

## **SPECIAL REPORT**

### **INDIRECT COST ALLOCATION PLAN 2009 A-87 Report and Historical Trend**

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

Dutchess County's A-87 for fiscal year 2009 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 2009 totaled \$2,526,712 and the anticipated revenue\* due to Dutchess County for 2011 is approximately \$1,212,821. Federal regulations establish a two-year historical cost pattern used for claiming; therefore DSS will claim 2009's indirect costs in 2011.

This report is the culmination of more than three months work by multiple staff members of the Comptroller's Office and the assistance of many other County employees. Their efforts are all greatly appreciated, as the result of this report aids the County's efforts toward revenue maximization, which is especially crucial during these budgetary-constrictive 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 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 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 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.

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\* Based on historical trend of 48%

## **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 fifty-one schedules. Fifty 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.

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 the Dutchess County Department of Social Services.

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

- Dutchess County Department of Social Services utilizes the ICAP calculation to project budgeted revenue and to claim the applicable indirect costs for revenue reimbursement.
- Additional information in the report is used by various departments.
  - The 2009 Fringe Benefit Rate, 37.058% 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 available funding sources.
  - Maintenance in Lieu costs are 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 in lieu of rental costs.

## **Historical Perspective Including 2009**

The table on the following page reflects the historical data from 2004 through 2009. The graph exhibits Claimable Costs, Budgeted Revenue and Actual Revenue Received for each year. Historically, approximately 48% 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.

	2004	2005	2006	2007	2008	2009	Total/ Averages
Costs Claimed in Year	1,937,237	2,030,689	2,015,913	2,492,309	2,567,303	2,828,743	13,872,194
Budgeted Revenue for Year	1,211,089	1,211,089	1,047,294	1,047,294	1,283,651	1,414,371	7,214,788
Actual Revenue Received in Year	1,127,986	1,110,487	987,457	1,166,376	1,098,947	1,196,570	6,687,823
% of Claimed Costs Budgeted for Revenue	62.52%	59.64%	51.95%	42.02%	50.00%	50.00%	52.01%
% of Claimed Costs Actually Received	58.23%	54.69%	48.98%	46.80%	42.81%	42.30%	48.21%
% of Budgeted Revenue Received	93.14%	91.69%	94.29%	111.37%	85.61%	84.60%	92.70%

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.

