

EFFECTIVE BUDGET PREPARATION

Regulatory Requirements

There are regulatory issues that impact budgeting and oversight for all types of organizations, including:

- Understanding that the grantee has full fiscal and programmatic responsibility for managing all aspects of grant and grant-supported activities that are subject to oversight by CNCS.
- Ensuring effective controls over and accountability for all funds, property, and other assets.
- Comparing outlays (costs or expenses) with budgeted amounts for each award.
- Analyzing budgets and providing an explanation of cost variances.
- Requiring recipients to report deviations from budget and program plan revisions and, in some cases, receive prior approval.

Modification of budgets may be allowable under OMB Circulars and/or may require formal approval through a grant amendment process. The need for prior approval is outlined in the provisions of each grant.

Direct versus Indirect Costs

Note

Direct costs are those that can be closely associated with the program and its objectives (for example, living allowances, program personnel costs, training, and so on).

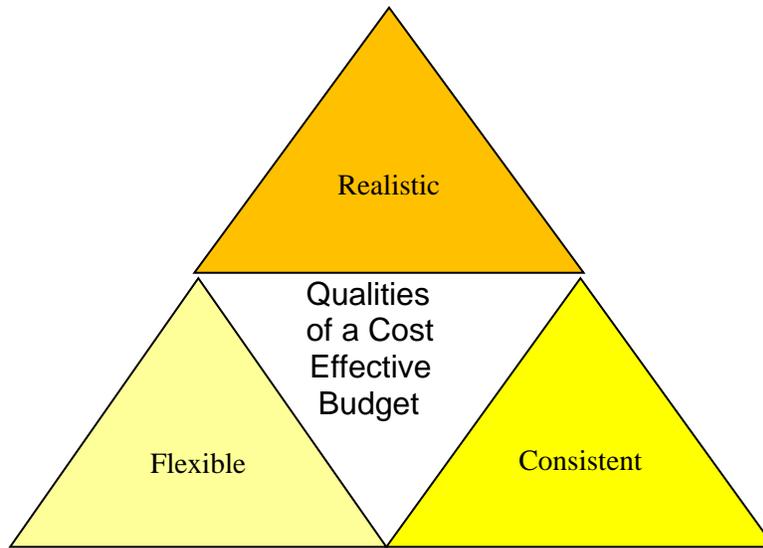
Indirect costs are those that cannot be attached to the program and its goals, but are incidental (for example, accounting and legal services, salaries not directly benefiting programs, occupancy of general nature, and so on).

Qualities of an Effective Budget

The qualities of an effective budget are:

- Realistic,
- Consistent with organizational objectives,
- Cost effective,
- Flexible (amendable if conditions are not as expected), and
- Consistent with CNCS goals.

Qualities of an Effective Budget



Who Should Be Involved?

The budget process should be a team effort that includes:

- Board of Directors,
- Executive Director,
- Program/project Director,
- Program/project staff, and
- Fiscal staff.

Effective Budget Preparation Life Cycle

- Determine needs of community being served
- Set up program/project goals and objectives
- Decide strategy to accomplish goals
- Translate strategy into dollars
- Prepare the budget
- Set up Budget Control process
- Compare budget to actual
- Budget modification for realistic scenario

Budget Narrative Preparation

There are eight steps to follow when preparing the budget narrative:

1. Review program/project goals and objectives
2. Estimate the resources needed to achieve program/project goals, for example:
 - Staff
 - Participants/volunteers
 - Members
3. Determine other costs needed for operating the program/project, for example:
 - Staff space, utilities, supplies, telephone
 - Medical and liability insurance
 - Training, recognition, and other support
 - Transportation
4. Organize the narrative to fit categories on budget forms
5. Provide adequate descriptions and calculations to support amounts
6. Group related items, for example:
 - Staff salaries should be grouped with staff benefits, FICA, and other taxes
7. Compare the final costs to the narrative to ensure they make sense. The organization should allocate costs based on a consistent and documented cost allocation plan.
8. Base the plan on level of effort or usage, for example:
 - Level of effort = percentage of time spent on activity * salary
 - Transportation = total miles estimated to be traveled * per mile rate

Budgetary Control Guidelines

Budgetary controls include:

- Regular monitoring of budgets to actual year-to-date and current period expenditures or outlays
- Explaining unexpected or unusual budget variations and determining necessary adjustments
- Ensuring compliance with laws, regulations, and CNCS requirements, particularly matching percentage requirements
- Requesting prior approvals for modifications, if necessary

Why Have Budgetary Controls?

Organizations should have budgetary controls to:

- Link programmatic activities to financial records,
- Help achieve budget targets and monitor program activities and progress toward goals,
- Prevent cost overruns and disallowed costs (should be monitored on a regular basis),

- Improve reliability of financial reporting, and
- Help staff responsible for specific activities to maintain control over expenditures.

Programmatic Budgetary Controls

Each of the three CNCS-funded programs has specific budgetary controls that grantees should know.

AmeriCorps programs must obtain CNCS prior approval for:

1. Changes to increase or reallocate funds for member support category (Section II)
2. Purchase of equipment costing more than \$5,000
3. Changes in scope of program
4. Cumulative reallocation exceeding 10 percent of total budget