

Countywide Cost Allocation Plan

Office of the Auditor-Controller

Presented by:

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AGENDA

- What is the COWCAP?
- Key terms.
- Why do we allocate?
- Uses and Benefits of COWCAP.
- Elements of the COWCAP.
- Common mistakes and preventive measures.
- Timeline.
- Questions/Comments.



What is COWCAP?

COuntyWide Cost Allocation Plan

- A cost allocation system developed by the Federal Government.
- It is the formal process by which the County identifies countywide indirect costs (overhead and central service costs) and distributes them to the benefitted operating (receiving) departments on a reasonable and consistent basis in accordance with specified guidance.



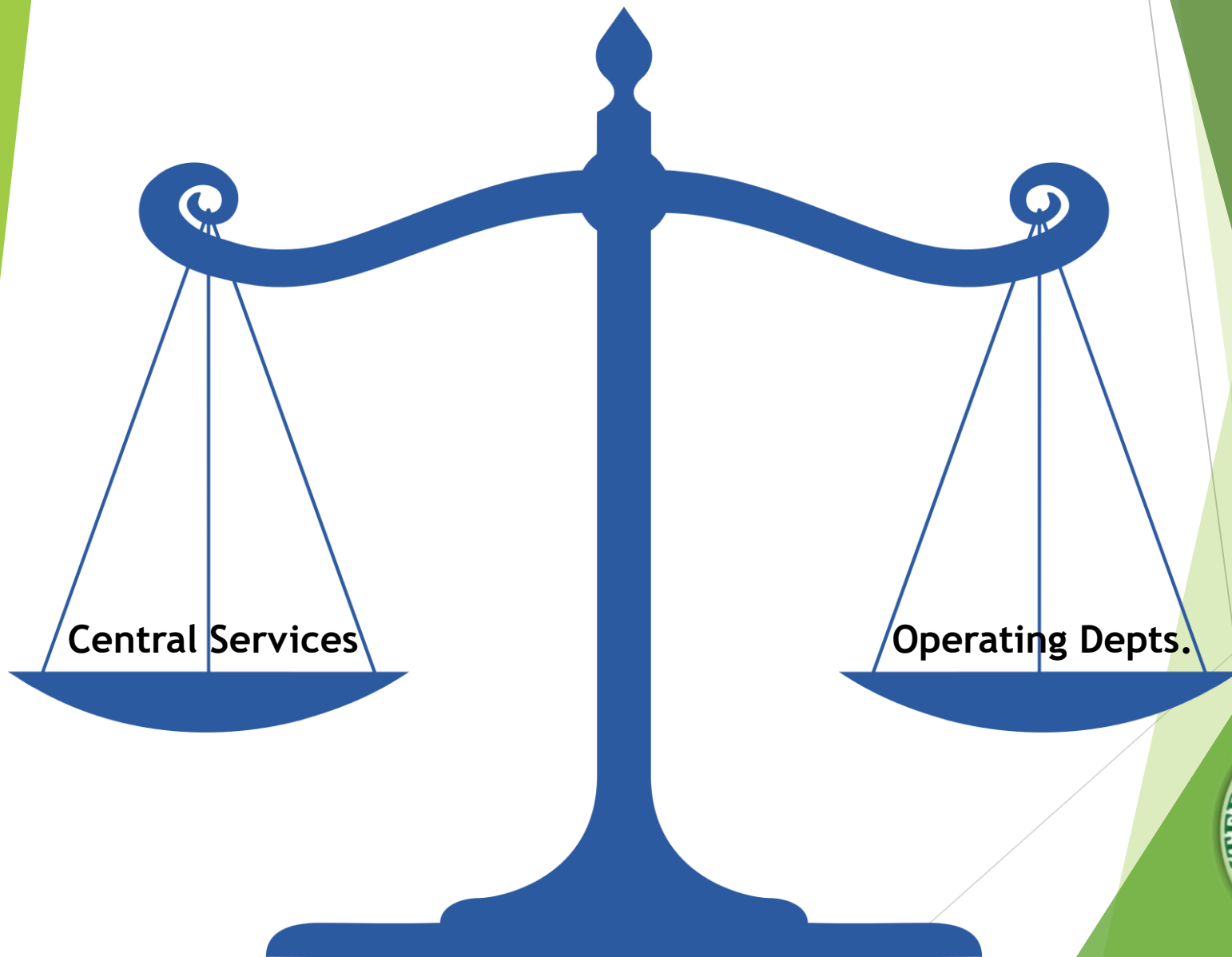
What are Indirect Costs?

- ▶ Costs incurred for a common purpose benefiting more than one cost objective (program/function/department) and
- ▶ Not readily assignable to a the cost objective (program/function) specifically benefitted.
- ▶ Examples:
 - ▶ Central service costs: accounting, budgeting, ITD, etc.
 - ▶ Overhead costs: Building Depreciation (previously Building Use Allowance), external audit services

Central Service Department and Operating Departments

- ▶ Central Service departments are those departments whose primary purpose is to support the Operating departments of the county.
- ▶ Operating Departments receive costs for services performed for their benefit.

COWCAP KEY PLAYERS



WHY?

- ▶ Is it necessary to prepare?
- ▶ What is the purpose?
- ▶ What is the benefit to the County?
- ▶ Can we just ignore and not record?

Mandated Requirement

- ▶ **Title 2 Code of Federal Regulations (CFR) Part 200.**
 - ▶ Establishes principles and standards to provide a uniform approach for determining direct and indirect costs applicable to Federal awards.
 - ▶ Provides direction in determining allowability of costs for reimbursement of Federal grants, entitlements, and other form of assistance.
 - ▶ Preparation of a Cost allocation plan is a requirement of any non-federal entity who receives federal awards.
 - ▶ Establishes standards to indicate that there needs to be process through which the overhead costs and central service costs of an entity can be identified and assigned to benefitted activities on a reasonable and consistent basis.



Uses & Benefits of COWCAP

Cost Recovery

Enables grantees (County use departments) to recover costs incurred in the administration of a grant program from the Federal, State or other agencies outside the county.

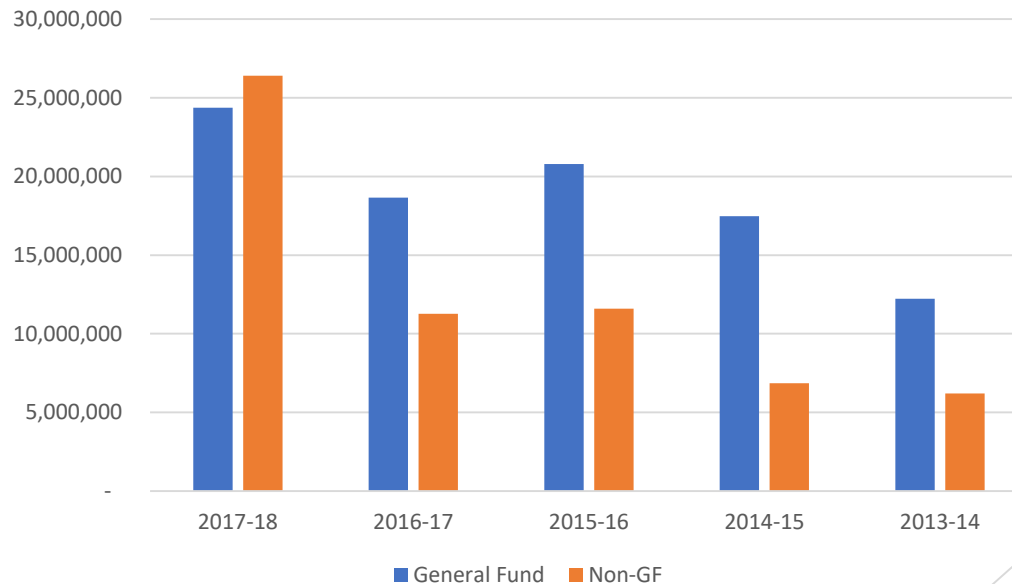
The only method by which California counties may claim reimbursement for indirect and central service costs from grantor agencies.



COST RECOVERY

COWCAP YEAR	General Fund	Non-GF	Total
2017-18	24,363,710	26,409,215	50,772,925
2016-17	18,651,519	11,264,546	29,916,065
2015-16	20,797,106	11,603,521	32,400,627
2014-15	17,477,066	6,858,823	24,335,889
2013-14	12,223,569	6,207,302	18,430,871

COWCAP Cost Allocated



Uses & Benefits of COWCAP

Indirect Costs as a Matching Share

- In some instances, federal grants do not provide funds for reimbursement of indirect costs, and will require the grantee to match a specified portion of the overall costs of the grant program. When this happens, indirect overhead costs identified in the COWCAP can be included in the County's matching share of the grants.



Uses & Benefits of COWCAP

Provides True Cost of Operations

- ▶ The Board of Supervisors should be aware of the total cost of providing services including its indirect costs. This will allow the County management to recommend, and Board of Supervisors to see the full cost before establishing and approving fees at appropriate levels.



Uses & Benefits of COWCAP

Other

- ▶ Supports Transparency
- ▶ Management Tool
- ▶ Provides Consistency and Eliminates Duplication

Importance of Recording Cost Plan Allocations in the Financial System

- ▶ COWCAP is designed to provide that all County programs, including Federal and State assisted programs, bear their fair share of costs.
- ▶ Not recording COWCAP allocations in the general ledger can result in:
 - ▶ Disallowed indirect cost reimbursement requests by the Federal & State granting agencies.
 - ▶ Increased the risks of audit findings.
- ▶ Prior to FY2016-17, only non-general fund operating departments used to be charged for their indirect cost allocations.
- ▶ Starting FY2016-17, the Cost allocation plan is used to charge all County departments their fair share of indirect costs.

ELEMENTS OF THE COWCAP

1. External Overheads
 2. Administrative Management
 3. Information Technology
 4. Resource Management Agency
 5. Other Service Departments
 6. Roll Forward
 7. Adjustments
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= TOTAL ALLOCATION



Elements of COWCAP

EXHIBIT A

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COUNTYWIDE COST ALLOCATION PLAN OF MONTEREY COUNTY FOR THE YEAR ENDING JUNE 30, 2018

Based on Actual Costs for the Year Ended June 30, 2016

COST EXHIBIT

	External Overheads	Administrative Management	Information Technology Service Depts.	Resource Mgmt. Agency Service Departments	Other Service Departments	Total Net Allocation	Roll Forward	Adjustments	Total Allocation
OPERATING DEPARTMENTS									
Agricultural Commissioner	184,575	145,934	(8,214)	51,355	74,641	448,290	(117,629)	-	330,662
Produce Inspection	96	4,986	(362)	175	(11,124)	(6,229)	(18,343)	-	(24,573)
Building Services	66,653	44,533	(3,936)	396,061	33,060	536,372	(32,178)	-	504,194
Planning	501	45,138	(4,045)	337,453	397,550	776,596	(119,715)	-	656,881
Primary Health Care	40,345	399,557	(27,719)	154,452	149,640	716,276	(54,696)	-	661,580
Emergency Medical Services	4,637	15,017	(1,342)	2,816	11,911	33,040	(50,577)	-	(17,537)
Environmental Health	10,070	118,709	(6,544)	8,200	102,977	233,412	(78,064)	-	155,348
Public Guardian/Administrator	1,179	16,205	(1,144)	32,453	535,053	583,746	455,127	-	1,038,873
Social Services	510,545	1,126,979	(100,931)	183,526	1,562,490	3,282,609	(65,357)	-	3,217,252
Area Agency on Aging	277	14,785	-	-	9,332	24,393	(2,752)	-	21,642
Agricultural Cooperative Extension	59	13,217	(732)	8,349	5,419	26,312	(13,710)	-	12,601
Parks	408,534	102,510	(2,383)	13,990	171,496	694,147	201,446	-	895,593
Total Operating Departments	\$ 6,518,258	\$ 4,770,463	\$ (318,098)	\$ 6,354,508	\$ 4,993,307	\$ 22,318,438	\$ 2,045,273	\$ -	\$ 24,363,710

EXTERNAL OVERHEAD

Equipment Depreciation: is allocated based on capitalized equipment. (Equipment acquired with grant funds is not subject to equipment depreciation)

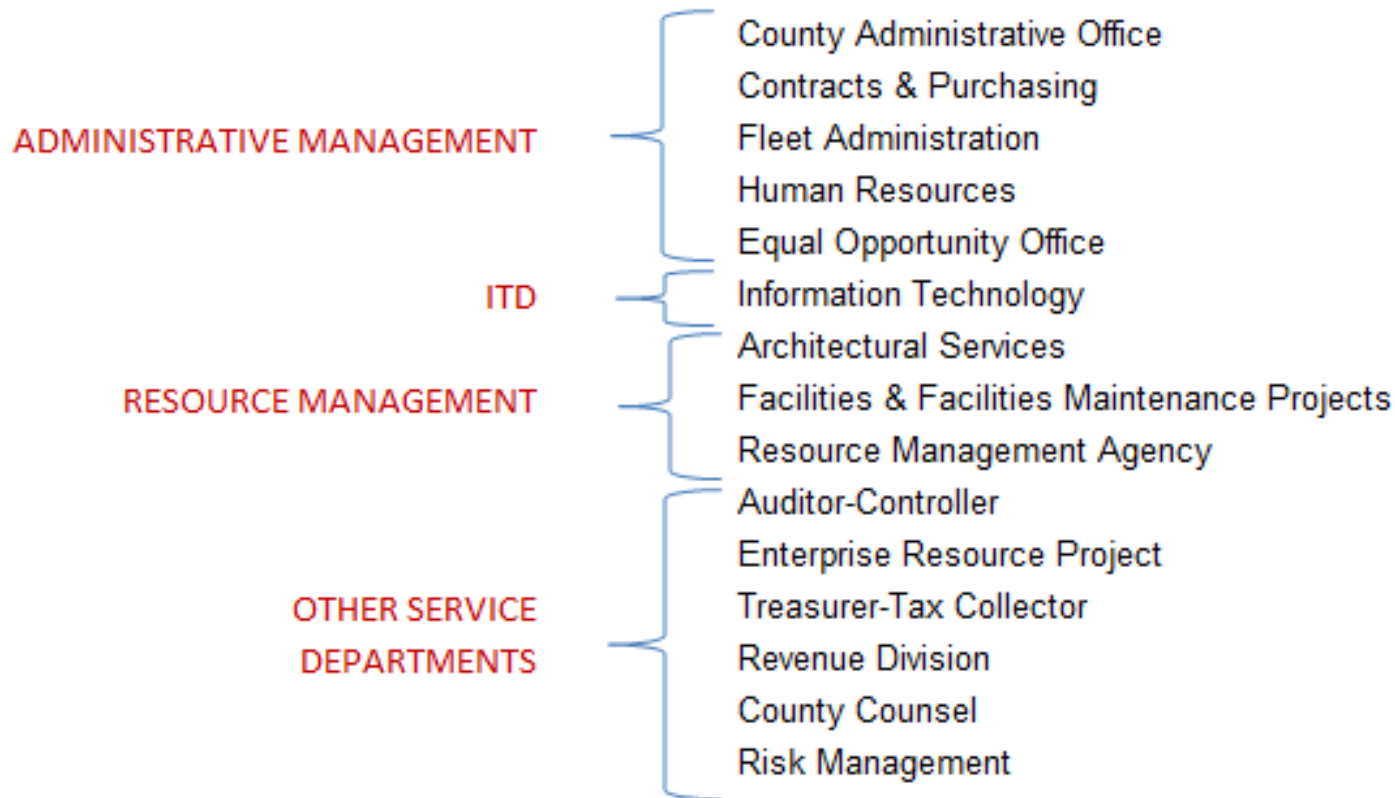
Building Depreciation: is allocated to departments based on the square footage usage of the capitalized building.

Audit Services: the costs of audits required by, and performed in accordance with the Single Audit and the financial statement audit.



CENTRAL SERVICES DEPARTMENTS

Departments that provide services to other departments throughout the County.



GENERAL FUND DEPARTMENTS

Board of Supervisors
Office of Emergency Services
Office of Community Engagement & S Advocacy
Economic Development Administration
Assessor
Clerk/Recorder
Grand Jury
Enterprise Risk
Assessment Appeals Board
Clerk of the Board
Elections
Emergency Communications
District Attorney
Child Support Services
Public Defender
Coroner
Sheriff's Correctional Division
Sheriff
Juvenile Hall
Probation
Agricultural Commissioner
Produce Inspection
Building Services
Planning
Environmental Services
Primary Health Care
Emergency Medical Services
Environmental Health
Public Guardian/Administrator
Children's Medical Services
Public Health & Health Administration
Animal Services
Military & Veterans' Services
Social Services
Area Agency on Aging
Agricultural Cooperative Extension
Parks

NON-GENERAL FUND

Roads & Bridges - Construction Projects
Roads & Bridges - Maintenance
County Library
IHSS PA-Administration
Fish & Game Propagation
Office for Employment Training/WIB
Community Action Partnership
Behavioral Health
Homeland Security Grant
Water Resources Agency
Emergency Communication - NGEN Radio Project
Natividad Medical Center
Resort at Nacimiento Lake
Resort at San Antonio Lake
Nacimiento Boat Patrol
North Shore Lake San Antonio
South Shore Lake San Antonio
Lake Events & Administration
General Liability Insurance (ISF)
Workmens' Compensation (ISF)
Benefits (ISF)
LAFCO
Superior Court of CA - Mo Co
RDA - Successor Agency
All Others
All Others (Not Occupied)

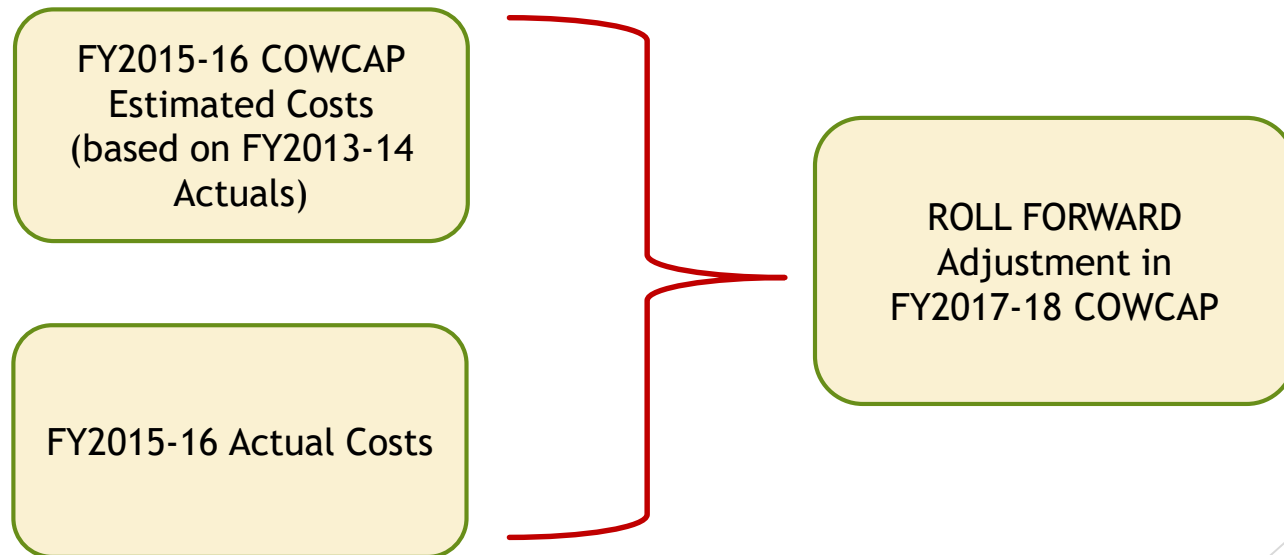
OPERATING DEPARTMENTS

Departments that receive services from
Central Service Departments.



ROLL FORWARD

The roll-forward is an adjustment between the estimated costs versus the actual cost incurred. It is a true-up. It ensures that operating departments are neither over-allocated, nor under-allocated.



ROLL FORWARD EXAMPLE

2017-18 COUNTYWIDE COST ALLOCATION PLAN

Social Services - 001-5010-8262

	[a]	[b]	[a]-[b]=[c]	[a]+[c]
	2015-16 Actual Costs per 2017-18 COWCAP	2015-16 Estimated Costs per 2015-16 COWCAP	Roll Forward Adjustment	Total 2017-18 COWCAP Allocation
ADMINISTRATIVE MANAGEMENT				
County Administrative Office & ILA	\$ 362,791	\$ 387,941	\$ (25,150)	\$ 337,642
Contracts & Purchasing	49,005	42,150	6,855	55,859
Equal Opportunity Office	151,657	109,468	42,189	193,846
Total	<u>\$ 563,453</u>	<u>\$ 539,559</u>	<u>\$ 23,894</u>	<u>\$ 587,346</u>
TOTAL ALLOCATION				<u>\$ 587,346</u>



ADJUSTMENTS

- Mainly used to correct prior year errors
- Also used to make adjustments per audit findings



COMMON ALLOCATION MISTAKES

- Failure to categorize
- Failure to document
- Failure to apply consistently
- Failure to exclude unallowable expenses
 - Ex. Cannabis

PREVENTIVE MEASURES

- Close collaboration with departments
- Transparency
- Accountability
- Increased internal audit



FLUCTUATION TRIGGERS

1. Increased/decreased central service operating costs.
 2. Utilization of central service departments' goods/services during the fiscal year.
 3. Operational changes
 - a) Switching from/to direct billing
 - b) Structural changes
 4. Roll forward/True-Up.
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= FLUCTUATION IN COWCAP CHARGES



TIMELINE

Tentative Timeline	Tasks to be completed
March-April	Auditor-Controller (AC) to facilitate a round table discussion forum with all COWCAP-involved departments.
May - June	AC to carry out training or refresher workshop as needed.
June	AC to send out COWCAP kickoff email to all Finance Managers with an attached annual timeline with Final dates.
June-July	All central service departments to submit allocation data to departments for review.
End of July	All revised/final central service requested data per COWCAP guideline to be submitted to the AC.
End of October	AC to provide financial statements for the use on the COWCAP.
August through mid-November	Auditor-Controller Analyst to review and verify data submitted by central service departments. Prepare first draft of the COWCAP.
Mid-November	AC to email first draft of the Cost Allocation Plan to all Finance Managers.
End of November	COWCAP changes or inquiries must be submitted to the AC, in writing, after departmental review of the first draft.
Mid-December	Auditor-Controller Analyst to review all inquires and requests. AC to incorporate any necessary changes and complete the final COWCAP draft.
Mid-December	Social Services to provide annual signed certification of administrative expense claims(exhibit 1303). Original certification must be received by the Auditor-Controller Analyst by this date.
End of December	AC to prepare requested backup and complete all required forms and certifications for COWCAP submission.
End of December	AC to submit the COWCAP final draft to the State Controller's Office, along with all other requested documentation for review and approval.



OTHER RESOURCES

<http://www.in.co.monterey.ca.us/auditor/publications.htm>

http://www.sco.ca.gov/Files-ARD-Local/manual_costplanhandbook.pdf

<https://www.ecfr.gov> (search for Title II, part 200)



QUESTIONS/COMMENTS

