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# SPECIAL REPORT

## DUTCHESS COUNTY INDIRECT COST ALLOCATION PLAN (ICAP)



*SEPTEMBER 2024*



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 2023 Annual Indirect Cost Allocation Plan (ICAP). This plan is used by the Dutchess County Department of Community and Family Services (DCFS) to claim federal reimbursement of indirect costs for associated programs.

The ICAP is prepared by gathering and organizing detailed statistical information from various central service departments that provide services to all Dutchess County departments in accordance with federal guidelines. The cost of these services is then allocated equitably amongst departments for recovery via revenue claims when funding is available.

Federal regulations establish a two-year historical cost pattern for claiming; therefore, DCFS will claim 2023's indirect costs in 2025. Total costs to be claimed in 2025 amount to **\$3,680,669**. Based on 2023 percentages, anticipated revenue due to the County in 2025 is approximately **\$1,195,113**. Actual revenue received in 2023 was **\$1,531,376**, a decrease of **\$84,756** over 2022 revenue.

The Comptroller's Office would like to thank all the various departments that contributed to the gathering of this information.

Respectfully submitted,



A. Gregg Pulver  
Dutchess County Comptroller

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# 2023 Report and Historical Trend

## Comptroller's Summary

Dutchess County's Indirect Cost Allocation Plan (ICAP) for fiscal year 2023 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 2023's indirect costs in 2025. Total costs to be claimed in 2025 amount to **\$3,680,669**.

Based on the percentage of actual revenue received in 2023 (32.47%), the anticipated revenue due to Dutchess County in 2025 is approximately **\$1,195,113**.

**Exhibit I** is the computation of the fixed indirect costs to be claimed in 2025, **Exhibit II** is a historical summary of revenues claimed and received, and **Addendum I** outlines the process followed by Maximus the consultant who prepares the plan for Dutchess County.

## What is the Indirect Cost Allocation Plan?

This annual report is prepared by gathering and organizing costs from selected County Departments that provide services to all Dutchess County Departments in accordance with Federal guidelines. The cost of these services is allocated equitably amongst departments, and funds are recovered via revenue claims when funding is available.

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, various departments provide support and services to all departments and divisions of County government. Departments which provide these services include County Executive, Budget, Clerk of the Legislature, County Attorney, Human Resources, Finance, Comptroller, Office of Central and Information Services (OCIS), Department of Public Works (selected divisions), and Records Management.

## 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 provide statistical data, related to their department's function, for inclusion in schedules prepared by the Comptroller's Office. The Maintenance-in-Lieu of Rent (MLR) cost schedule is prepared by the Department of Public Works and is also used in the final preparation of the ICAP. MLR costs represent costs associated with the physical 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 prepared 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 anticipated revenue and to claim revenue reimbursement, from available sources, for the applicable indirect costs.

### Observations:

- A total of **\$1,531,376** was received in 2023 which is approximately 32.47% of the indirect cost claim amount of **\$4,716,773**.
- For 2023, DCFS budgeted revenue at **\$1,629,230** which was 34.54% of the indirect cost claim amount.

Additional information in the ICAP is used by various departments.

- The 2023 Fringe Benefit Rate of 51.51%, as calculated by the Comptroller's Office, is used for revenue reimbursement claims by departments including the Department of Behavioral & Community Health, DCFS, Probation, and the Department of Public Works. The Fringe Benefit Rate is used by OCIS for inclusion in their billable rate to reimbursable departments and outside agencies.
- MLR costs are used by the Department of 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 revenue sources. A separate audit of the MLR was conducted by the Comptroller's Office and can be found on the Dutchess County Comptroller's website.

## Indirect Cost Allocation for DCFS 2023 Results

**Exhibit I** is the computation of the 2025 fixed indirect costs used for claiming by DCFS.

Final 2023 indirect costs for DCFS totaled **\$4,092,221**; estimated costs claimed for 2023 amounted to **\$4,503,774** resulting in a negative adjustment of **\$(411,553)** for 2025; therefore, a total of **\$3,680,669** in fixed indirect costs will be claimed in 2025 by DCFS. The anticipated revenue due to Dutchess County DCFS in 2025 is approximately **\$1,195,113** based on the percentage (32.47%) received in 2023. Per the Director of Administrative Services at the Department of Children and Family Services, the net rate of reimbursement is dependent on adjustments to claims, ceilings, and category splits.

The 2023 fixed costs claimed were based on an estimate with an adjustment from 2 years prior. This report identifies the actual indirect costs for 2023. The estimated costs claimed in 2023 and the actual costs for 2023 are reconciled and adjusted to identify the amount of costs claimable in 2025.

## Exhibit I

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

**County-Wide Indirect Costs  
Computation of Carryforward and 2025 Fixed Indirect Costs**

<b>CARRYFORWARD COMPUTATION:</b>	<b>Central Services</b>	<b>MILOR</b>	<b>Total</b>
<b>Total 2023 Fixed Indirect Costs Claim</b>	\$3,732,547	\$984,226	\$4,716,773
<b>Adjust 2021 Carryforward Included In 2023 Fixed Indirect Costs</b>	+ (42,494)	+ (170,506)	+ (212,999)
<b>2023 Adjusted Indirect Costs (1)</b>	<b>\$3,690,054</b>	<b>\$813,721</b>	<b>\$4,503,774</b>
<b>2023 Actual Indirect Costs [See Exhibit II]</b>	\$3,847,982	\$244,240	\$4,092,221
<b>2023 Adjusted Indirect Costs</b>	- 3,690,054	- 813,721	- 4,503,774
<b>Under (Over) Recovery Carryforward</b>	<b>\$157,928</b>	<b>\$(569,481)</b>	<b>\$(411,553)</b>
<b>2025 FIXED INDIRECT COSTS COMPUTATION:</b>			
<b>2023 Actual Indirect Costs</b>	\$3,847,982	\$244,240	\$4,092,221
<b>Under (Over) Recovery Carryforward</b>	+ 157,928	+ (569,481)	+ (411,553)
<b>Total 2025 Fixed Indirect Costs</b>	<b>\$4,005,910</b>	<b>\$(325,240)</b>	<b>\$3,680,669</b>
<b>Monthly Fixed Indirect Costs - 2025</b>	\$333,826	\$(27,103)	\$306,722

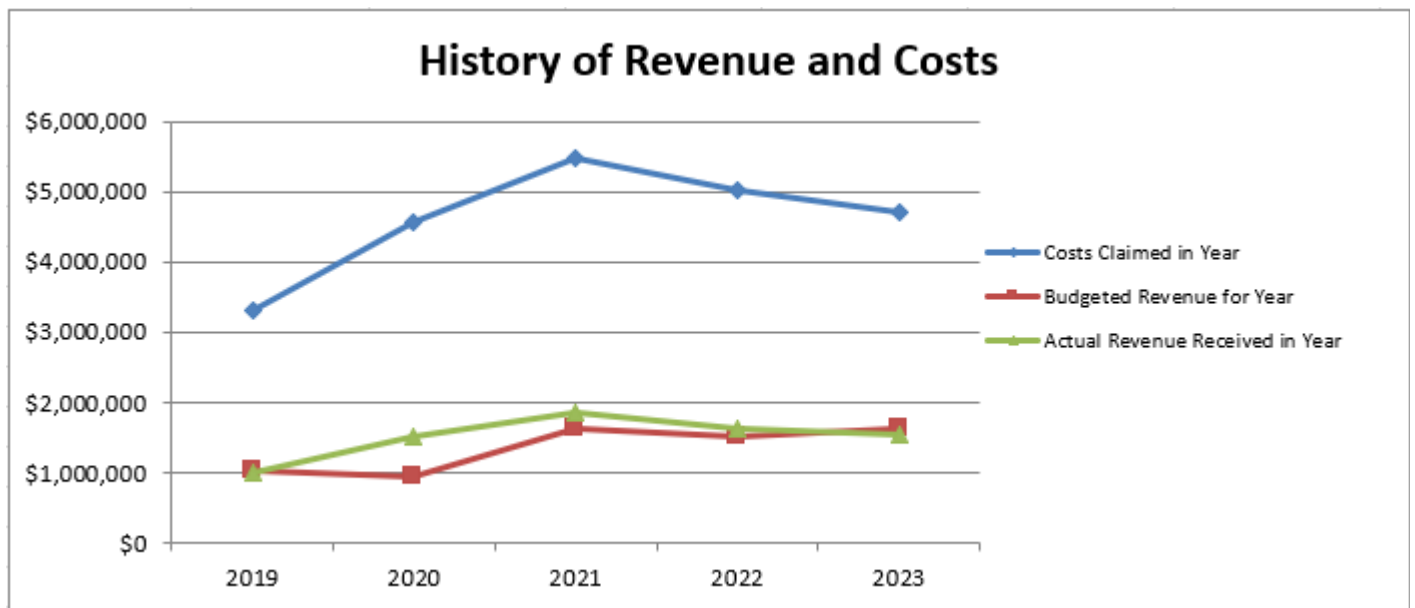
## Exhibit II

### Historical Perspective 2019-2023

The table below reflects the historical data from 2019 through 2023. The following graph displays Claimable Costs, Budgeted Revenue and Actual Revenue Received for each year.

History of Revenue and Costs						
Year	2019	2020	2021	2022	2023	Total/ Averages
Costs Claimed in Year	\$3,313,159	\$4,570,636	\$5,463,511	\$5,028,488	\$4,716,773	\$23,092,567
Budgeted Revenue for Year	\$1,027,000	\$947,563	\$1,622,768	\$1,526,478	\$1,629,230	\$6,753,039
% of Claimed Costs Budgeted for Revenue	31.00%	20.73%	29.70%	30.36%	34.54%	29.24%
Actual Revenue Received in Year	\$999,472	\$1,504,155	\$1,865,623	\$1,616,132	\$1,531,376	\$7,516,758
% of Claimable Costs Actually Received in Revenue	30.17%	32.91%	34.15%	32.14%	32.47%	32.55%

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



# Addendum I

## Cost Allocation Methodology and Process

The Cost Allocation Plan (CAP) uses cost data and allocation statistics to allocate the costs to departments/divisions/programs for Fiscal Year (FY) 2023.

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 applicable 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 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.

## Process

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

- Costs from entity financial records
- Cost adjustments
- Credits
- Costs received from other Central Service Departments that have completed their first step-down of 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 the statistical measurements indicate a basis for the allocations.



# Addendum I

## Process

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

- 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

## 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 the 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 so 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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