

APPENDIX 1 – LIST OF APPROVED FACTORS

1. Adjusted monthly direct program cost (DPC)

The DPC is based on actual expense. It includes personnel costs, professional costs, materials and equipment, services and consumables, travel and transportation, office occupancy (e.g. facility costs, utilities, etc.) and sub-grant expenditures as applicable. It has 2 types of costs:

- a) Those identified with a specific project or grant/contract and charged 100% to that project or grant/contract (e.g. the personnel costs of a project manager, a project accountant or a field agent; materials and equipment, travel and transportation costs, sub-recipient expenses).
- b) Those identified with a specific group of projects and shared among that group only (e.g. the personnel costs of a health sector coordinator shared among all health projects, or the office operating costs of a sub-office shared among the specific projects implemented by that office).

The DPC amount is adjusted to exclude the following unusual expenses and exceptions:

- SPC charged directly to a grant and a contract per donor requirements;
- Contribution-in-kind items (e.g. food/non-food commodities)
- One-time expenditure (e.g. one time cash receipt and disbursement for a pass-through program where CARE has some fiduciary responsibility). This type of unusual program activities will be charged a one-time management fee negotiated with the donors.
- Large procurement projects (e.g. materials and supplies for emergency programs). The support costs should be budgeted and charged as direct program costs for these types of program activities.
- Unrestricted and general purpose fund allocated to cover proposal development or disallowed costs, or other costs not related to program activities (e.g. write-off).
- Adjusting entries not directly related to program activities (e.g. negative entries resulting from correction of errors) or similar transactions that create distortions in the basis of the allocation.

The DPC may also be adjusted in the following cases:

- **Sub-recipient expenditures:** when sub-recipients or partners manage independently the full implementation of sub-grants and their staffs perform all the administrative work associated with program implementation, the support services performed by CARE staff would be substantially lower per program dollar spent as compared to projects or programs directly implemented by CARE. In these cases, 50% of the actual sub-recipient expenditures will be included in the basis for SPC fair share computation. COs that choose to perform this adjustment to sub-recipient expenditures must request a one-time approval per grant/contract from the Finance Director or Chief Financial Officer of their Lead Member or equivalent position, and document this exception in the SPC allocation methodology.
- **Expenditures related to activities outsourced to a third party:** The same may apply to other types of arrangements whereby a third party manages the operational aspects of a program implementation (e.g. a service provider in an electronic food voucher program).



2. Personnel Cost

The Personnel Cost is a subgroup of the DPC. Therefore, users of the multiple factors method should not select the personnel cost and the DPC as separate factors in the formula.

The personnel cost factor is based on the total salaries and benefits of project or program staff only. This factor is considered more stable and steady over time compared to the DPC factor. However, like the DPC, this factor can be imperfect for business models where program activities are largely outsourced to subgrantees or third parties.

Personnel costs can be adjusted to exclude exceptions such as negative entries resulting from correction of errors or other unusual transactions that create distortions in the basis of the allocation.

3. Program staff headcount

The headcount factor is based on the actual number of project staff employed by each grant or contract in a given period, including temporary or short term staff.

This factor can be imperfect in business models that are based on large outsourcing of program activities (low headcount) or emergency programs (high headcount due to increase in temporary staffing).

For users of the multiple factors method, the headcount factor can balance the personnel cost factor because some programs may have a small number of staff at high cost while others may have a large number of staff at low cost.

4. Number of office locations

This factor is based on the actual number of program offices operated by a grant or contract. When multiple grants or contracts are operated in the same office location(s), the number should be divided equally among all.

5. Number of vehicles

This factor is based on the actual number of vehicles operated by each grant or contract at a given period. Rented vehicles are included.

6. Number of subgrantees

This factor is based on the actual number of subgrantees involved in each grant or contract. Normally, CO implementing substantial partnership programs should budget sufficient support staff for these subgrants and charge the costs directly; SPC should be nonexistent or very limited in these cases. When it is not possible to charge costs directly and most of the work is done by SPC staff, the number of subgrantees factor can be used.