

To: Krista Pender
From: Paul Ballasy
Date: July 7, 2004
Re: DMR Cost Principles

Frank and I presented DMR cost principles CCPA on June 23, 2004. As a result of our presentation, some questions were raised by individuals which would require clarification. Following are some of the issues discussed:

- ♦ Website design is an unallowable cost, however, the website is used for some of the following exempt purposes:
 - Information for portability purposes
 - Saving postage dollars by posting newsletters and other information about the organization rather than mailing
 - Savings in employment ads by posting openings on website
 - DMR regional offices are recommending promotion of agencies. This is the least cost effective way of doing such.
- ♦ There is some confusion over when a conference is training and when training is a conference. Conferences require prior approval; training does not require prior approval. In addition, almost all conferences have training at them, so it is difficult to determine when the prior approval is necessary.
- ♦ One individual raised a question regarding client gifts. Would client gifts be allowable if they were part of a reinforcement program? Could an agency charge DMR awards for gift cards given to clients for the purposes of use for their recreation?
- ♦ There are times when the homes have client related parties (birthday) which would be considered by most a program cost and not a disallowed cost. However, the new cost principles that were updated in October of last year indicates that all parties and picnics are a disallowed cost. This could be a major change in programming for the individual homes if individual birthday parties and Christmas parties in the homes would no longer be allowed. Our understanding is that the disallowed parties and picnics are the organization-wide parties rather than the individual homes.
- ♦ For the meetings which require prior approval of cost in excess of \$500, is this per person or in total?
- ♦ Under the interest cost section, interest is allowable provided that "the needs justification must be provided to DMR". Does this mean if debt is incurred, prior approval is required? Is the proper way of communicating the request for approval to DMR through the capital development agreement for items in excess of \$3,500. We assume this applies to buildings only and not to financed vehicles, etc



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August 25, 2004

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Dear Ms. Edelstein, Ms. Goduti, and Ms. Wilcox:

The Department is in the receipt of a list of questions regarding the DMR Cost Accounting Standards that were raised at a training session on the DMR Cost Accounting Standards. In an effort to provide a response to all providers who may have been in attendance, we are submitting the responses through the Trade Organizations. Additionally, the questions and responses will be posted on the DMR Webpage.

The questions were as follows:

- ❖ Website design is currently unallowable, providers requested DMR to consider changing to be allowable.
Currently the Cost Accounting Standards state that websites are unallowable as a public relations cost. The Department recognizes that websites are a useful tool in instances involving portability, to research other private providers, and in the ISA "program". The issue is the cost of website design and maintenance and the impact of these costs on the DMR awards. Currently, we are considering allowing a portion of the costs, allocated among all programs run by the organization. However, at this time there is no change to the DMR Cost Accounting Standards. We will notify the providers if and when a change to the website category in the DMR Cost Accounting Standards is issued.
- ❖ The difference between training versus conferences.
While training does occur at conferences, training and conferences are different costs. Training for vocational effectiveness as well as effectiveness of executives and managers are stated in the Cost Accounting Standards as allowable costs under training. Conferences are also allowable costs under meetings and conferences and require prior approval if the costs are \$500 or greater per event.

Training is a program of instruction. Conferences are typically sponsored by a group, i.e. Non-Profit Conference sponsored by CSCPA and are typically held at a hotel/resort/expo center, etc. Both trainings and conferences may have continuing education credits or certificates. Training may also be required to maintain status to meet programmatic needs of DMR programs.

- ❖ Could gifts in reinforcement programs be an allowable cost?
Gifts used in reinforcement programs would appear to be an allowable program cost. However, at no time should client personal funds be held back from a client as part of the reinforcement program, as their personal funds are their funds.
- ❖ Could gift cards for use in recreation be an appropriate charge to DMR award?
Further details would have to be submitted before a definitive answer can be given, such as what type of gift cards would be used for recreation – a Visa gift card or a gift card for use at a specific location?

Currently, the Department would not recommend using gift cards due to concerns over control of the gift card and tracking the purchase and use of gift cards.

- ❖ What is meant by parties being unallowable ~ i.e. birthday parties for clients or administrative parties?
The DMR Cost Accounting Standards state that all costs related to parties and/or picnics are unallowable. Typically the parties/picnics referred to in the Cost Standards were organization-wide parties, i.e. holiday party or summer picnic or some such party/gathering, as being unallowable. If parties are held at the group home or day program sites and are for client related occasions, these would typically be allowed. However, this is an area that is subject to review during an Audit.
- ❖ Meetings: clarification of prior approval limit – is it per person or total?
The DMR Cost Accounting Standards state that meetings and conferences require prior approval for amounts \$500 or greater per event. This would mean if the event cost is \$500 or greater prior approval is required, regardless of the number of people attending or cost per person.
- ❖ Interest Cost Standard states that interest is allowable subject to needs justification is provided to DMR ~ how to communicate this, in the capital development process? Does this mean if debt is incurred, prior approval is required? For buildings and not vehicles?
The DMR Cost Accounting Standards Interest cost item states that “...Interest on debt incurred to acquire or replace capital assets, used in support of sponsored agreements is allowable, provided that: **Upon request**, the needs justification must be provided to the DMR as a prerequisite to the continued allowability of interest on debt and depreciation related to the facility.”

This cost standard is protecting against the DMR programs funding the total cost of the interest to acquire or replace capital assets, without any Department review or consent. The capital development process, as noted in the question, has nothing to do with the Cost Accounting Standards, as the Cost Accounting Standards are for DMR costs; capital development costs are DSS costs and are not covered in the DMR Cost Accounting Standards. Should the Department request that a needs justification be submitted we would expect sufficient details so that DMR can review and provide an educated response to the provider.

We hope that we have provided guidance on the topics that were submitted for our review and comment. If providers have further questions, please contact me at (860) 418-6026 or at Roger.Deschenes@po.state.ct.us.

Sincerely,
Roger Deschenes

Roger Deschenes
Operations Manager for
Contract Management

cc: Doug Davies
Krista Pender