



Legislation Details (With Board Report)

**File #:** 18-184      **Name:** Countywide Cost Allocation Plan (COWCAP) Presentation

**Type:** General Agenda Item      **Status:** Scheduled PM

**File created:** 2/20/2018      **In control:** Board of Supervisors

**On agenda:** 2/27/2018      **Final action:**

**Title:** Receive a presentation on the Countywide Cost Allocation Plan (COWCAP) from the Auditor-Controller's Office.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Board Report, 2. Completed Board Order, 3. PowerPoint Presentation

Date	Ver.	Action By	Action	Result
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Receive a presentation on the Countywide Cost Allocation Plan (COWCAP) from the Auditor-Controller's Office.

RECOMMENDATION:

It is recommended that the Board of Supervisors:  
Receive a presentation on the Countywide Cost Allocation Plan (COWCAP) from the Auditor-Controller's Office.

SUMMARY/DISCUSSION:

The purpose of this presentation is to provide the Board of Supervisors with a general overview of the Countywide Cost Allocation Plan (COWCAP), its benefits and contributions to the financial health of the County, its cost allocation methodology, and the application of that methodology in the budget.

Background:

Preparation of a cost allocation plan is a requirement of any non-federal entity who receives federal awards. Federal Office of Management and Budget Circular Title 2 Code of Federal Regulations (2 CFR Part 200) is titled *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Federal agencies apply the principles in 2 CFR Part 200 in determining reimbursable costs incurred by non-federal entities under federal awards and sub-awards. The cost principles promulgated by 2 CFR Part 200 are designed to be generally applicable to all non-federal entities for determining costs for federal awards carried out through grants, cost reimbursement contracts, and any other agreements with the federal government. The State Controller's Office is the cognizant agency who has the authority to approve California Counties' COWCAP.

Counties provide certain services, such as accounting, administration, information technology, contracts & purchasing, facilities maintenance, human resources, etc. to their operating departments on a centralized basis. The programs that are supported by federal and state awards are performed within the individual operating

departments. 2 CFR part 200 recognizes this and indicates that, there needs to be a process through which the central services costs of the entity can be identified and assigned to benefitted activities on a reasonable and consistent basis. The preparation of the COWCAP provides that process.

Central Service departments are those departments whose primary purpose is to support the Operating departments of the county. Examples are, Auditor-Controller, Human Resources, County Administrative Office, County Counsel, etc. Operating departments primary purpose is to support the public and carry out the programs of the County. Operating Departments receive costs for services performed for their benefit. Some examples are, Department of Social Services, Department of Health, etc.

In summary, COWCAP is a tool used to calculate the indirect costs of central service departments and to distribute such costs to the operating departments (receiver of the service). The operating departments are then able to claim this indirect cost as expense and receive reimbursement from the federal/state agencies to the County to support the County’s General Fund for the for services provided.

Benefits & Uses of COWCAP:

COWCAP is used as a basis for federal and state grant reimbursements. The State Controller’s Office reviews and approves it every year. Without a State Controller’s Office approved COWCAP, there would be no basis for the County to claim indirect cost reimbursement for State and Federal funded programs. In FY 2018 alone, Monterey County’s COWCAP was approved by the State Controller’s Office to allocate \$51 million in indirect costs to State and Federal grants (subject to cap limitations). Below is a table showing the total reimbursable indirect costs of the County of Monterey over the past five fiscal years, subject to grants’ indirect cost caps.

COWCAP YEAR	General Fund	Non-GE	Total
2017-18	24,363,726	16,409,255	40,772,981
2016-17	18,651,519	19,264,549	37,916,068
2015-16	20,797,108	16,603,532	37,400,640
2014-15	17,477,066	16,858,824	34,335,890
2013-14	12,223,566	207,300	12,430,866

It is important to record cost allocations calculated on the COWCAP in the financial system. If these costs are not recorded, and the program is audited, the granting agency could retroactively deny reimbursement requests for indirect costs.

COWCAP provides a structure and basis of cost-recovery for central service departments of the County for the services they provide to General Fund and Non-General Fund operating departments. In FY 2017, General Fund Service departments received reimbursement totaling, \$22.9M from General and Non-General Fund operating departments. In FY2018, General Fund Service departments will receive reimbursement totaling, \$37.5M from General and Non-General Fund operating departments, an increase of \$14.6M from the prior fiscal year. The cost-recovery of central services, relieves the General Fund to fund other critical County programs and provide additional services to the community.

Uses of COWCAP by County Departments

Grantee Departments Use of COWCAP

- **Requests for Reimbursement:**  
County departments receiving reimbursement for costs through federal and state agencies should use the County's approved COWCAP in the grant claiming process. Grant claims should be prepared and submitted in accordance with the applicable regulations and procedures established by the appropriate grantor agency. They should recognize and include the amounts identified in COWCAP to the respective departments approved cost summary/exhibit. Unless there is a specific agreement to the contrary, all federal grantor agencies and state agencies with federal flow-through funds must accept the COWCAP as approved by the State Controller's Office and must reimburse indirect costs incurred by county grantee departments in accordance with the approved cost summary/exhibit.
- **Indirect Costs used 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.

#### Non-Grantee Departments & Countywide Use of COWCAP

- **Helps Identify True Costs of Programs:**  
COWCAP benefits the non-grantee departments as well. Departments charging for services to the public can utilize COWCAP allocations in determining their billing rate structures. The Board of Supervisors should be aware of the total cost of providing services when approving the billing rates, 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 level.
- **Supports Transparency**  
  
COWCAP supports and delivers transparency because overhead is not hidden from total operating costs and therefore provides the public the true costs of the services provided for each function/program.
- **Management Tool**  
  
If a fee is not being charged by a department, the concept explained above can be employed as a management tool in identifying total costs of operations, and analyzing the services provided by the service departments. Allocation of COWCAP in the system, provides the County Management and the Board of Supervisors true costs of the County operations. It also serves as a mechanism to track unallowable expenses, such as Cannabis activities.
- **Provides Consistency and the Eliminates Duplication**  
  
Without a consistently applied and documented allocation method, such as COWCAP, the County might inadvertently be "double dipping" by unintentionally allocating expenses to multiple funding sources; and double reporting those expenses. Which would result the County being forced to pay back incorrect allocations including penalties back to the granting agencies.

COWCAP is a collaboration effort by all County Departments. The Auditor-Controller's Office staff would be unable to successfully complete the COWCAP without the input of the central service departments. The

timeliness and availability of COWCAP is solely dependent on the timeliness of the deliverables by all central service departments. Not meeting the timelines established by the Auditor-Controller's Office can cause significant delays in the submission of the COWCAP to the State Controller's Office, which can delay the availability of allocations from COWCAP to all County departments in time for the preparation of the Budget.

The presentation on the COWCAP will cover above items as well as a brief overview of the Auditor-Controller's Office's preparation process. At the end of this presentation the members of the Board of Supervisors and members of the public should obtain a general understanding of what the COWCAP is, purpose of its preparation, and its financial benefit to the County as a whole.

OTHER AGENCY INVOLVEMENT:

This is a presentation prepared by the Auditor-Controller's Office, who has the responsibility of preparing the COWCAP. The Auditor-Controller's Office has continuously worked with various County Departments to prepare the analysis of the COWCAP.

FINANCING:

None.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The COWCAP supports accuracy and transparency and provides the public with true costs of the services provided for each function/program.

- Economic Development
- Administration
- Health and Human Services
- Infrastructure
- Public Safety

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Notes:

Resources:

1. Office of Management and Budget Circular Title 2 Code of Federal Regulations (2 CFR Part 200) is titled *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
2. State Controller's Office - [Handbook of Cost Plan Procedures for California Counties](https://www.sco.ca.gov/Files-ARD-Local/manual_costplanhandbook.pdf)  
<[https://www.sco.ca.gov/Files-ARD-Local/manual\\_costplanhandbook.pdf](https://www.sco.ca.gov/Files-ARD-Local/manual_costplanhandbook.pdf)>
3. U.S. Department of Health and Human Services - ASMB C-10 - *Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government*