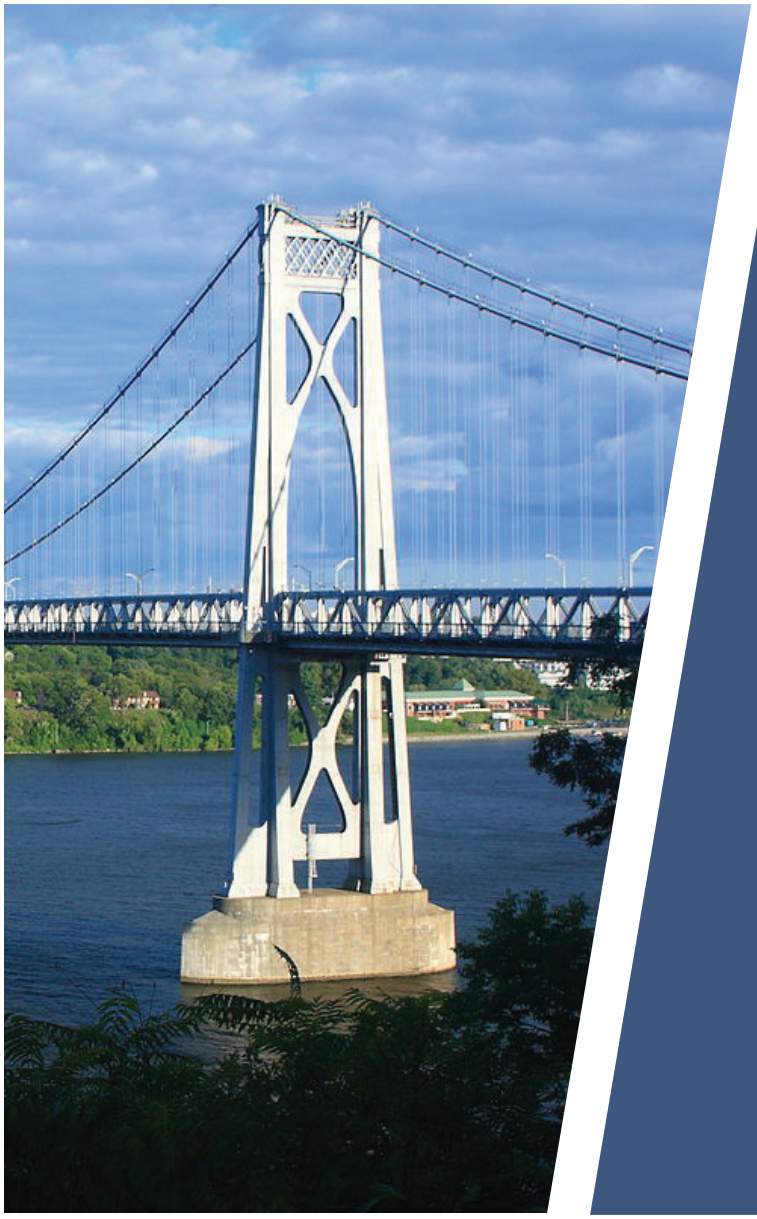
SPECIAL REPORT

INDIRECT COST ALLOCATION PLAN

2017 A-87 SUMMARY REPORT & HISTORICAL TREND



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DUTCHESS COUNTY
COMPTROLLER

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JULY 2018

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Dear County Officials & Taxpayers,

The Office of the Dutchess County Comptroller has compiled this special report as a summary of the 2017 A-87 Annual Indirect Cost Allocation Plan. This plan is used by the Dutchess County Department of Community and Family Services (DCFS) to make a claim for Federal reimbursement of indirect costs associated with federal grant programs the County participates in. The claim process acknowledges costs the County incurs to administer the Federal Programs; the A-87 report process is the mechanism used to determine those costs. The claim requires very detailed statistical information, acquired from central service departments, which our office uses to quantify the services provided throughout the county and allocate the costs equitably.

This special report outlines and summarizes the process by which the Comptroller's Office is instrumental in compiling and computing the needed information to make a claim for Federal reimbursement. The process takes much collaboration with the departments and takes an average of 135 resource hours to complete.

In 2019 alone this will result in approximately $1,027,000 being reimbursed to Dutchess County. This estimate is based on the historical trends of 31% and is what should be budgeted as revenue by the County in 2019.

An added benefit and use of this information is the determination of the annual Fringe Benefit Rate that various departments use for inclusion on claims or reimbursements from other departments or outside agencies.

The Comptroller's Office would like to thank all the various departments that contributed to the gathering of this information. I hope you find this information useful and informative.

Feel free to call my office with any questions or concerns.

Respectfully submitted,

Robin L. Lois
Dutchess County Comptroller

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Summary

Dutchess County's A-87 for fiscal year 2017 has been completed and filed with the New York State Department of Community and Family Services and provided to the Dutchess County Department of Community and Family Service (DCFS). Federal regulations establish a two-year historical cost pattern for claiming; therefore, DCFS will claim 2017's indirect costs in 2019. Final 2017 A-87 indirect costs for DCFS totaled $3,118,039 with a carry forward adjustment totaling $195,120 resulting in $3,313,159 claimable in 2019. The anticipated revenue due to Dutchess County in 2019 is approximately $1,027,000 based on the observed trend of approximately 31%.

What is the Indirect Cost Allocation Plan?

The A-87 Annual Report is also known as the Indirect Cost Allocation Plan (ICAP) and must be prepared and submitted annually to receive federal reimbursement. The ICAP's purpose is to quantify services provided throughout the county, allocate costs equitably and recover funds.

The Federal government recognizes that grantees incur indirect costs that benefit Federal grant programs. The OMB (Office of Management and Budget) Uniform Guidance: Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards establishes principles and standards for determining allowable indirect costs applicable to grants, contracts, and other agreements with State and local governments. Indirect costs are those costs not readily identifiable with the program itself but incurred for the benefit of the program.

In Dutchess County, some departments provide support and services to all departments and divisions of County government. Examples of such departments are: Department of Public Works including the Auto Center, Office of Central & Information Services (OCIS), Human Resources, Comptroller and Finance. DCFS utilizes the services of these Departments as they administer the Federal grants. This report is a cost allocation plan which gathers and organizes information on the costs of those County Departments providing service to all Dutchess County Departments.

How is the Indirect Cost Allocation Plan Prepared?

The Comptroller's Office is responsible for the preparation of Dutchess County's A-87. County Departments are contacted and relevant statistical data is collected for inclusion in sixty-one schedules prepared by the Comptroller's Office; the Maintenance-in-Lieu of Rent (MLR) cost schedule is prepared by the Department of Public Works. MLR costs represent costs associated with the space departments occupy.

These schedules, along with the County's Annual Financial Report, are provided to an outside contracted consultant who uses the information to create the A-87 in the form required by the Federal Government. Our consultant has identified three phases which are attached as **Addendum I**. Phase 1 indicates the 11 steps completed by our office. Phase 2 is performed by the consultant and consists of 103 unique schedules. Phase 3 is performed by the consultant, DCFS and Comptroller's Office. The final report is filed with the New York State Department of Community and Family Services and the Dutchess County Department of Community and Family Services.

How is the Indirect Cost Allocation Report Used?

- Dutchess County Department of Community and Family Services utilizes the ICAP calculation to claim revenue reimbursement for the applicable indirect costs and to project budgeted revenue.

  Observation:

  In reviewing 2016 and 2017, actual claimable costs recieved were approximately 31%.

  For 2017, this revenue was underestimated. DCFS budgeted revenue at $964,563, or 30% of the indirect cost claim amount of $3,211,739. Actual revenue recieved was $1,001,785.

  For 2018, DCFS has budgeted $931,405, or 24% of the calculated claimable amount of $3,956,285. Based upon historical trends and observations this is an underestimate.

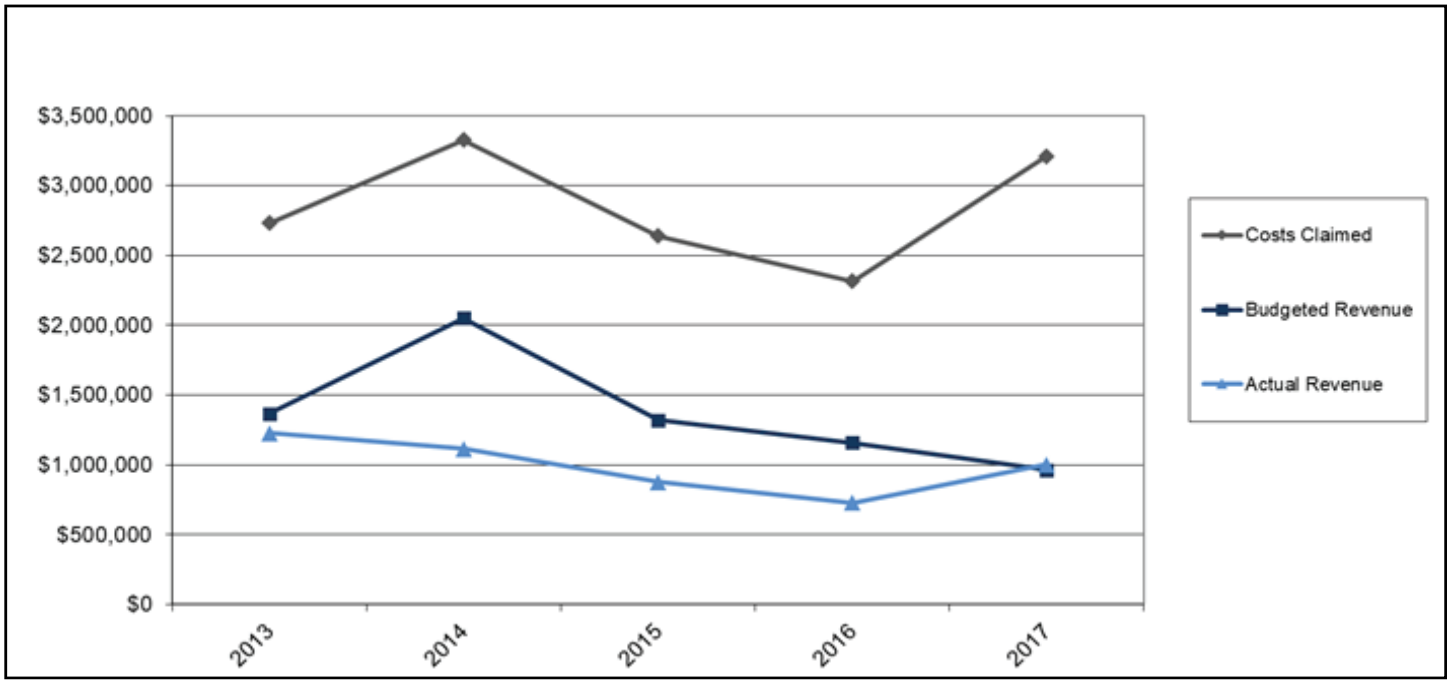
- Additional information in the report is used by various departments.
  - The 2017 Fringe Benefit Rate, 53.06%, is used by departments such as the Department of Behavioral & Community Health, DCFS, Probation and the Department of Public Works for inclusion in claims.
  - This established Fringe Benefit Rate is used by OCIS for inclusion in their billable rate to reimbursable departments and outside agencies.
  - MLR costs are used by Public Works to bill County reimbursable departments (Mental Hygiene, Health, DCFS including the Division of Youth Services, Office of the Aging and Dutchess NY Connects, Airport and Public Transportation) for their MLR costs. Reimbursable departments can then bill available funding sources.

Historical Perspective 2013-2017

The table below reflects the historical data from 2013 through 2017. The graph exhibits Claimable Costs, Budgeted Revenue and Actual Revenue Received for each year.

DCFS receives interdepartmental services from several departments, including the County Attorney's Office and Records Management. The payments for these services were paid for by DCFS through Interdepartmental Contracts. As a result, these charges were reported as direct charges to DCFS resulting in a higher reimbursement rate than what the County would receive by reporting these as indirect costs.

A-87 History of Revenue and Costs



Year	2013	2014	2015	2016	2017
Costs Claimed in Year	$2,731,302	$3,326,298	$2,639,191	$2,316,341	$3,211,739
Budgeted Revenue for Year	$1,365,651	$2,052,149	$1,319,596	$1,158,171	$964,563
Actual Revenue Received in Year	$1,226,970	$1,114,667	$877,040	$728,406	$1,001,785
% of Claimed Costs Budgeted for Revenue	50.00%	61.69%	50.00%	50.00%	30.03%
% of Claimable Costs Actually Received in Revenue	44.92%	33.51%	33.23%	31.45%	31.19%
% of Budgeted Revenue Received	89.85%	54.32%	66.46%	62.89%	103.86%

Per the Director of Administrative Services for the Department of Children and Family Services, the net rate of reimbursement is dependent on adjustments to claims, capped program areas, ceilings, and category splits.

Addendum I

PHASE 1 – Comptroller's Office

In this phase all steps required to complete the final ICAP are accomplished.

STEP 1- ACQUIRE BASE YEAR FINANCIAL DATA

This includes the year end Dutchess County certified financial statements, internal accounting reports which provide additional year-end financial information, pension reports, as well as other reports considered pertinent to generating the ICAP.

STEP 2- FEDERAL AND STATE GRANT CLASSIFICATION

This focuses on identifying grants which Dutchess County annually administers, their proper departmental classification, and their eligibility ranking for overhead allocation and indirect cost reimbursement.

STEP 3- DEPARTMENTAL CLASSIFICATION

All departments, divisions, funds, etc. are classified as central service (provide services to other departments) or as an operating department. A County organizational chart can provide pertinent information relative to this task.

STEP 4- COMPILATION OF ALLOCATION STATISTICS

This step represents the most time-consuming task when preparing the ICAP. Cost functions which are central service (or indirect) are allocated to benefited departments based upon statistical data which best reflects the services being provided. For Dutchess County it will be necessary to compile numerous different allocation bases. In addition, each statistical base will be screened to ensure Federal and State programs are equitably allocated their fair share of indirect costs.

STEP 5- DETERMINE UNALLOWABLES

Federal cost guidelines governing indirect cost reimbursement specify that various expenses, such as interest, are not reimbursable. The final ICAP will separately identify such expenses and not allocate them to Federal and State programs.

STEP 6- CALCULATE USE ALLOWANCE/DEPRECIATION

This task is accomplished for all County owned buildings, equipment, and vehicles in accordance with Federal and State of New York guidelines.

STEP 7- FRINGE BENEFITS

An equitable weighted average fringe benefit rate is determined for those County departments and funds which do not separately account for their own fringe benefits. Fringe benefits are then spread amongst benefited departments and funds.

STEP 8- RECONCILIATION

Federal regulations require that the ICAP document be reconciled and cross referenced with the County's annual financial reports. This requirement will be met and incorporated into the ICAP.

STEP 9- ALLOCATION OF CENTRAL SERVICE AREAS

Significant amounts of data are collected for central service areas and allocated to benefited departments. The ICAP format emphasizes inter-service allocations (central service areas allocating amongst themselves), full disclosure of all data gathered, necessary cost referencing, and clarity of presentation.

STEP 10- FINAL MATRIX DEVELOPMENT

A distribution schedule, in the form of a step-down matrix, is developed which summarizes the allocation of all central service areas to benefited departments.

STEP 11- INDIRECT COST RATE DEVELOPMENT

This step represents the end-product of this phase. For each department's allocated indirect cost an indirect cost rate is determined. This is calculated by dividing the total indirect cost pool by the appropriate base. This schedule becomes the starting point to PHASE 2.

PHASE 2 – Contracted Consultant

In this Phase of the engagement separate departmental indirect cost determinations are prepared for the following departments:

- Department of Community and Family Services
- Others (when determined necessary)

The dollars that are allocated to various departments in the final ICAP are implemented at the department level. This ensures the claiming of such costs and subsequent reimbursement to Dutchess County as indirect cost revenue. Proper carry forward determinations are made, if necessary, to account for the difference between the final ICAP and costs claimed by Dutchess County during a previous fiscal year.

Departmental indirect cost rate determinations will be prepared for any other Dutchess County department/fund where indirect cost reimbursement, or cost matching, is available, or where County personnel require the determination of an indirect cost rate for other internal uses.

PHASE 3 – Consultant, DCFS and Comptroller's Office

The purpose of this phase is to properly implement the final ICAP and departmental indirect cost proposals. Once County personnel have reviewed the ICAP and indirect cost proposals and all questions or concerns have been satisfied, the plan is submitted to Federal negotiators (if necessary) and appropriate State of New York personnel. If the ICAP is reviewed, audited, or negotiated by Federal or State representatives the consultant will provide full representation on behalf of Dutchess County. The overall intent will be to protect the interests of Dutchess County so that indirect cost reimbursement which is received is equitable as well as in accordance with Federal and State of New York cost principals for Indirect Cost Allocation Plans.

Appropriate County personnel will be informed as to the approved indirect cost amounts or rates, which will be inclusive of appropriate carry forward determinations. The main emphasis will be the County Department of Community and Family Services. Other departments may also be impacted if indirect cost reimbursement (or cost matching) is available.

Indirect cost recoveries will be monitored by DCFS and Comptroller's Office to insure the correct amount of indirect cost is claimed.

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