



**Policy Type:** Administrative

**Category:** Fiscal and Budget

**Policy Name:** Recovery and Billing of Costs through County-wide Cost Allocation Plan

**Policy Owner:** Controller-Treasurer Department

### **Policy Purpose**

In order to ensure that all possible revenues due to the County are recouped, this policy provides guidelines and principles for allocating costs through a County-wide Cost Allocation Plan for the following:

- Services provided by Centralized Services Departments to other County Agencies or Departments; and
- Overhead costs to be charged to County Agencies and Departments as well as outside entities, such as Federal and State grants, and others who use County services.

This policy adheres to the cost principles and standards established by the Federal Office of Management and Budget's (OMB) Title 2, Code of Federal Regulations (2 CFR Part 200) – Uniform Administrative Requirements.

### **Policy Summary**

The County of Santa Clara Controller-Treasurer Department prepares the County-wide Cost Allocation Plan and submits it to the California State Controller's Office (SCO) by December 31<sup>st</sup> of each year. The SCO is the cognizant agency that reviews, negotiates, and approves, on behalf of all federal agencies, cost allocation plans. Assistance from County Agencies



and Departments is necessary to ensure accurate information is provided to the Controller-Treasurer Department in a timely manner to complete the County-wide Cost Allocation Plan.

County departments who provide services (Centralized Services Departments) to other departments (Benefitting Departments) provide appropriate accounting information and actual cost data to the Controller-Treasurer Department, which reconciles them with the County's financial records for the fiscal year. The cost identification and distribution is applied consistently in accordance to the allocation basis as provided by the Centralized Services Departments. Cost accumulation and distribution methods must be documented and retained by Centralized Services Departments.

Only costs that are allowable by regulation will be allocated to Benefitting Departments. Costs identified as unallowable must be excluded from the accumulation and distribution to Benefitting Departments.

#### Controller-Treasurer Department Responsibilities

It is the responsibility of the Controller-Treasurer Department Cost Management Unit to:

- Prepare and distribute a County-wide Cost Allocation Plan Schedule with due dates of information needed from Centralized Services Departments.
- Accumulate and review allowable costs from Centralized Services Departments.
- Allocate accumulated allowable cost to each Benefitting Department that received centralized services in an equitable manner that reflects the value of the services received.



- Distribute a draft County-wide Cost Allocation Plan and billing information to County Agencies and Departments and to the County Executive's Office of Budget and Analysis (OBA).
- Obtain the Supplemental Information Checklist signed by the County's Social Service Agency's Chief Fiscal Officer, or designee.
- Obtain Negotiation Agreement signed by the County's Finance Director, or designee, and the SCO.

### County Agencies and Departments Responsibilities

It is the responsibility of the Centralized Services Departments to ensure that the cost information provided to the Controller-Treasurer Department Cost Management Unit:

- Is accurate, reasonable, allocable, and allowable.
- Is recorded in the County's accounting system or other systems (i.e., Labor ESA-PeopleSoft, Occupancy FAF Documentation) used for the preparation of County-wide Cost Allocation Plan.
- Adheres to the County-wide Cost Allocation Plan Schedule.

## **Procedures**

### Preparing an Annual Cost Allocation Plan

- 1) The **Cost Management Unit** provides a County-wide Cost Allocation Plan Schedule with due dates and forms to County Agencies and Departments annually, by May 31<sup>st</sup>.



- 2) Each **Centralized Services Department** must complete the forms and update the narrative and send to both the benefitting departments and the Cost Management Unit.
- 3) **Centralized Services Department** updates the forms and narrative based on the benefitting departments' feedback; then send the requested information listed on the County-wide Cost Allocation Plan Schedule to the Cost Management Unit.
- 4) The **Cost Management Unit** accumulates and reviews the data received from for accuracy and compliance with Title 2, Code of Federal Regulations (2 CFR Part 200) – Uniform Administrative Requirements.
- 5) The **Cost Management Unit** prepares the County-wide Fixed Roll-Forward calculation and cost allocation data.
- 6) The **Cost Management Unit** distributes a preliminary County-wide Cost Allocation Plan to OBA and all County Agencies and Departments for their review and feedback.
- 7) **OBA** and **County Agencies and Departments** must review and provide feedback to the Cost Management Unit.
- 8) The **Cost Management Unit** updates the County-wide Cost Allocation Plan based on the feedback and reviews received from OBA and all County Agencies and Departments.
- 9) The **Cost Management Unit** compiles the narratives describing each Centralized Services Department, Internal Service Fund, and Self-Insurance Internal Service Fund.



- 10) The **Cost Management Unit** compiles a reconciliation of costs, expenditures, and revenues shown in the County-wide Cost Allocation Plan.
- 11) The **Cost Management Unit** finalizes the County-wide Cost Allocation Plan.
- 12) The **Cost Management Unit** sends the Supplemental Information Checklist to the County's Social Service Agency for signature.
- 13) The **County's Social Service Agency** signs then returns the Supplemental Information Checklist to the Cost Management Unit.
- 14) The **Cost Management Unit** provides the Certificate of Cost Allocation Plan to the County's Finance Agency Director or designee for signature.
- 15) The **County's Finance Agency Director or designee** signs then returns the Certificate of Cost Allocation Plan to the Cost Management Unit.
- 16) The **Cost Management Unit** submits the County-wide Cost Allocation Plan's package (including binder of Cost Allocation Plan reports, supporting documents, and Actuarial reports) to the SCO. The package is also submitted electronically (via e-mail) to the SCO.
- 17) The **Cost Management Unit** distributes the SCO's approved County-wide Cost Allocation Plan to all County Agencies and Departments.



- 18) The **Cost Management Unit** publishes the SCO's approved County's County-wide Cost Allocation Plan on the Controller-Treasurer Department's internal and public websites.

### Billing for County-wide Overhead

The **Controller-Treasurer Department Cost Management Unit** takes the following steps to prepare billing for county-wide overhead.

- 1) Uses the County-wide Cost Allocation Plan to post Funds Reservations in the County's accounting system to avoid budget shortfalls during the fiscal year end close process.
- 2) Provides the schedule of total cost allocation to Benefitting Departments less any adjustments needed to the OBA Analyst and all County Agencies and Departments.
- 3) Posts Cost Allocation Plan's amounts to the Benefitting Departments' accounts.

### **Definitions**

For the purposes of this policy, the following definitions apply:

- 1) **"Allocation Basis"** means method used to distribute a given service cost based on statistical information that can be compiled without prohibitive cost and that provides a direct relationship between allocation methods used and the expenditures allocated.
- 2) **"Allocation Cost Plan"** means the formal means by which County-wide indirect costs are assigned to the Benefitting Departments



and/or programs on a reasonable and consistent basis in accordance to set guidelines. All costs and other data used to distribute the costs included in an Allocation Cost Plan must be supported by formal accounting records and other data that will corroborate the propriety and accuracy of costs assigned to federal awards.

- 3) **"Allowable"** means reasonable and allocable in accordance with Title 2, Code of Federal Regulations (2 CFR Part 200) – Uniform Administrative Requirements.
- 4) **"Benefitting Departments"** means operating departments that are receiving services from Centralized Services Departments.
- 5) **"Centralized Services Departments"** are County Agencies and Departments who bill costs through the Cost Allocation Plan and not by use of direct billings.
- 6) **"County-wide Cost Allocation Plan"** means a distribution of Centralized Services Departments costs to Benefitting Departments.
- 7) **"County's accounting system"** means the SAP system or any other system used as the primary accounting and finance system for the County.
- 8) **"Direct billing"** means central support services that are billed to Benefitting Departments and/or programs on an individual fee for service.
- 9) **"Equitable Manner"** means services received are in proportion to the allocated cost.
- 10) **"Fixed Carry-Forward"** means a change in the allocated cost (estimated) amounts approved for the cost plan year is adjusted in a



subsequent year when the actual cost of the year estimated becomes known.

## Frequently Asked Questions

None

## Related Policies

- 1) Operational Internal Service Fund Policy  
<https://saecommon.sccgov.org/countypolicy/Operational-Internal-Service-Fund-Policy.pdf>
- 2) Self-Insurance Internal Service Fund Policy  
<https://saecommon.sccgov.org/countypolicy/Self-Insurance-Internal-Service-Fund-Policy.pdf>

## Related Forms and Information

Authoritative Sources:

*Code of Federal Regulations:* The Executive Office of the President, Office of Management and Budget's (OMB) Title 2, Code of Federal Regulations (2 CFR Part 200) – Uniform Administrative Requirements Uniform Administrative Requirements, Cost Principles, and Audits Requirements for Federal Awards (referred to as the "Supercircular").

Cross reference table

OBM Circular Prior to 12-26- 2014	Description	Super Circular Effective 12-26- 2014
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A-21	Cost Principles for Educational Institutions	Section B: Subpart F: Cost Principles
A-87	Cost Principles for State, Local, and Indian Tribal Governments	
A-122	Cost Principles for Non-Profit Organization	
A-89	Federal Domestic Assistance Program	Section A: Subparts A-E: Administrative Requirements
A-102	Grants and Cooperative Agreements with State and Local Governments	
A-110	Grants and Other Agreements with Institutions of Higher Education, Hospital	
A-50	Single Audit	Section C: Subpart F: Audit Requirements
A-133	Audits of State and Local	

Super Circular Effective 12-26-2014

Subtitle A	Description	CFR 200
Subpart A	Acronyms and Definitions	§200.000 – §200.099
Subpart B	General Provisions	§200.100 – §200.113
Subpart C	Pre-Award Requirements	§200.200 – §200.212
Subpart D	Post Award Requirements	§200.300 – §200.345
Subpart E	Cost Principles: General Provision	§200.400 – §200.401
	Cost Principles: Basic Consolidations	§200.402 – §200.411



	Cost Principles: Direct and Indirect Costs	\$200.412 – \$200.415
	Cost Principles: State, Local Governments and Indian Tribal	\$200.416 – \$200.417
	Cost Principles: Institutions of Higher Education	\$200.418 – \$200.419
	Cost Principles: Selected items of Cost (criteria for Allowable or non-allowable, direct or indirect)	\$200.420 – \$200.475
Subpart F	Audits	

### **Handbook of Cost Plan Procedures for California Counties**

Assists California counties in the understanding and application of the cost principles established by the federal office of Management and Budget Rules and Regulations 2-CFR-Part 225 for state, local, and federally-recognized Indian tribal governments.

[https://sco.ca.gov/Files-ARD-Local/manual\\_costplanhandbook.pdf](https://sco.ca.gov/Files-ARD-Local/manual_costplanhandbook.pdf)

### **Revision History**

Date	Changes Made
01/14/2019	Links Updated. (David Bruno)
08/27/2018	Policy Uploaded. (David Bruno)
08/23/2018	Policy Adopted.