

## **SPECIAL REPORT**

### **INDIRECT COST ALLOCATION PLAN 2006 A-87 Report and Historical Trend**

Dutchess County's A-87 for fiscal year 2006 has been completed and filed with the New York State Department of Social Services and provided to the Dutchess County Department of Social Services. Final A-87 indirect costs for 2006 totaled \$2,291,608.00 and the anticipated revenue\* due to Dutchess County for 2008 is \$1,054,140.00. Federal regulations established a two-year historical cost pattern used for claiming; therefore DSS will claim 2006's indirect costs in 2008.

#### **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 reimbursement. The ICAP gathers and organizes county-wide financial data into required schedules.

The Federal government recognizes that grantees incur indirect costs that benefit Federal grant programs therefore, the Office of Management and Budget (OMB) Circular No. A-87 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. Examples of such departments are: Department of Public Works, Auto Center, Central Procurement, Personnel, OCIS (Computer services), Comptroller and Finance. DSS uses 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 thirty-one schedules. Thirty schedules are prepared by the Comptroller's Office; one schedule, the Maintenance in Lieu cost schedule is prepared by the Department of Public Works. Maintenance in Lieu costs represent costs associated with maintaining the space departments occupy.

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\* Based on historical trend of 46%

These schedules, along with the County's Annual Financial Report, are provided to an outside consultant who uses the information to create the A-87 in the form required by the Federal Government. The A-87 report prepared by the consultant consists of 109 unique schedules. The report is filed with the New York State Department of Social Services and provided to DSS.

### **How is the Indirect Cost Allocation Report used?**

DSS uses the ICAP calculation to project revenue and the claiming of indirect costs. Additional information in the report is used by various departments. The 2006 Fringe Benefit Rate, 39.20% is used by departments such as the Department of Mental Hygiene, the Health Department, and the Department of Public Works for inclusion in claims. Maintenance in Lieu costs are used by reimbursable departments<sup>†</sup> in claims to their available funding sources. It is also used by Public Works to bill County reimbursable departments (Mental Hygiene, Health, Social Services, Office of the Aging and CASA, Youth Bureau, Airport and Mass Transportation) for their maintenance costs.

### **Historical Perspective Including 2006**

The charts that follow reflect the historical data from 2001 through 2006. The charts exhibit the Budgeted Revenue and the Actual Revenue received for each year. Historically, approximately 46% of submitted costs were reimbursed by the Federal government.

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<sup>†</sup> A reimbursable department is a department who can claim a portion of expenses to another funding source.

### A-87 Revenue History

Year	2001	2002	2003	2004	2005	2006
Budgeted Revenue for Year	523,000	844,000	844,000	1,211,089	1,211,089	1,047,294
Actual Revenue Received in Year	577,675	785,295	954,785	1,127,986	1,110,487	987,457
% of Costs Reimbursed*	47.03%	46.53%	45.76%	46.57%	46.95%	47.14%

\* 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.

