

TO: Juvenile Welfare Board Members  
FROM: James E. Mills, Executive Director  
Lisa A. Sahulka, Director of Programs & Finance

**Requested Action**

The Board is requested to approve revisions to JWB funding policies.

**Options**

1. Approve revisions to the JWB funding policies.
2. Deny the request.
3. Modify the proposed policies
4. Any other action the Board deems appropriate.

**Recommended Action**

1. Approve revisions to the JWB funding policies.

**Source of JWB Funds**

N/A

**Fiscal Impact**

N/A

**Narrative**

Staff is proposing Board funding policy revisions to clarify the existing language for reimbursement of administrative cost and to recommend the addition of two policies for subcontracting. Additional revisions to Board policy may be proposed following conclusion of the Strategic Planning process.

JWB Board policy currently allows documented administrative costs up to 20% of the JWB allocation. As a point of reference many funders limit administrative cost to 5% or do not reimburse at all. This issue is an important matter to the Board, because it impacts the amount of funding directly allocated for program services.

As a reference for Board members: Direct costs are those costs that can be identified specifically with delivery of a particular service or activity, and that can be directly assigned to the program relatively easily with a high degree of accuracy. Indirect or administrative costs are management and infrastructure costs of the funded agency that support the overall activities of its programs and management.

The current policy states that:

JWB will pay up to 20 cents on every dollar for documented administrative costs. Designated as "Management and general", these are activities that are not identifiable with program or fund-raising activity, but that are indispensable to the conduct of those activities and to an organization's existence. They include oversight, business management, general record keeping, information technology, budgeting, financing, and related administrative activities, and all management and administration except for direct conduct of program services or fund-raising activities. The costs of oversight and management usually include the expenses of the governing board, and the salaries and related expenses of the chief executive officer and senior management of the organization, and the supporting staff.

JWB seeks to pay 80 cents or more on every dollar provided for direct program services. (Examples include counseling, case management, youth development activities, home visiting and childcare, etc.)

JWB does not pay for fundraising activities.

## **ADMINISTRATIVE COST REIMBURSEMENT**

### **Proposed Change:**

#### **2-4.18 JWB does not fund:**

~~13. Indirect administrative cost rates which exceed 20% nor does it fund administrative costs which exceed 20% of the JWB program allocation.~~

Excessive Administrative Costs. "Excessive" means:

- a) Any approved indirect administrative cost rate in excess of 20%.
- b) Any indirect administrative cost rate that exceeds the otherwise approved agency indirect administrative cost rate.
- c) Any administrative costs which exceed 20% of the JWB program allocation (whether by direct charge, administrative cost rate or any combination).
- d) Aggregated administrative costs for contracted agencies and their subcontracted providers in excess of 20% of the program allocation, when such subcontracting is a part of the methodology and the subcontract is subject to the approval of JWB.

**Reason:** Staff is proposing clarification in this policy area to clearly state that while JWB is supportive of reasonable administrative costs, the Board has defined reasonable as no more than 20%. These policies revisions tighten this standard by clearly stating that an agency:

- may charge no more than its administrative cost rate;
- may charge no more than 20% of the JWB allocation
- in a subcontracting relationships, may charge no more than an aggregated total of 20%, and administrative costs cannot be compounded at each level.

Staff began the process of requiring agencies to develop an administrative cost rate during FY 01-02. This reduces the practice of agencies charging an administrative cost rate and also direct charging administrative costs, the total of which at times has



exceeded 20%. Because of differing and sometimes unrealistic administrative cost policies of other funding entities, JWB staff has attempted to be flexible in dealing with administrative costs within the 20% cap. Staff has, on a case by case basis, primarily based on agency size and infrastructure, allowed smaller agencies to continue direct charging administrative costs. Of the 77 agencies currently funded by JWB, approximately 40% have established administrative cost rates with an average rate of 13% to 14%. Approximately 10 remaining agencies are targeted for technical assistance in developing an administrative cost rate in FY 03-04.

## **SUBCONTRACTS**

### **Proposed addition:**

**2-4.19** No contracted agency, whose methodology includes a subcontracted provider where the subcontract requires the approval of JWB, may change the subcontracted provider or the terms of the subcontract without prior JWB approval.

**Reason:** Staff has proposed adding a provision to the policies, requiring providers to receive JWB approval prior to changing subcontractors in a JWB funded collaboration. When JWB funds a collaboration its decision is based on the collective strengths of the partners. Changing collaborative partners can impact the viability of the program.

### **Proposed addition:**

**2-4.20** Any contracted agency whose methodology includes a JWB approved subcontract may be granted an extended period of time of up to two weeks to prepare and submit their final reimbursement at the close of the fiscal year.

**Reason:** Staff is recommending that a special provision be made for agencies that subcontract for delivery of services as a part of their approved methodology. The deadline for the last reimbursements is currently scheduled for 10 days after the close of the fiscal year, allowing the Finance Department the necessary time to complete requirements for the annual audit, due to the Board 120 days after the close of the fiscal year.

Extending this deadline by 14 days for agencies that are in JWB approved subcontracting relationships with other providers, would assist those providers in submitting final reimbursement requests. The fiscal administration for these agencies is more complex and may require several layers of aggregated approval, some at the State level.