it is your own money and spend it as prudently.

### **Direct Costs vs. Indirect Costs (Administrative) for the purposes of drafting the budget and eligible for overhead**

 <b>DIRECT COSTS</b>	 <b>INDIRECT COSTS</b>
<u>Eligible for overhead and to be identified in the Budget</u>	<u>Not to form part of budget, only recoverable only within Administrative Cost Rate</u>
<ul style="list-style-type: none"> <li>• Salaries of employees working on the Project (for the term of the Project)</li> <li>• Can include directly attributable administrative support, legal or accounting functions, with distinct and measured effort on the project as opposed to</li> </ul>	<ul style="list-style-type: none"> <li>• Existing facilities costs (e.g. rent, maintenance, etc.)</li> <li>• Advertising and promotion (non-project specific)</li> <li>• Utilities for existing facilities</li> </ul>

<p>General Administrative Support in the indirect cost column</p> <ul style="list-style-type: none"> <li>• Required travel for employees</li> <li>• Consultants</li> <li>• Travel required for the project including gas/mileage travel</li> <li>• Inventory and Equipment</li> <li>• Sub-contracts</li> </ul> <p><b>Costs which are traceable and distinct from normal operating costs.</b></p> <p>The following must follow the above principles of directly attributable and direct costs but also must be <i>NEWLY ACQUIRED SPECIFICALLY FOR THE PROJECT</i>:</p> <ul style="list-style-type: none"> <li>• Equipment purchases (<i>Note that all existing equipment would represent indirect costs</i>) rental of new facilities for the lifecycle of the Project</li> <li>• newly acquired (within term of the Project) Information Technology equipment and support for the project</li> </ul> <p><b>Note!</b> Just because something is eligible to be a Direct Cost doesn't mean it is an Eligible Cost. Please review the Eligible Costing rules.</p>	<ul style="list-style-type: none"> <li>• Existing Information technology equipment and support (e.g. centralized IT systems, networks, etc.)</li> <li>• Board activities</li> <li>• Bank charges</li> <li>• Membership and subscriptions</li> <li>• Existing shared equipment</li> <li>• Existing equipment maintenance</li> <li>• Depreciation on equipment</li> <li>• Insurance</li> <li>• Communications expenses (e.g. phones, etc.)</li> <li>• Administrative office supplies</li> <li>• General administrative support: such as Executive management (CEO, COO, CFO, etc.), General ledger and funds accounting, General financial management staff, Internal audit function, Institutional legal support, Research management personnel, Information technology support staff, Facilities support personnel, Human resources, Shared procurement resources, General logistics support, Material management.</li> </ul> <p><b>Other shared resources not directly attributable to the project</b></p>
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