

## **SPECIAL REPORT**

### **INDIRECT COST ALLOCATION PLAN 2015 A-87 Report and Historical Trend**

#### **Comptroller's Summary**

Dutchess County's A-87 for fiscal year 2015 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 2015's indirect costs in 2017. Final 2015 A-87 indirect costs for DCFS totaled \$2,922,919 with carry forward adjustments totaling \$288,820 resulting in \$3,211,739 claimable in 2017. The anticipated revenue due to Dutchess County in 2017 is approximately \$1,294,010 based on the trend over the last five years.

#### **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's purpose is to quantify services provided throughout the county, allocate costs equitably and recover funds.

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. 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 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 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 103 unique schedules. The 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.

#### **Recommendation:**

Actual Revenue received over the last 5 years averages 40% of claimable costs; over the last 2 years it has averaged 33%; however 50% of claimable costs have been budgeted. **We recommend budgeted revenue be adjusted to the trend.**

- Additional information in the report is used by various departments.
  - The 2015 Fringe Benefit Rate, 52.01%, 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 2011-2015**

The table on the following page reflects the historical data from 2011 through 2015. The graph exhibits Claimable Costs, Budgeted Revenue and Actual Revenue Received for each year. As shown from the historical trend, an average of 40.29% of submitted costs were reimbursed by the Federal government.

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	2011	2012	2013	2014	2015	Total/ Percentages
Costs Claimed in Year	\$2,508,303	\$2,226,090	\$2,731,302	\$3,326,298	\$2,639,191	\$13,431,184
Budgeted Revenue for Year	\$1,254,151	\$1,113,045	\$1,365,651	\$2,052,149	\$1,319,596	\$7,104,592
Actual Revenue Received in Year	\$1,172,970	\$1,020,290	\$1,226,970	\$1,114,667	\$877,040	\$5,411,937
% of Claimed Costs Budgeted for Revenue	50.00%	50.00%	50.00%	61.69%	50.00%	52.90%
% of Claimable Costs Actually Received in Revenue	46.76%	45.83%	44.92%	33.51%	33.23%	40.29%
% of Budgeted Revenue Received	93.53%	91.67%	89.85%	54.32%	66.46%	76.18%

The Actual Revenue received is dependent on adjustments to claims, ceilings and category splits. In 2014 Revenue received from reimbursable claimable costs was reduced by 11% due to a change in bookkeeping and continued to be in the 33% range in 2015.

