

FY 2026

**COST GUIDELINES for Child Placement
Agencies, Education Programs, & Non-
Residential Providers**

Updated December 2024

Interagency Rates Committee (IRC), comprised of:

Governor's Office for Children

Maryland Department of Budget and Management

Maryland Department of Health

Maryland Department of Human Services

Maryland Department of Juvenile Services

Maryland State Department of Education

Table of Contents

OVERVIEW.....	4
Purpose.....	4
Legal and Regulatory Foundation of Cost Guidelines.....	4
Basic Accounting Considerations.....	4
STANDARDS OF ACCOUNTING.....	5
Key Concepts.....	5
Functional Accounting Requirements.....	6
Proration of Expenses.....	7
Time Reporting.....	7
SUPPORTING SERVICES.....	7
Management and General.....	8
Personnel Administration:.....	8
Fundraising.....	8
DIRECT COST & EDUCATION FUNCTIONS.....	9
Direct Cost Function.....	9
Staffing Criteria.....	9
Social Work Services.....	9
Health Related Services.....	10
Clinical Services.....	10
Education Function.....	11
Recommended Salaries for Staff.....	11
HANDLING REVENUE.....	14
Use of Outside Income.....	14
Grants.....	14
EXPENSES.....	14
Employees' Salaries.....	14
Employees' Benefits and Payroll Taxes.....	15
Professional Fees and Contract Service Payments.....	15
Client Maintenance Supplies.....	16
Telephone and Telegraph.....	16
Postage and Shipping.....	16
Occupancy.....	17
Cost of Space.....	17

Rental Costs and Related Party Transactions	17
Other Occupancy Costs.....	17
Property Insurance and Taxes.....	18
Taxes	18
Insurance.....	18
Rental and Maintenance of Equipment.....	18
Supplies (Other than for Client Maintenance).....	18
Outside Printing and Publications.....	18
Travel	19
Conferences, Registration Fees and Meeting Costs	19
Specific Assistance to Individuals.....	20
Treatment Foster Care Board Payments, Respite Care, Difficulty of Care	20
Membership Dues.....	20
Awards and Grants.....	21
Recruitment and Miscellaneous Personnel Expenses	21
Depreciation and Use Allowances	21
Interest Expense	21
UNALLOWABLE COSTS	21
COST ACCOUNTING.....	22
Accounting	22
Determining Annual Costs	23
Utilization Rates.....	23
SUBMISSION OF ANNUAL FINANCIAL AUDITS	23
Audit Requirements.....	23
Audit Penalty.....	24
Retained Earnings	24

OVERVIEW

Purpose

These Guidelines define the allowable expenses for the care of children in out-of-home placement and apply to child placement agencies, education programs, and non-residential providers that receive a rate from the IRC to provide services to children.

Legal and Regulatory Foundation of Cost Guidelines

The Code of Federal Regulations, Title 2, Grants and Agreements, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards establish the principles for determining the costs of grants, contracts, and other agreements with non-profit organizations.

Additionally, all non-profit organizations are governed by Section 501 of the Internal Revenue Service Code, Exemptions from tax on Corporations, Certain Trusts, etc.

Other State Laws and Regulations

The Family Law Article, Sections 506, 507, and 509, Annotated Code of Maryland, requires that the care of non-related children be licensed. Such licensure is issued by various state agencies according to the category of service provided.

Basic Accounting Considerations

1. Composition of Total Costs

The total cost of a contract program is the sum of the allowable direct and indirect costs allocated to the program, less any applicable credits. The same accounting system must be used for all programs.

2. Definition of Reasonableness

A cost is reasonable if:

- In its nature or amount, it does not exceed that which would be incurred by an ordinarily prudent person in the prevailing circumstances;
- The cost is of a type generally recognized as ordinary and necessary for the operation of the program or the performance of the contract;
- It is consistent with the restraints or requirements imposed by such factors as generally accepted sound business practices, absence of any conflict of interest, Federal and State laws and regulations, and contract terms and specifications;
- It is the action that a prudent person would take under a given circumstance, considering responsibilities to the public at large, the State, employees, and clients; and
- It does not significantly deviate from the established practices of the institution or unjustifiably increase the contract costs.

3. Definition of Allowable Cost

A cost is allowable if it is assignable or chargeable to a particular cost object in accordance with the relative benefits received and if it:

- Is incurred specifically for the contract;
- Benefits the contract or other functions and can be distributed in reasonable proportion to the benefits received;
- Is necessary to the overall operation of the institution, when a direct relationship to any cost objective cannot be shown;
- Is determined in accordance with Generally Accepted Accounting Principles (GAAP);
- Is not included as a cost or used to meet cost sharing or matching requirements of any federally financed program; or
- Is adequately documented.

4. Applicable Credits

The term applicable credits refer to those receipts or negative expenditure types of transactions which operate to offset or reduce expense items that are allowable to contracts as direct or indirect costs. Typical examples of such transactions are as follows: receipts from other government agencies, purchase discounts, rebates, or allowances; recoveries or indemnities on losses; sales of scrap or incidental services; and adjustments of overpayment or erroneous charges. The applicable portion of any income, rebate, allowance, and other credit relating to any allowable cost, received by, or accruing to the contractor shall be credited as a cost reduction.

STANDARDS OF ACCOUNTING

Key Concepts

All non-profit child care agencies and institutions are required to maintain their financial records according to the **Standards of Accounting for Voluntary Health and Welfare Organizations**. The Standards of Accounting contain three key concepts:

1. **Accrual Basis** - Revenue and expense are related to and identified with specific time periods when they are incurred;
2. **Fund Basis** - Fund accounting is a classification system for a logical grouping of assets according to the purpose for which they are donated. The American Institute of Certified Public Accountants in its Audit Guide recognized five main categories of fund: Current Unrestricted Fund; Current Restricted Fund; Land, Building and Equipment Fund; Endowment Fund; and Custodian Fund.
3. **Functional Basis** - Method of accounting which requires that the year-end financial reports segregate the agency's expenditures into two broad categories. Supporting Services are those activities which enable the agency to remain in business so that it can provide program services. Program Services are those services for which the agency exists.

For Cost Guideline purposes, the functional basis of accounting will be the focal point of discussion.

Functional Accounting Requirements

The adoption of the **Standards of Accounting for Voluntary Health and Welfare Organizations** by the State of Maryland requires that organizations maintain financial records both by item (salaries, telephone, etc.) and by function. Functions can be broken down into supporting services and program services.

Budget forms have been developed to obtain the following information on **supporting services**:

- **Management and General Services** - A variety of activities not identifiable with program functions, but which are indispensable to their conduct and to the organization.
- **Fundraising Services** - Expenses of all activities that constitute an integral and inseparable part of appeal for financial support.

The program services for purchase of care programs are Direct and Education.

- **Direct Services** are defined as costs that cannot be clearly defined as unallowed, Management and General or Education.
- **Education Services** are defined as activities which involve operating an on-ground educational program, approved by the Maryland State Department of Education.

Homework help and tutorial support provided before or after the regular school program are not education costs, but would be included in **Direct Cost**.

Organizations are required to further detail the Direct Cost function for salary costs into the following service elements:

Direct Child Services (Room and Board)

Room and Board are defined as any activity which contributes to providing children with housing, food, clothing, school supplies or personal incidentals.

Medical

Medical refers to the administration of medical procedures which requires the individual carrying out the procedure to be licensed under state law as a medical professional. Educational testing or assessment as well as diagnosis and evaluation of a child's health conditions are also included.

Clinical Services

- Psychological Assessment/Evaluation
- Behavior Plan Development
- Individual Counseling
- Family Counseling
- Cognitive Behavioral Therapies
- Expressive Therapies
- Pharmacology

Proration of Expenses

Expenses can be allocated to the Direct Care or Education function and respective service elements either directly or indirectly.

Direct Costs:

A direct cost is any cost (line item expense) which can be identified specifically with a particular function or service element. The application of direct costs and the proration of indirect costs to the Direct Care and Education function and other functions within the agency must be consistent.

Indirect Costs:

An indirect cost is one which, because it is incurred for common or joint objectives, cannot be charged directly to a function or service element. After direct costs have been determined and charged directly to the appropriate function or service element, the remaining expenses are indirect costs to be allocated to two or more functions or service elements. The overall objective of the allocation process is to match the indirect costs in reasonable proportions with the benefits provided to those functions, service elements or cost objectives. Proration of indirect costs may be accomplished using space utilization or hours (verified by reporting records).

A base period for distribution of indirect costs is that period wherein statistics are accumulated for work performed within that period. The accumulated statistics will be used for distribution of costs to two or more functions or service elements. The base period should coincide with the fiscal year established by the program. The base period should be selected to avoid inequities in the distribution of costs.

Time Reporting

Since staff compensation constitutes the largest single expense of an agency, the proration of single staff time to program or supporting services is essential for an accurate reflection of functional costs. Time reporting records must be maintained for all staff.

For employees who are assigned to more than one function or service element, time reporting records must be maintained to verify the proration of staff related expenses to functional or service element areas. Time reporting may include daily or periodic records. A sampling of time reporting records should be conducted for employees whose activities vary considerably throughout the year and from year to year.

Contracting agencies, including DHS, may periodically survey staff assigned to more than one function to validate the percentage of their time that can be charged to Federal funding sources.

SUPPORTING SERVICES

Supporting Services, sometimes referred to as administrative costs, include two functions:

- 1. Management and General**
- 2. Fundraising**

For purposes of financial reporting, the program will be accumulating the costs for supporting services for the total facility in operation. Those agencies which have more than one program function or service element shall prorate allowable supporting service costs in a uniform and equitable manner to each program function or service element.

Management and General

Expenses related to the following activities are to be reflected in the Management and General function: overall executive direction of the agency; office management; auditing; bookkeeping; budgeting; personnel recruitment; general record keeping; corporate legal services; and board activities. This listing is representative of the types of activities to be reflected in this function and is not intended to be exhaustive.

Time spent on directly supervising fundraising or program function/service element staff is to be charged to those functions and not to the Management and General Function.

Generally, small programs do not require full-time administrative staff. Where several such programs are administered by a single corporation, a full-time director and secretary become essential to good management. Salaries for staff should generally be the equivalent of comparable positions within the State system. (See Section IV.)

Costs associated with other specific types of activities under Management and General may include, but are not limited to, the following:

Personnel Administration:

Costs for the recruitment, certification, classification, establishment of pay standards, and related activities are **ALLOWABLE**.

- **Payroll Preparation:** The cost of preparing payroll and maintaining necessary related wage records is **ALLOWABLE**.
- **Budgeting:** Costs incurred for the development, preparation, presentation, and execution of budgets are **ALLOWABLE**.
- **Procurement Service:** The cost of procurement service, including solicitation of bids, preparation and award of contract, and all phases of contract administration in providing quality programs and services is **ALLOWABLE**.
- **Training and Education:** The cost of training provided for employee development which directly or indirectly benefits contract programs is **ALLOWABLE**.
- **Information Technology:** The cost of any computers, storage, networking and other physical devices, infrastructure, and processes to create, process, store, secure and exchange all forms of electronic data including maintenance and support of this function.

Fundraising

This function includes costs associated with the solicitation of contributions, bequests and foundation grants, the costs of transmitting appeals to the public and the staff costs connected with the campaign.

Fundraising activities shall be allocated an appropriate share of indirect costs. However, fund raising costs are **UNALLOWABLE**. Please refer to Article 19, Annotated Code, Section 26-A, Uniform Accounting Standards.

DIRECT COST & EDUCATION FUNCTIONS

Direct Cost Function

The program service function, Direct Cost, is defined as any cost which cannot be clearly defined as unallowed, Management & General, Fundraising or Education. For this element, a definition is provided and where appropriate the specifications relating to the functions and qualifications of staff. It is recognized in these definitions that services will vary with the intensity of service needed rather than be related directly to the size of the program.

The following cost items are included, but Direct Cost is not limited to:

- Salaries of case management staff.
- Support staff.
- Staff benefits, taxes, and insurance.
- Occupancy costs and costs of maintenance and upkeep of the facility, where directly applicable.
- Food supplies, equipment, telephone, travel, transportation.
- Clothing and personal needs.
- Costs associated with ensuring the child's religious freedom, right to education, and constructive use of leisure time.

Staffing Criteria

The number of staff employed, their professional training, number of supportive or back-up staff employed, and number of specialized staff employed, as well as ranges of salaries paid, may all vary with the needs of the children.

An appropriate staff development and training program is needed to ensure professional development of staff and should be geared to the individual needs of the staff. The annual salary of staff should adequately compensate for overtime and hours worked and shall comply with appropriate wage and hour laws and regulations.

Social Work Services

The Department of Juvenile Services and the Department of Human Services Standards and Licensing Procedures for Care of Children, define the social worker as having the responsibility for screening applications; serving as the liaison with the family and community; providing casework service for the child; and helping to plan for the child's discharge and aftercare. In addition, the social worker coordinates the planning, treatment, and staffing for individual children. Note: These types of services are considered case management and should be reported under Direct Child Services.

For any social work services cost to be allowable by the State, an appropriately licensed social worker shall be on staff or on contract and must provide or supervise the provision of social work services. Social work licensure is required by the Annotated Code of Maryland (Health Occupations Article 18-101....18-502 and COMAR 10.42.02).

Costs of both social work staff and social work consultation services may be charged to this service element. Other related non-staff costs may also be charged to this service element when properly documented.

Any services provided by social work staff considered to be Clinical Services should be reported under Clinical Services. Staff who provide multiple services should be prorated appropriately.

Health Related Services

In general, the qualifications of health-related staff are determined by appropriate licensing or certification for that profession.

- **Physicians** - To assure the availability of services as needed the services of a physician can be obtained most efficiently on a fee-for-service basis.
- **Nursing** - Nursing staff is allowed and may be required, depending on the population served.
- **Licensed Registered Nurse (RN)** - Since State licensing requires that all LPN's be supervised by an RN, only larger programs will generally utilize both types of staff.
- **Dentistry** - Dental services can best be made available on a contractual or fee-for-service basis and should be available for annual check-ups and on an "as needed" basis for emergencies.
- **Health Specialist** - Special services may be required (such as a gynecologist where females are the primary population served).
- **Therapist, such as Occupational, Physical and Speech** - Other unique types of therapy are allowable if diagnostically indicated and appropriate for the type of program.

Other non-staff costs related to accessing medical services (travel, etc.) are allowable. Also, health-related items not covered by Medicaid (i.e. over-the-counter drugs and eyeglasses) are allowable as needed.

Clinical Services

In general, the qualifications of clinical related staff are determined by appropriate licensing or certification for that profession.

- **Psychologists** – An individual who is licensed and legally authorized to practice as a psychologist: (a) under Health Occupations Article, Annotated Code of Maryland; or (b) in the state where the service is rendered. Functions may involve assessment and diagnosis of developmental disorders and the administration of personality or other psychological tests not required to be completed by the school system. They may also consult with other professionals involved in a child's care.
- **Psychiatrist** – A physician who (a) is certified in psychiatry by the American Board of Psychiatry and Neurology; or (b) has completed the minimum education and training requirements to be qualified to take the Board of Psychiatry and Neurology examination for certification in psychiatry.

A psychiatrist is a licensed specialist who diagnoses, assesses, and treats children living with emotional, mental health, behavioral, and developmental disorders. Consultation and on-going medication management may also be provided.

- **Mental Health Professional** – An individual who is licensed, certified, or otherwise legally authorized to provide the mental health service under Health Occupations Article, Annotated Code of Maryland.

Education Function

Educational programs are reimbursable when they are full-time and not otherwise available. Reimbursement is made only for periods of actual attendance. To be chargeable, the program must be operated as an extension of the facility. Educational services are of two types:

1. A school which has been approved by the Department of Education; or
2. A transitional or developmental educational program geared to the specific therapeutic needs of the individual. This must include a planned return of the child into the educational mainstream. All individuals in this program must have an individual educational plan that is time and goal specific and compatible with the child's total treatment plan. It should include reasons why the child cannot attend public school and when the child is expected to return to public school or another educational program.

A vocational program must be geared to the career goals of the individual and may include work or job readiness. All teaching staff shall be certified by the State Department of Education.

Recommended Salaries for Staff

In developing salary scales for staff, two variables must be considered:

1. The number or variety of staff needed due to the size of the program and intensity of services.
2. The experience and professional training of the staff as required by the program plan and the children's service needs.

The salaries noted on the following pages are comparable positions in various sized State operated programs. They are referenced because they reflect the only statewide, structured salary system in effect. **Salaries below have been updated per the Department of Budget and Management State Salary Plan effective July 2024.**

The Salary Plan may be accessed on the Department of Budget and Management website at: [Maryland Department of Budget & Management Salary Schedules](#) and by clicking on State Salary Schedules and then Standard Salary Schedule (PDF). A copy of the comparable state job descriptions can be found on the Department of Budget and Management website at: [Maryland Job Class Specifications](#).

The beginning level ***is not guaranteed*** to be included in a provider’s rate. The upper level represents the State limit on any given salary. Providers should use this information to determine if requested salaries are reasonable.

Administrative Staff

The number of administrative staff will vary with the size, complexity, and intensity of the program. Salary will be determined by the functions or tasks performed by an individual in each position.

Program Position Equivalent	State Personnel Classification	Grade	Salary Range	
Executive Director	Administrator I	16	\$ 60,987	\$ 98,313
Executive Director	Administrator II	17	\$ 64,984	\$ 104,954
Executive Director	Administrator III	18	\$ 69,323	\$ 112,044
Executive Director	Administrator IV	19	\$ 73,957	\$ 119,942
Executive Director	Administrator V	20	\$ 78,919	\$ 127,473
Executive Director	Administrator VI	21	\$ 84,229	\$ 136,003
Executive Director	Administrator VII	22	\$ 89,913	\$ 145,151
Controller	Fiscal Services Admin I	19	\$ 73,957	\$ 119,942
Controller	Fiscal Services Admin II	20	\$ 78,919	\$ 127,473
Controller	Fiscal Services Admin III	21	\$ 84,229	\$ 136,003
Controller	Fiscal Services Admin IV	22	\$ 89,913	\$ 145,151
Controller	Fiscal Services Admin V	23	\$ 95,991	\$ 154,928
Controller	Fiscal Services Admin VI	24	\$ 102,426	\$ 165,372
Accountant	Accountant I	15	\$ 57,275	\$ 92,108
Accountant	Accountant II	16	\$ 60,987	\$ 98,313
Bookkeeper	Fiscal Accounts Supervisor	13	\$ 50,565	\$ 80,884
Office Secretary	Office Secretary I	8	\$ 37,271	\$ 58,911
Office Secretary	Office Secretary II	9	\$ 39,584	\$ 62,705
Office Secretary	Office Secretary III	10	\$ 42,056	\$ 66,759

Recreation

Recreational programs require separate attention. Staffing patterns for such programs may range from one person coordinating activities to a separately administered program of recreational therapy.

Program Position Equivalent	State Personnel Classification	Grade	Salary Range	
Recreation	Recreation Specialist I	12	\$ 47,536	\$ 75,820
Recreation	Recreation Specialist II	13	\$ 50,565	\$ 80,884

Education

The necessity and the scope of the educational program will be determined by the needs of the children in a particular program. Staff salary scales are based on experience, professional training, and the needs of the children served.

Social Work Services

The professional training of the social work staff will be the major determinate of the salary scale. The complexity of treatment for therapeutic functions performed by the staff are also determinates. Costs may include time in family therapy, individual psychotherapy, group work, treatment coordination, etc.

Program Position Equivalent	State Personnel Classification	Grade	Salary Range	
Social Worker	Social Worker I Family Services	16	\$ 60,987	\$ 98,313
Social Worker	Social Worker II Family Services	17	\$ 64,984	\$ 104,954

Health Related Services

The amount of health-related staff utilized will be a function of size, complexity and intensity of the program offered. A small, less intensive program may provide on call or contractual services, while a larger, intensive program may provide full time staff in addition to contractual services.

Program Position Equivalent	State Personnel Classification	Grade	Salary Range	
Nurse	LPN I	13	\$ 50,565	\$ 80,884
Nurse	LPN II	14	\$ 53,808	\$ 86,322
Nurse	LPN III	15	\$ 57,275	\$ 92,108
Nurse	RN	17	\$ 64,984	\$ 104,954
Dentist	N/A	N/A	Fee for service	
Psychiatrist	N/A	N/A	Fee for service	
Psychologist	N/A	N/A	Fee for service	
Physician	N/A	N/A	Fee for service	

HANDLING REVENUE

Use of Outside Income

The agency is required to identify revenue from all sources. All revenue and expenses are to be included in an agency's budget and are to be accounted for in the agency's financial records. However, private contributions and certain governmental funds shall be excluded in determining a rate.

Grants

A grant or any revenue generated through governmental agencies must be considered an applicable credit unless the grant or revenue source specifies usage of funds for purposes not generally allowable (such as capital improvements). For example, income from Job Training or U.S. Department of Agriculture funds for food are considered applicable credits. Gross expenditures are to be reflected in the line item and function, and income is to be reflected in the appropriate revenue line item and charged to the proper function.

EXPENSES

The following is a brief description of each expense category.

Employees' Salaries

Compensation for personnel services includes all remuneration, paid currently, or accrued, for services rendered during the period of performance under the contract agreement, including but not necessarily limited to wages, salaries, and supplementary compensation. The costs of such compensation are

ALLOWABLE to the extent that total compensation for individual employees is reasonable for the services rendered.

Amounts charged to service programs for personnel services, regardless of whether treated as direct or indirect costs, will be based on documented payrolls. Payrolls must be supported by time and attendance or equivalent records for individual employees.

CHARGE: Directly to appropriate function or services element or allocated to two or more functions or service elements.

Employees' Benefits and Payroll Taxes

Employees' benefits in the form of employer's contribution or expenses for Social Security, employees' life and health insurance plans, unemployment insurance coverage, workers' compensation insurance, pension plans, and the like, provided such benefits are granted under approved plans and are distributed EQUITABLY are ALLOWABLE.

CHARGE: In accordance with employee salaries.

Professional Fees and Contract Service Payments

1. **Legal Fees.** The costs of legal expenses required in the administration of service programs are ALLOWABLE.

(Legal expenses incurred in connection with organization and reorganization and with the prosecution of claims against the Federal and State Governments are UNALLOWABLE.)

CHARGE: Corporate legal fees are to be Management and General; program-related legal fees are to be charged directly to the appropriate function.

2. **Accounting and EDP Services.** The facility will establish and maintain accounting and other related electronic data processing (EDP) systems required for the management of service programs.

CHARGE: Management and General

3. **Audit Fees.** The cost of audits necessary for administration and management of functions related to contract programs are ALLOWABLE.

CHARGE: Management and General

4. **Temporary Help**

CHARGE: Directly to one function or service element or allocated to two or more appropriate functions or service elements.

5. **Social Work**

CHARGE: Direct Costs.

6. **Psychiatric Fees**

CHARGE: Direct Costs.

7. **Psychologist Fees**

CHARGE: Direct Costs.

Client Maintenance Supplies

The cost of materials and supplies necessary to carry out the service program are **ALLOWABLE**. Purchases made specifically for the program should be charged at their actual prices after deducting all quantity discounts, rebates, and allowances received.

Withdrawal from general stores or stockrooms should be charged at cost under any recognized method of pricing consistently applied. Incoming transportation charges are a proper part of material cost.

1. Food Supplies

(a) Purchased Food

(b) Other (explain)

CHARGE: Direct Costs

2. Clothing and Personal Needs Supplies

CHARGE: Direct Costs

3. Medical Supplies

CHARGE: Direct Costs

4. Recreation and Craft Supplies

CHARGE: Direct Costs

5. Educational Supplies

CHARGE: Education if there is an on-grounds school, otherwise Direct Cost.

Telephone and Telegraph

Communication costs incurred for telephone calls or service, telegraph, teletype service, wide area telephone service (WATS), Centrex (TIE LINES), postage, messenger service and similar expenses are **ALLOWABLE**. It is expected that each program will make available whatever communications systems are necessary to assist clients to maintain contact with natural parents, former foster parents, or other relatives with whom they have an emotional attachment.

CHARGE: Split between Direct Cost, Management and General, Education or Unallowable, either by direct charge or by allocation.

Postage and Shipping

CHARGE: Split between Direct Cost, Management and General, Education or Unallowable.

Occupancy

Cost of Space

The cost of space in privately or publicly owned buildings used for the benefit of the program is **ALLOWABLE**.

The total cost of space is allowable to the extent that it is reasonable and does not exceed the rental cost of comparable space and facilities in the same locality. For space costs which seem excessive, additional data may be requested. The cost of space procured for program usage may not be charged to the program for periods of non-occupancy.

Rental Costs and Related Party Transactions

Rental costs of land and buildings are allowable if the rates are reasonable in light of such factors as rental costs of comparable facilities and market conditions in the area, type, life expectancy, condition, and value of the facilities leased, options available, and other provisions of the rental agreement. In addition, 8 to 10% of the assessed value will generally be the maximum allowance.

Rental costs specified in sale and leaseback agreements incurred by providers through selling facilities to investment organizations, such as insurance companies, associate institutions, or to private investors, and who are concurrently leasing back the same facilities, are allowable only to the extent that such rentals do not exceed the amount which the service provider would have received had it retained title to the facility.

Rentals for land and buildings owned by affiliated organizations including corporations or by the stockholder's members, directors, trustees, officers, or other key personnel of the institution or their families, either directly or through corporate trusts, or other similar arrangements in which they hold more than token interest are allowable if not forbidden by the licensing authority or State/Federal law. They are allowable only to the extent that such rentals do not exceed the amount the facility would have received if legal title to the facilities had been vested in it. Such charges shall not exceed the normal costs of ownership, such as depreciation, interest, taxes, insurance, and maintenance provided that no part of such costs shall duplicate any other costs.

Other Occupancy Costs

The cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, normal repairs and alterations are **ALLOWABLE** to the extent they are not otherwise included in rental or other charges for space.

CHARGE: Split between Direct Cost, Management and General, Education or Unallowable by direct charge or by allocation based on square footage.

Property Insurance and Taxes

Taxes

In general, taxes or payments in lieu of taxes which the agency is legally required to pay are **ALLOWABLE**.

Insurance

Costs of insurance required, approved, and maintained pursuant to the contract are **ALLOWABLE**.

Costs of other insurance in connection with the general conduct of activities are **ALLOWABLE**, subject to the following limitations:

- Types, extent, and cost of coverage will be in accordance with sound business practices and the rate and premiums shall be reasonable.
- Costs of insurance or of contributions to any reserve covering the risk of loss of damage to Federal Government property are allowable only to the extent that the institution is liable for such loss.

Contributions to a reserve for a self-insurance program are **ALLOWABLE** to the extent that the type of coverage, and the rates and premiums would have been allowed had insurance been purchased to cover the risks.

Actual losses which could have been covered by permissible insurance (through an approved self-insurance program or otherwise) are **UNALLOWABLE** unless expressly provided for in the contract agreement. However, costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage and disappearance of small hand tools which occur in the ordinary course of operations, are **ALLOWABLE**.

CHARGE: Split between Direct Cost, Management and General, Education or Unallowable by direct charge or by allocation.

Rental and Maintenance of Equipment

CHARGE: Direct according to whoever uses equipment.

Supplies (Other than for Client Maintenance)

CHARGE: Management and General

Outside Printing and Publications

- 1. Outside Printing.** Cost for printing and reproduction services necessary for administration and community relations, including, but not limited to forms, reports, manuals, and information literature, are **ALLOWABLE**.

CHARGE: Management and General

2. Other Publicity and Promotion Expenses. Advertising media including newspapers, magazines, radio and television programs, direct mail, trade papers, and the like. Advertising costs **ALLOWABLE** are those which are solely for:

- (a) Recruitment of personnel required for the program.
- (b) Solicitation of bids for the procurement of goods and services.
- (c) Disposal of scrap or surplus materials acquired in the performance of the contract agreement.
- (d) Other purposes specifically provided for in the contract agreement.

CHARGE: Management and General

3. Subscriptions and Publications. The cost of books and subscriptions to civic, business, professional, and technical periodicals are **ALLOWABLE** when related to the contract program.

CHARGE: Direct to individual element or service function of staff incurring expense.

Travel

Travel costs are **ALLOWABLE** for expenses for transportation, lodging, subsistence, and related items incurred by employees or by children in care, who are in travel status on official business incidental to the contract program. Such costs may be charged on an actual basis, on a per diem or mileage basis in lieu of actual cost incurred, or on a combination of the two, provided the method used is applied to an entire trip, and results in charges consistent with those normally allowed in like circumstances in non-federally sponsored activities. Visitations of children to their own homes or other appropriate community residences should be arranged for in the interest of enabling the child to return to his permanent residences in the community as early as possible. Such visitations may occur weekly, but should occur no less frequently than as determined by the placing agency. Cost allowances should be anticipated accordingly.

CHARGE: Direct to individual element or service function of staff incurring expense. For clients, charge to direct costs.

The State reimbursement rate per mile driven is 67¢. The State mileage reimbursement may be accessed on the Department of Budget and Management website at: [Maryland State Department of Budget & Management Fleet Management Services](#) and by clicking on **Privately Owned Vehicle Reimbursement Rates** effective January 1, 2024.

Conferences, Registration Fees and Meeting Costs

1. Conferences and Registration Fees. All travel and living expenses incurred by the agency in sending staff members to conferences are to be included in this category. Registration or tuition costs for such conferences or institutions are also in this category.

CHARGE: Direct to individual element or service function of staff incurring expense. For clients, charge to direct costs.

2. **Agency Meeting Costs.** This item includes costs of meals, transportation, rental facilities for meetings, and incidental costs where the costs are primarily incurred for the dissemination of technical information and are program related. Such costs are ALLOWABLE.

CHARGE: Direct to individual element or service function of staff incurring expense. For clients, charge to direct costs.

Specific Assistance to Individuals

Allowances should be budgeted to meet the clothing and personal needs of children. It is recognized that clothing needs will vary dramatically, depending upon the former circumstances of the child. Per Maryland DHS [Policy SSA 19-16 CW Guidelines for Foster Care Board Rate and Expenditures](#) issued July 1, 2019 the minimum clothing allowance will be as follows:

- **Infant to age 5** **\$60 per month per child**
- **Ages 6 to 11** **\$75 per month per child**
- **Age 12 and over** **\$100 per month per child**

Provider budgets are expected to contain the appropriate amount per child. Likewise, a weekly personal allowance should be made available for all children to meet individual needs as outlined in DHS Policy Directive SSA-CW #19-16 issued July 1, 2019. The amounts listed below are minimum guidelines:

- **Ages 5-7** **\$2**
- **Ages 8-11** **\$5**
- **Ages 12-13** **\$10**
- **Ages 14-16** **\$15**
- **Ages 17 and above** **\$20**

CHARGE: Direct Cost

Treatment Foster Care Board Payments, Respite Care, Difficulty of Care

Cost paid to foster parents for the care of children.

CHARGE: Direct Cost

Membership Dues

The cost of membership in civic, business, technical and professional organizations is **ALLOWABLE**, provided:

1. Benefit from the membership is related to the program;
2. Expenditure is for agency membership; and
3. Cost of the membership is reasonably related to the value of the services or benefits received.

CHARGE: Management and General

Awards and Grants

CHARGE: Direct to individual element or service function.

Recruitment and Miscellaneous Personnel Expenses

Cost of classified advertisements, agency fees, and approved travel expenses incurred for interviewing, relocation expenses of new employees, bonding, and public liability insurance.

CHARGE: Management and General

Depreciation and Use Allowances

Depreciation represents the decline in value of plant and equipment due to wear and tear during normal use or obsolescence. Depreciation is an expense that is recorded by distributing the original cost of an asset over its estimated useful life. Land is not depreciable. Depreciation is not allowed on idle or excess facilities.

Depreciation is not allowable on any real property, improvement, or equipment funded through the following sources: DHS/SSA Funds, Federal Grants, Other State Agencies, and/or Start Up Grants. All assets falling into these categories are not subject to depreciation.

Depreciation on prior year(s) real property, improvements, and equipment purchases will be handled as follows:

If the property, improvements, and equipment acquisitions were funded through any of the sources outlined, the depreciation is not allowable. For property, improvements, or equipment purchases not funded by any of the sources outlined above the process follows:

All estimates of useful life will be based on IRS Guidelines for the class of assets at the time of purchase. For simplicity, use the depreciation schedule submitted on your Federal Tax Return Form 990. Donated depreciable assets must use the current market value or its equivalent as its original cost.

Interest Expense

Certain interest expense is allowed only as specifically provided by the Code of Federal Regulations, Title 2, Grants and Agreements, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (**See: OVERVIEW, B. Legal and Regulatory Foundation of Cost Guidelines, Page 4**).

UNALLOWABLE COSTS

- A. Bad debt and related legal costs.
- B. Contributions and donations by the institution or other agencies.
- C. Cost of depreciation on idle facilities.
- D. Costs of amusement, diversion, social activities, ceremonial, and related incidentals for staff only.

- E. Cost of research and development, except when related to the program.
- F. Costs of fines and penalties resulting from failure to comply with Federal, State and local laws or imposed by a court.
- G. Costs incurred for interest on temporary use of endowment funds and on lines of credit.
- H. Costs of organized fundraising. This function includes costs associated with the solicitation of contributions, bequests and foundation grants, the costs of transmitting appeals to the public, and the staff costs connected with the campaign. Fundraising activities shall be allocated in appropriate share of indirect costs; however, fundraising costs are **UNALLOWABLE**. Please refer to Article 19, Annotated Code 26-A Uniform Accounting Standards.
- I. Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments.
- J. Costs prohibited for Internal Revenue Code Section 501(c)(3) organizations.
- K. Organizational costs such as incorporation, fees to accountants, brokers, etc., in connection with establishment or reorganization.
- L. Penalties as a result of failure to submit the annual audit in a timely fashion. **(See Section IX of the Cost Guidelines.)**
- M. Costs for membership in organizations which attempt to influence enactment or modification of legislation on the Federal or State level.
- N. Alcoholic beverages.
- O. Capital Expenditures.

PLEASE NOTE:

This list of unallowable costs is not all inclusive. It is to be used in conjunction with other definitions of allowable and unallowable costs found in other parts of this document. Additionally, it is to be used in conjunction with all Federal and State regulations addressing this issue.

COST ACCOUNTING

Accounting

Agencies providing more than one program must allocate the management and general costs to those benefiting programs, including fundraising (if applicable).

Within the foster care program, separate accounts shall be maintained for each of the service elements of care or service, and appropriate state budget forms shall be used to substantiate:

1. Unallowed Costs

2. Management and General
3. Direct Costs
4. Education
5. Clinical Services

Management and General expenses are further prorated to either Direct Cost or Education. For purposes of setting and reviewing rate requests, as well as for budget formulation, these indirect costs must be prorated to the direct program/service areas. Normally, this will be done on the basis of total direct costs, that is, the percentage of the direct costs in each program/service category to the total of direct costs for all categories. This proration of Management and General expenses will be developed based upon the most recent estimated actual costs and will only be changed on an annual basis. They will be established at budget formulation time and will be used for cost distribution purposes for the ensuing year.

All costs which can be directly identified to a particular category will be directly charged thereto. All costs of a general, administrative, or overhead nature will be separately identified and accounted for in the Management and General section of accounts.

Determining Annual Costs

Costs are determined by dividing the total net annual cost of the program by the utilization level. This will determine the annual costs per child which when divided by 12 produce the monthly costs. Annual costs per child divided by 365 (366 in a leap year) will provide a daily rate.

The capacity and occupancy figures for the educational service will vary from those of child care programs as a whole. Education rates will be calculated by dividing the total net annual cost of the program by the utilization level. This will determine the annual cost per child which when divided by the days school is in session will provide a daily rate.

Utilization Rates

Utilization rates for service providers shall be based on licensed or planned capacity taking into account the actual capacity. Program utilization rates for child placement agencies are targeted for a minimum of 90%. Program utilization rates for non-residential programs are targeted for a minimum of 85%.

SUBMISSION OF ANNUAL FINANCIAL AUDITS

Audit Requirements

The Purchase of Care Agreement between the purchasing State agency and the provider agency, states that the provider shall submit to the Department's Project Officer a Certified Public Accountant's annual audit report of its financial records as specified by the Department. Additionally, the State Finance & Procurement Article, Subscript 7-402, Maryland Annotated Code, requires every provider to submit an itemized statement detailing how State aid was spent and authorizes the agency or the State Comptroller to conduct an audit of a provider agency's records.

Most significantly, the federal statutes that regulate the programs administered by the State, mandate that all grantees submit, to the Department an independent audit. The Department is at risk of federal sanctions, specifically disallowances and repayment of funds from its grant, should it fail to complete timely audits. These statutes provide:

Audit Penalty

Failure to submit within 150 days after the close of the fiscal year will result in the Department that purchases care assessing a penalty of 5% of the per diem rate per child per day or a maximum of \$10 per child per day (whichever is less) until the audit is received. If an extension is required, it must be requested in writing to the Executive Director of the purchasing Department no later than 60 days after the close of the fiscal year. The request must be sent to the Department by U.S. Mail, Return Receipt Requested, unless otherwise directed. The provider will be notified of the Department's decision in writing within 15 days of the receipt of such a request.

Retained Earnings

The Department will pay the per diem or monthly rate specified in the contract between the provider and the Department for occupied beds, up to the contract maximum, if any. The provider will reimburse the Department for any payments that have been received for unoccupied beds.

Any revenue received from the purchasing department by the provider as a result of current year operations in excess of the actual prorated costs of operations attributed to clients funded by the purchasing department, which is less than or equal to 10% of the revenues as documented may be transferred to retained earnings. The amount greater than 10% will be refunded to the purchasing departments in accordance with their share of the utilization of provider's program.

The amount transferred to retained earnings may be used in one of the following manners, as certified by the provider to all Purchasing Departments.

- To defray prior or future operating expenses.
- To expand services based on licensing requirements.
- To offset the per client cost rate increases in subsequent years.
- To expand services in response to users' group needs.
- For any other reasonably agreed to alternative.