



California Infrastructure and
Economic Development Bank

Small Business Finance Center (SBFC)

Small Business Loan Guarantee Program (SBLGP)



Administrative Cost Policy Manual 2016

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Last Revised February 2016

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Introduction

The California Infrastructure and Economic Development Bank (IBank) and eligible Financial Development Corporations (Corporations) enter into annual contracts for Corporations to provide services to IBank. IBank compensates Corporations for those services rendered as they relate to Small Business Loan Guarantee Programs (SBLGPs) within IBank's Small Business Finance Center (SBFC).

The funds that may be used to compensate Corporations for the scope of work in its contract included State general funds, interest earnings from program accounts, and Federal administrative funds allocated by the State Small Business Credit Initiative (SSBCI) Jobs Act of 2010.

IBank accepts the Office of Management and Budget, Uniform Administrative Requirement Cost Principles and Audit Requirements for Federal Awards, as its guide to determine allowable, allocable and reasonable administrative cost allowances for the reimbursement of actual expenses incurred by Corporations, regardless of which fund is utilized. IBank may choose to take a more precautionary approach than the guide allows.

Uniform Administrative Requirement Cost Principles and Audit Requirements for Federal Awards establishes principles for determining the allowable costs incurred that can be charged to an applicable program on a fair share cost basis. Basic guidelines and factors over the allowability of costs require costs to be:

- Necessary and reasonable for proper and efficient performance and administration of a program;
- Consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit;

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- Accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost; and
- Adequately documented.

In order for a Corporation to be reimbursed for costs related to IBank programs, it must follow provisions of this guide based on the Uniform Administrative Requirement Cost Principles and Audit Requirements for Federal Awards. Without proper documentation, the IBank cannot determine whether costs charged to its programs are allowable. Items that are determined “questioned costs” will be evaluated by the Chief Deputy Executive Director or the Executive Director and may be deemed ineligible. It is the intent of this guide to assist you to access reimbursement of expenses and clarify eligible costs.

All documentation related to the reimbursement of expenses from IBank must be retained for 7 years or until January 30, 2020, whichever is later.

Allowable Costs For Reimbursement

Direct Costs

All direct costs reimbursable must be directly and specifically related to the SBLGP. Documentation for these direct costs is typically underlying invoices showing the service, vendor, date, and amount paid.

- Salaries and Wages
- Rent, Facilities
- Telephone, Network Services, Internet, IT Support, Communication
- Printing, Postage
- Equipment

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- Insurance
- Legal
- Travel
- Marketing, Advertising, Outreach
- Workshops, Meetings, Seminars, Education
- Accounting and Auditing

Table 1 shows additional detail of allowable direct costs. For items not listed or for clarification please contact IBank prior to incurring the expense and submitting an invoice.

Table 1

Cost Item	Allowable Costs/Activities	Unallowable Costs/Activities
Advertising and Public Relations Costs	<ul style="list-style-type: none"> ✓ Advertising for personnel recruitment related to programs; ✓ Advertising related to procurement of goods and services for programs; and ✓ Communication with the public and press on program activities and accomplishments; 	Advertising/public relations for: <ul style="list-style-type: none"> ✓ Conventions and Events; ✓ Exhibits and Displays; and ✓ Promotional items and memorabilia.
Meetings and Conference	<ul style="list-style-type: none"> ✓ Cost of these meetings/conferences to disseminate technical information, including meals, transportation, facility rental, speaker fees, and other items are allowable. 	
Communication	<ul style="list-style-type: none"> ✓ Costs such as local and long distance calls, telephone services, postage, messenger, and electronic transmittal of data. 	
Lobbying	Not Allowed	Not Allowed
Selling and Marketing	<ul style="list-style-type: none"> ✓ Not allowed unless allowable as public relations costs. 	Not allowed unless allowable public relations costs.
Legal	<ul style="list-style-type: none"> ✓ Expenses required in administration of program 	<ul style="list-style-type: none"> ✓ Costs incurred in defense of civil or criminal fraud proceeding, or contractor costs in connection with

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Cost Item	Allowable Costs/Activities	Unallowable Costs/Activities
		criminal or civil proceeding.
Audit Costs	✓ Single Audit Costs are allowed	✓ Other audit costs are not allowable unless included in a CAP, ICRP, or approved by IBank.
Donations and Contributions	Not Allowed	Not Allowed
Personnel Services	<ul style="list-style-type: none"> ✓ Wages, salaries, and fringe benefits including insurance and pensions; <ul style="list-style-type: none"> ○ Must be reasonable, supported (by payrolls), and allocated to the program in a manner consistent with costs charged to other programs/ activities; ○ Where employees work on multiple activities, the distribution of their salaries/ wages must be supported by personnel activity reports that are after the fact distributions, are prepared at least monthly and coincide with one or more pay period, and are signed by the employee; ○ For employees who work solely on the SSBCI program, personnel charges must be supported by periodic (at least semi-annual) certifications signed by supervisors that the employees worked solely on that program for the period covered. 	✓ Cost of time off
Equipment	✓ Expenditures for special purpose equipment specific to SBLGPs	✓ General purpose equipment expenditures are not allowed
Insurance and Indemnification	✓ Cost of insurance required for the program is allowed, subject to certain provisions.	✓ Actual losses which could have been covered by

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Cost Item	Allowable Costs/Activities	Unallowable Costs/Activities
		permissible insurance are not allowed
Materials and Supplies	✓ Only materials and supplies specifically used in the performance of SBLGPs may be charged	
Entertainment	Not Allowed	Not Allowed
Alcoholic Beverages	Not allowed	Not allowed
Memberships, subscriptions, and professional activities	✓ Costs of membership and subscriptions in business, technical, and professional organizations are allowable	✓ Costs of membership in organizations engaged in lobbying are unallowable
Plant and Homeland Security Costs	✓ Necessary and reasonable expenses incurred for routine and homeland security including items such as wages, uniforms, and equipment that are allowable	
Professional Services	✓ Costs of professional and consultant services by persons who possess a special skill or are part of a particular profession are allowable	
Publication and Printing	✓ Costs of printing, distribution, promotion, mailing, and general handling are allowable as either direct or indirect costs	
Training	✓ Training for employee development is allowable	
Travel	✓ Expenses related to transportation, lodging, subsistence, and related items for official business related to the SBLGPs are allowable	
Maintenance, Operations, and Repairs	Not Allowed	Not Allowed

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Cost Item	Allowable Costs/Activities	Unallowable Costs/Activities
Rental of Building and Equipment	<ul style="list-style-type: none"> ✓ Rental costs are allowable to the extent rates are reasonable ✓ Costs under capital leases are allowable only up to certain amounts 	

Indirect Costs

In general, indirect costs are those incurred for a common or joint purpose benefitting more than one program or objective and are not readily assignable to programs or objectives specifically benefitted. Indirect costs can be originated at each department or agency carrying out the federal awards or central government service costs distributed through statewide cost allocation plans. These costs are normally charged through an indirect cost rate, requiring an indirect cost rate proposal submitted to a cognizant agent. IBank presently is not requesting reimbursement of indirect costs, only direct.

Documentation

Allocation Methodology

Prior to the payment of invoices, written methodology and justification, explaining the method of allocating expenses to SBLGPs and other programs, will need to be submitted on letterhead to IBank for approval at the beginning of the fiscal year. The allocation methodology should be submitted on a yearly basis and include all expenses to be billed during the fiscal year. IBank will keep the approved methodology on file and reference it throughout the year. If the FDC's methodology changes at any time during the fiscal year, the FDC will be required to submit the new methodology and justification to IBank for its approval.

Direct Salaries and Wages

Charges for salaries and wages will be based on payrolls documented in accordance with generally accepted accounting practices. Payroll time and effort reporting, as well as calendar month personnel activity reports (PARs), must accompany payroll documentation; if the pay period begins in one month and ends in the next month, two calendar month PARs covering the pay period must be submitted. Each FDC is expected to train appropriate staff, collect and retain personnel activity reports, and assure compliance.

There are two types of time and effort records required—either a semi-annual certification form or monthly personnel activity reports.

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1. If an individual works on multiple programs or activities such as the State's SBLGP, the Federal SSBCI Program, and any other activity not related to SBLGPs, he/she must maintain personnel activity reports (PARs) that demonstrate the distribution of time worked. Refer to the attached sample PAR form. These PARs must be:
 - a. Prepared monthly and coincide with one or more pay periods
 - b. Signed and dated by the individual and supervisor
 - c. Account for 100% of the individual's "after-the-fact" activity
 - d. Supported by the employer time keeping record
 - e. Supported by payroll documentation

2. If an individual works 100% on the federal SSBCI program, he/she may complete a semi-annual certification that the individual worked exclusively on the program. It should identify the FDC's name, employee's name, employee position, and reporting period as well as be signed and dated by the employee and supervisor. Refer to the sample semi-annual certification form. It must also be supported by the employer time keeping records and payroll documentation. In this scenario, a PAR is not required.

Common Errors to Avoid

Some of the more common errors cited in audit findings by the U.S. Office of the Inspector General include:

- Missing time and effort documentation
- Only reporting federal time reported and not accounting for an entire day's schedule

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- PAR not being reviewed or signed by supervisor
- Reporting time according to budget expectations rather than actual hours worked

Direct Operating Expenses

- Rent, Facilities
- Telephone, Network Services, Internet, IT Support, Communication
- Printing, Postage
- Equipment
- Insurance
- Legal
- Travel
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Documentation for these direct costs is typically underlying invoices showing the service, vendor, date, and amount paid. However, each Corporation should document in writing the purpose of the expense and how it is related to SBLGPs. For instance, if direct travel expense is charged, a travel expense claim should describe how the travel was specifically related, and to which program.

If a particular item of direct expense is allocable between SBLGPs and other programs, each FDC must have a reasonable basis for splitting the cost. For instance, if rent on the building is charged 50% to SBLGPs, the FDC must have a documented rationale for that

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percentage such as square footage by employee multiplied by the percent of time spent on the SBLGPs (or percent of loan volume dedicated to loan guarantees).

Expenses submitted for reimbursement must be paid prior to billing; underlying invoices should show the expense as having been paid. If the amount requested is other than what appears on the supporting documents, a description should be submitted to detail the different for the amount requested. Requests for reimbursement in an amount more than supported by documentation will not be paid.

Please note that IBank will not reimburse overhead expenses including the following: functions that are secretarial or clerical in nature including word processing; office supplies and normal office services; ordinary fax transmissions or receipts; parking at the Corporation's office; travel not directly related to the administration and management of a SBFC Program; entertainment expenses; professional dues for the Corporation's staff or officials; purchase, construction, renovation, alteration, improvement or repair of capital assets, such as real estate and vehicles; lobbying activities; and subscriptions (including but not limited to texts, periodicals and online sources) that are not maintained solely for the purposes of representing IBank.

Suggested Documentation in Support of Expenditures

Disclaimer: The information provided in this document represents IBank's view and interpretation of SSBCI Guidelines and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the document previously known as OMB Circular A-87, provisions and does not necessarily reflect the official policy, position, guidance, or opinion of the U.S Treasury or Office of the Inspector General.

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Table 2

I. PERSONNEL	
- Salaries & Benefits:	
➤	If Employee is working 100% on SSBCI (100% of the employee's cost is billed to the program)
✓	Requires at least <i>semi-annual</i> certifications by supervisors stating employee solely worked on the SSBCI program
➤	If Employee is working on multiple programs:
✓	All hours must total 100% of the employee's time during the reporting period
✓	Must distinguish between SBLGP and other program activities
✓	Must contain employee name, position/title
✓	Must be prepared monthly
✓	Must be signed by employee
✓	Must be signed by employee's supervisor
✓	Must be supported with an employer time sheet
✓	Must be supported with payroll documentation
II. OE & E	
- Advertising:	
➤	Receipts/vendor invoices showing actual amounts paid (net of any discounts)
➤	Brief description of how advertisement relates to a SBFC program
- Audit:	
➤	Receipts/vendor invoices showing actual amounts paid (net of any discounts)
➤	Audited financial statements
- Equipment:	
➤	Receipts/vendor invoices showing actual amounts paid (net of any discounts)
➤	Brief description of how equipment purchased benefits/is used for a SBFC program
➤	If the equipment is leased, the lease agreement should be submitted:
✓	At the beginning of the fiscal year
✓	When changes to the lease are made
- Insurance:	
➤	Receipts/vendor invoices showing actual premium amounts paid (net of any discounts)

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<ul style="list-style-type: none"> ✓ If pro-rated, allocation methodology should be equitable, documented and consistently applied each billing cycle
<p>- Office Supplies:</p>
<ul style="list-style-type: none"> ➤ Receipts/vendor invoices showing actual amounts paid (net of any discounts)
<ul style="list-style-type: none"> ➤ Brief description of how supplies purchased benefits/is used for a SBFC program
<p>- Postage:</p>
<ul style="list-style-type: none"> ➤ Receipts/vendor invoices showing actual amounts paid (net of any discounts)
<p>- Professional Services:</p>
<ul style="list-style-type: none"> ➤ Receipts/vendor invoices showing actual amounts paid (net of any discounts)
<ul style="list-style-type: none"> ➤ Detail of time worked and brief description relating time worked to a SBFC program
<ul style="list-style-type: none"> ➤ Contract will need to be submitted:
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ✓ At the beginning of the fiscal year
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ✓ When changes to the contract are made
<p>- Rent (Office Space)</p>
<ul style="list-style-type: none"> ➤ Rent billed is allocated based on:
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ✓ Square-footage used by the program; or
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ✓ Percentage of time spent on program by personnel occupying the space
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ✓ Allocation methodology should be documented and consistently applied each billing cycle
<ul style="list-style-type: none"> ➤ If independent contractors occupy the space:
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ✓ The methodology and justification for SBFC costs related to the contractor must be submitted to IBank for approval when requesting reimbursement for rent
<ul style="list-style-type: none"> ➤ Lease agreement should be submitted:
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ✓ At the beginning of the fiscal year
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ✓ When changes to the lease are made
<p>- Telecommunication:</p>
<ul style="list-style-type: none"> ➤ Billing statement
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ✓ Allocation methodology should be equitable, documented and consistently applied each billing cycle
<p>- Travel:</p>
<ul style="list-style-type: none"> ➤ Hotel, airfare, car rental, etc. receipts showing actual amounts paid (net of any discounts)
<ul style="list-style-type: none"> ➤ Brief description of travel purpose as it specifically relates to a SBFC program

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- Training:
➤ Brief description of training purpose as it relates to a SBFC program
➤ Proof of training attendance (training agenda, handouts, certificates of attendance/completion)

Submitting Reimbursement Requests

Requests for reimbursement may be submitted on a monthly basis and are limited to the outstanding balance of the yearly FDC budget. IBank has prepared an invoice template for Corporations to use when requesting reimbursement. The Corporation should submit the completed invoice template and invoices, along with proper supporting documentation referenced in this guide, to SBFC@Ibank.ca.gov. Each invoice for reimbursement of administrative expenses shall contain the following information:

- The Contract Number;
- The dates or time period during which the invoiced costs were incurred and the cumulative invoice amounts for the fiscal year to date;
- The allowable, allocable and reasonable administrative costs incurred by the Corporation during such period;
- Identify the staff member performing each service, the hourly rate for the staff member;
- The total administrative cost provided by the Corporation and/or staff member;
- A brief description of the administrative costs incurred.
 - Any invoice for administrative expense reimbursement shall be signed by an authorized representative of the Corporation.
 - Reimbursement for administrative expenses shall be at the actual costs incurred by the Corporation or at reimbursement rates for costs agreed upon between IBank and the Corporation.

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Invoices and supporting documentation required by IBank prior to reimbursement for allowable administrative expenses must be maintained in the Corporation's files as required by the Small Business Finance Center Rules.

Sample Semi-Annual Certification Form

SSBCI
SEMI-ANNUAL
CERTIFICATION OF PAY

OMB Circular A-87 states “where employees are expected to work solely on a single Federal award [...] their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.”

I _____, certify that 100% of my time has been spent
(Name and Title)

performing duties associated with the SSBCI Program for the period of _____.

Employee Signature _____ Date _____

Supervisor Signature _____ Date _____

Exhibit 1

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Sample Allocation Methodology



**SAMPLE: TO BE SUBMITTED ONCE PER YEAR
AT BEGINNING OF CONTRACT**

TEAM FDC METHODOLOGY 2015/2016

Personnel Cost Methodology

For personnel that work on the Small Business Loan Guarantee Programs and /or other programs, the formula for reimbursement of salaries will be the percentage of time spent on SBLGP programs as indicated on the Personnel Activity Report (PAR) times the total salary paid in the time period.

Rent Methodology

Rent expenses requested for reimbursement from IBank will use a methodology of determining the amount of salaries claimed for Small Business Loan Guarantee Programs, divided by the total payroll of all who occupy the space that rent is paid for. This total will determine the percentage of payment reimbursement of the total rent paid by the FDC.

Professional Services

When requesting reimbursement for professional services of those with documented billable hours specific to SBLG Programs, full reimbursement for those expenses will be requested (i.e. Consultants). For professional services that do not track specific time (i.e. Web Administrators) the same methodology used for rent will be applied.

Operating Expenses

Operating expenses such as telephone, advertising, and allowable audit expenses will follow the rent methodology.

Ima Lender

Ima Lender, Team FDC President

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Exhibit 3

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