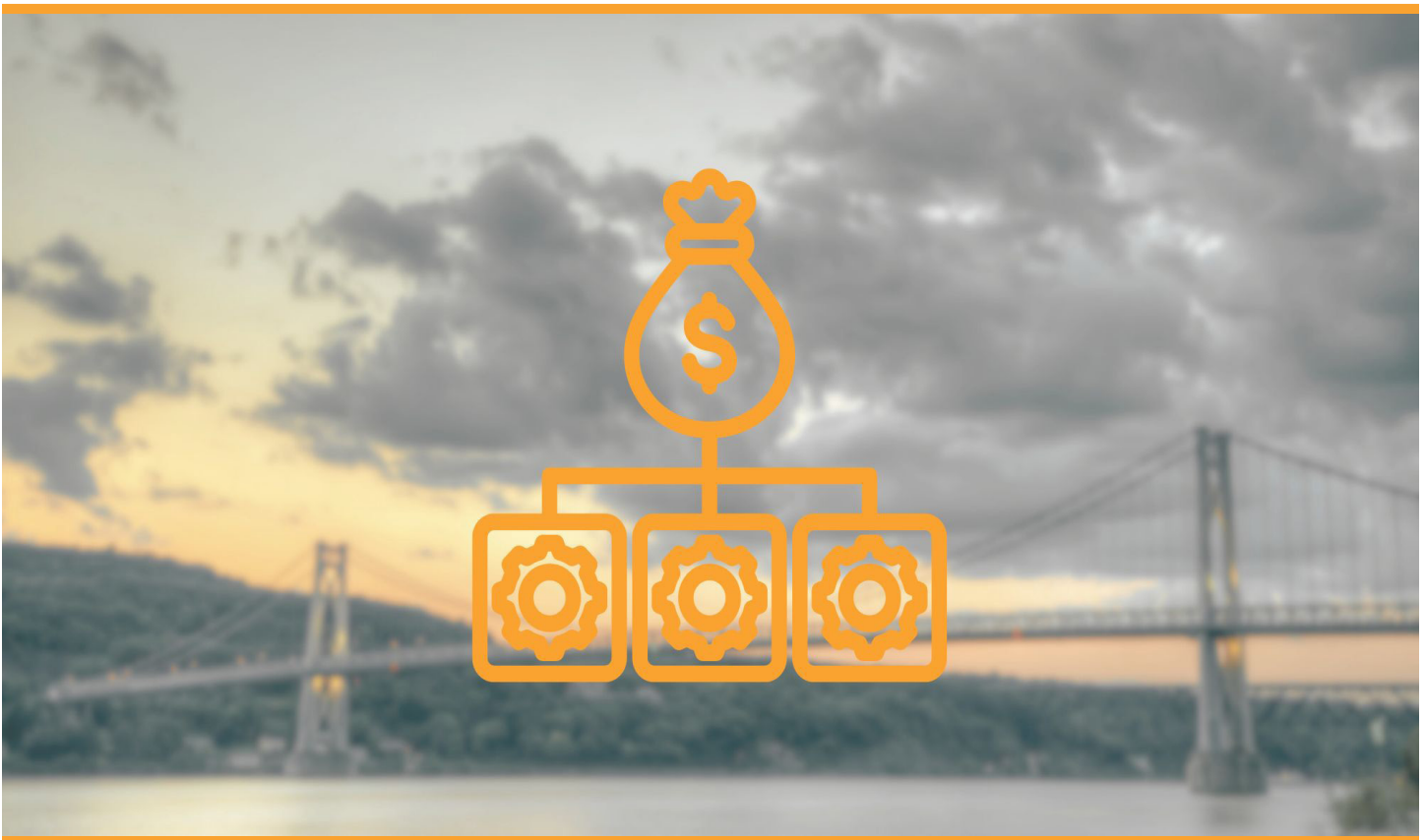

SPECIAL REPORT

DUTCHESS COUNTY INDIRECT COST ALLOCATION PLAN (ICAP)



AUGUST 2023



OFFICE OF THE
DUTCHESS COUNTY COMPTROLLER

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Dear County Officials and Taxpayers,

The Office of the Dutchess County Comptroller has compiled this special report on the 2022 Annual Indirect Cost Allocation Plan (ICAP). This plan is used by 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 and the indirect cost allocation process is the mechanism to determine those costs. The claim requires very detailed statistical information acquired from central service departments and then our office quantifies the services provided throughout the County and allocates the costs equitably.

Federal regulations establish a two-year historical cost pattern for claiming; therefore, DCFS will claim 2022's indirect costs in 2024. Total costs to be claimed in 2024 amount to **\$4,357,708**. Based on 2022 percentages, anticipated revenue due to the County in 2024 is approximately **\$1,400,567**. Actual revenue received in 2022 was **\$1,616,132**, a decrease of **\$249,491** over 2021 revenue.

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.

Respectfully submitted,



Robin L. Lois
Dutchess County Comptroller

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2022 Report and Historical Trend

Comptroller's Summary

Dutchess County's Indirect Cost Allocation Plan (ICAP) for fiscal year 2022 has been completed, filed with the New York State Office of Temporary and Disability Assistance, and provided to the Dutchess County Department of Community and Family Services (DCFS). Federal regulations establish a two-year historical cost pattern for claiming; therefore, DCFS will claim 2022's indirect costs in 2024. Total costs to be claimed in 2024 amount to **\$4,357,708**.

Based on the percentage received in 2022, the anticipated revenue due to Dutchess County in 2024 is approximately **\$1,400,567**.

Exhibit I is the computation of the fixed indirect costs to be claimed in 2024, **Exhibit II** is a historical summary of revenues claimed and received, and **Addendum I** is a summary of the Consultant's process.

What is the Indirect Cost Allocation Plan?

The ICAP is prepared to quantify services provided throughout the county, allocate costs equitably, and recover funds. This annual report is prepared by gathering and organizing costs from County Departments that provide services to all Dutchess County Departments in accordance with the Federal guidelines.

The Federal government recognizes 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 established 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. Departments which provide services include the various divisions within the Department of Public Works, Office of Central and Information Services (OCIS), Human Resources, Comptroller, and Finance.

How is the Indirect Cost Allocation Plan Prepared?

The Comptroller's Office is responsible for the preparation of the Dutchess County Indirect Cost Allocation Plan (ICAP) in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards and the Federal award(s) to which they apply. County Departments are contacted by the Comptroller's Office and relevant statistical data is collected for inclusion in schedules prepared by the Comptroller's Office. In addition to the information provided by the Departments, the Maintenance-in-Lieu of Rent (MLR) cost schedule is prepared by the Department of Public Works and presented to the consultant for the final preparation of the ICAP. MLR costs represent costs associated with the space departments occupy.

The schedules prepared by the Comptroller's Office, the MLR, and the County's Annual Financial Report, are provided to an outside contracted consultant who reviews and validates the information. The information is then formulated by the consultant to create the ICAP in the form required by the Federal Government. The consultant uses a two-step allocation methodology to maximize cost allocations and increase the associated claimable amount.

The final report is filed with the New York State Office of Temporary and Disability Assistance and the Dutchess County Department of Community and Family Services.

How is the Indirect Cost Allocation Report used?

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

Observations:

- A total of **\$1,616,132** was received in 2022 which is 32.14% of the indirect cost claim amount of **\$5,028,488**.
- For 2022, DCFS budgeted revenue at **\$1,526,478** which was 30.36% of the indirect cost claim amount.

Additional information in the ICAP is used by various departments.

- The 2022 Fringe Benefit Rate of 49.38%, as calculated by the Comptroller's Office, is used for claims by departments including the Department of Behavioral & Community Health, DCFS, Probation, and the Department of Public Works. 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, Airport, and Public Transportation) for their MLR costs. Reimbursable departments can then bill available funding sources. [A separate audit of the MLR was conducted by the Comptroller's Office and can be found on the Comptroller's page of the Dutchess County website.](#)

Indirect Cost Allocation for DCFS 2022 Results

Exhibit I is the computation by the consultant of the 2024 fixed indirect costs used for claiming by DCFS.

Final 2022 indirect costs for DCFS totaled **\$4,417,380**; estimated costs claimed for 2022 amounted to **\$4,477,051** resulting in a carry forward negative adjustment of **\$(59,671)**. A total of **\$4,357,708** in fixed indirect costs will be claimed in 2024 by DCFS. The anticipated revenue due to Dutchess County DCFS in 2024 is approximately **\$1,400,567** based on the percentage (32.14) received in 2022.

The 2022 fixed costs claimed were based on an estimate with an adjustment from 2 years prior. This report identifies the actual indirect costs for 2022; the differences between the estimate claimed in 2022 and the actual costs for 2022 will be carried forward and used as an adjustment to the costs claimable in 2024.

Exhibit I

County of Dutchess, New York Department of Community & Family Services

County-Wide Indirect Costs Computation of Carryforward and 2024 Fixed Indirect Costs

CARRYFORWARD COMPUTATION:	Central Services	MILOR	Total
Total 2022 Fixed Indirect Costs Claim	\$3,992,959	\$1,035,528	\$5,028,487
Adjust 2020 Carryforward Included in 2022 Fixed Indirect Costs	+ \$(320,081)	+ \$(231,356)	+ \$(551,437)
2022 Adjusted Indirect Costs (1)	\$3,672,878	\$804,172	\$4,477,050
2022 Actual Indirect Costs [See Exhibit II]	\$3,852,376	\$565,004	\$4,417,380
2022 Adjusted Indirect Costs	- \$3,672,878	- \$804,173	- \$4,477,051
Under (Over) Recovery Carryforward	\$179,498	\$(239,169)	\$(59,671)
2024 FIXED INDIRECT COSTS COMPUTATION:			
2022 Actual Indirect Costs	\$3,852,376	\$565,004	\$4,417,380
Under (Over) Recovery Carryforward	+ \$179,498	+ \$(239,169)	+ \$(59,671)
Total 2024 Fixed Indirect Costs	\$4,031,874	\$325,835	\$4,357,709
Monthly Fixed Indirect Costs - 2024	\$335,989	\$27,153	\$363,142

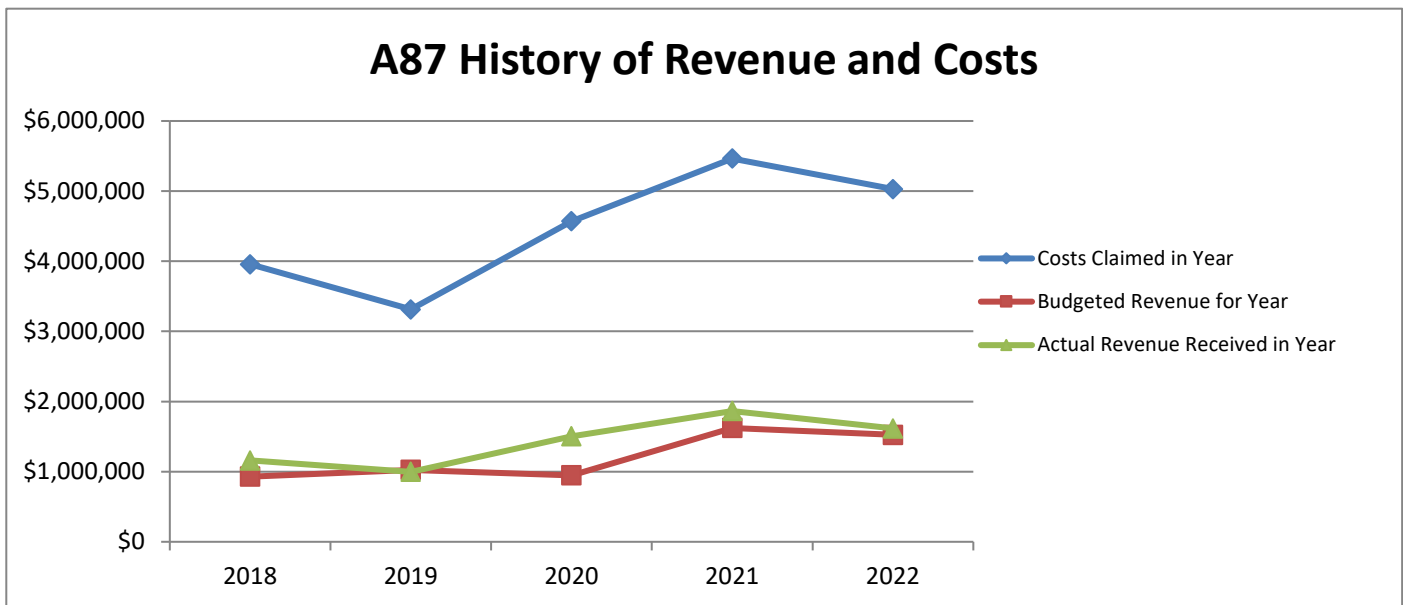
Exhibit II

Historical Perspective 2018-2022

The table below reflects the historical data from 2018 through 2022. The following graph displays Claimable Costs, Budgeted Revenue and Actual Revenue Received for each year.

A-87 History of Revenue and Costs						
	2018	2019	2020	2021	2022	Total/ Averages
Costs Claimed in Year	\$3,956,285	\$3,313,159	\$4,570,636	\$5,463,511	\$5,028,488	\$22,332,079
Budgeted Revenue for Year	\$931,405	\$1,027,000	\$947,563	\$1,622,768	\$1,526,478	\$6,055,214
% of Claimed Costs Budgeted for Revenue	23.54%	31.00%	20.73%	29.70%	30.36%	27.11%
Actual Revenue Received in Year	\$1,160,629	\$999,472	\$1,504,155	\$1,865,623	\$1,616,132	\$7,146,011
% of Claimable Costs Actually Received in Revenue	29.34%	30.17%	32.91%	34.15%	32.14%	32.00%

Per the Director of Administrative Services in the Department of Social Services the net rate of reimbursement is dependent on adjustments to claims, ceilings and category splits. This rate is an average, as the percentage of reimbursement differs depending upon the program or service.



Addendum I

Cost Allocation Methodology and Process

The Cost Allocation Plan (CAP) used cost data and allocation statistics to allocate the costs to departments/divisions/programs for Fiscal Year (FY) 2022.

A double step-down allocation procedure is used to distribute costs among Central Services and to departments that receive benefits. Costs are input by cost center identifications consistent with Dutchess County's accounting code structure, which allows for efficient balancing with the financial reporting systems. Additionally, allocation statistics are provided, where appropriate, for the proper distribution of the identified indirect cost pools. Credits for direct-billed payments, cost adjustments, and other valid and applicable costing factors are also considered.

Cost Allocation Methodology

A double step-down procedure allows all Central Service Departments to allocate costs to all other Central Service Departments. Since Central Service Departments' costs are not simultaneously allocated, the process must be performed sequentially, one department after another. The second step-down allows for the equitable allocation of the costs the Central Service Departments receive from one another. This double step-down approach mitigates potential allocation inequities and has been widely accepted by federal cognizant agencies for more than 30 years.

First Step-Down

The first step-down allows each Central Service Department to allocate to any other department, regardless of the sequence of the departments. The department also can allocate to itself providing the statistical measurements indicate a basis for the allocations.

Process

The process of allocating during this round is achieved sequentially, consistent with the order of the Central Service Departments. As each Central Service Department performs its allocations it allocates:

- Costs from entity financial records
- Cost adjustments
- Credits
- Costs received from other Central Service Departments that have completed their first-round allocations

Results

At the completion of the first step-down, each Central Service Department has the allocated costs from itself and from the Central Service Departments sequenced before it.

Second Step-Down

The rule for the second step-down is that each Central Service Department can allocate only to another department sequenced after the allocating department provided that the statistical measurements indicate a basis for the allocations.

Process

The process of allocating during the second step-down is achieved sequentially and consistent with the order of the Central Service Departments. As each Central Service Department performs its allocations, it allocates:

- Costs received from other Central Service Departments that have completed their second-round allocations
- Costs received in the first step-down from itself and from the Central Service Departments sequenced after the allocating department

Addendum I

Results

At the completion of the second step-down, each Central Service Department has completed all allocations and all Central Service Departments have been cleared of all costs. The costs have either been adjusted out of the cycle or sent to Receiving Departments based on the allocation statistics.

Cost Allocation Process

Initiating the Process

Data to be included within the cost allocation process is based on:

- Application of federal cost principles or full costing principles, as applicable
- Interviews
- Review of financial documents
- Review of organizational structure
- Analysis of statistical data relative to benefit of services provided

Establishing the Cost Pools to be Allocated

The organizational structure is analyzed to determine which departments or cost pools provide services to other departments/divisions/programs. These cost pools become the “Central Service Departments” in the CAP.

Next, each cost pool is evaluated to determine the activities or services provided. The costs are then broken into subparts or activities such that each activity can be allocated on a statistical measure that is relevant to the service provided and the benefit received.

Line items of expenditures are analyzed to determine which activities receive the benefit of the costs. Distributions of these costs are made according to the determined benefit of each activity.

Establishing the Statistical Measurements or Bases for Allocation

Available statistical measurements are evaluated to establish the most equitable and meaningful basis for allocating each activity within each Central Service Department. Consideration is given to determining the measurement that most appropriately demonstrates its relationship to the receiving units.

Accommodating Exceptions and Adjustments

Applicable cost adjustments for unallowable costs and/or capitalized assets are incorporated into the appropriate schedules. Credits for direct billings, special revenues, etc. are included in the computation.

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