

COUNTY-WIDE COST ALLOCATION PLAN (COWCAP) WORKSHOP

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DEFINITION

A cost allocation system developed by the Federal government to compile, identify, and classify costs for all central service units.



Purpose of Cost Plan

- Identifies indirect costs incurred by the central service departments in administering and providing support services to all users.
- Allocates indirect costs of all central service departments to all users using equitable/reasonable basis.



Purpose of Cost Plan - *Continued*

- Enables grantees (county user departments) to recover costs incurred in the administration of a grant, entitlement or any form of assistance from the Federal, State, or other agencies outside the county.



INDIRECT COSTS

Costs incurred for a common purpose not readily assignable to a cost center or user at the time services or goods are provided or delivered.

For example, costs for the payroll function of the ACO provides payroll services to all county departments.



FEDERAL AND STATE GUIDELINES

1. 2CFR PART 225 (formerly OMB CIRCULAR A-87 *Cost Principles for State, Local, and Indian Tribal Governments*)
2. Handbook of Cost Plan Procedures for California Counties



2CFR PART 225 (formerly OMB CIRCULAR A-87)

- Establishes principles and standards to provide a uniform approach for determining costs for claiming purposes.
- Provides direction in determining allowability of costs for reimbursement of Federal grants, entitlements, and other form of assistance.



Handbook of Cost Plan Procedures for California Counties

- Provides policies and procedures for the preparation and application of the county-wide cost plan.
- Incorporates the provisions of applicable laws, rules, methods and processes required to have the Plan approved by the State Controller.



CENTRAL SERVICE UNITS/DEPARTMENTS

- Budget units whose *indirect costs* are allocated to user departments. They provide support services to users on a reimbursement basis.
- These budget units are not part of the county's *Enterprise Funds* nor *Internal Service Funds* whose costs are billed thru a *fee-for-service*.



Central Service Units/ Departments (CSU) in Solano County

1. County Administrator's Office (CAO)

- Budgeting
- County Administration
- General Expenditures

2. Human Resources (HR)

- Personnel Administration
- Employee Development Recognition



Central Service Units/ Departments (CSU) in Solano County - *Continued*

3. General Services

- Architectural Services
- Central Services
- Facilities Operations
- Real Estate Services
- Groundskeeping
- Custodial Services



Central Service Units/ Departments (CSU) in Solano County - *Continued*

4. Auditor–Controller’s Office (ACO)

- Auditing
- Payroll
- General Accounting
- Grants
- Property Tax
- Fixed Assets

5. County Counsel

- Legal Services



Examples of Allocation of Costs

1. CAO – cost of *Budgeting* function is allocated based on the cost of each user department in relation to the total cost of all user departments. *Total Cost* includes salaries, benefits, services and supplies of user department.
2. HR – cost of *Personnel Administration* is allocated based on the average number of paid employees of user department in relation to average of total countywide.



Examples of Allocation of Costs - *Continued*

3. **General Services** – cost of *Custodial Services* (housekeeping) is allocated based on time spent on each building multiplied by the square footage of the area occupied by each department.
4. **ACO** – cost of *General Accounting* is allocated based on transaction units (# of entries in the journal voucher, deposit permit, or vendor claim processed) of user department to total number of all transaction units.



Examples of Allocation of Costs - *Continued*

5. County Counsel – cost of legal services is allocated based on percentage of effort (time spent with user department).

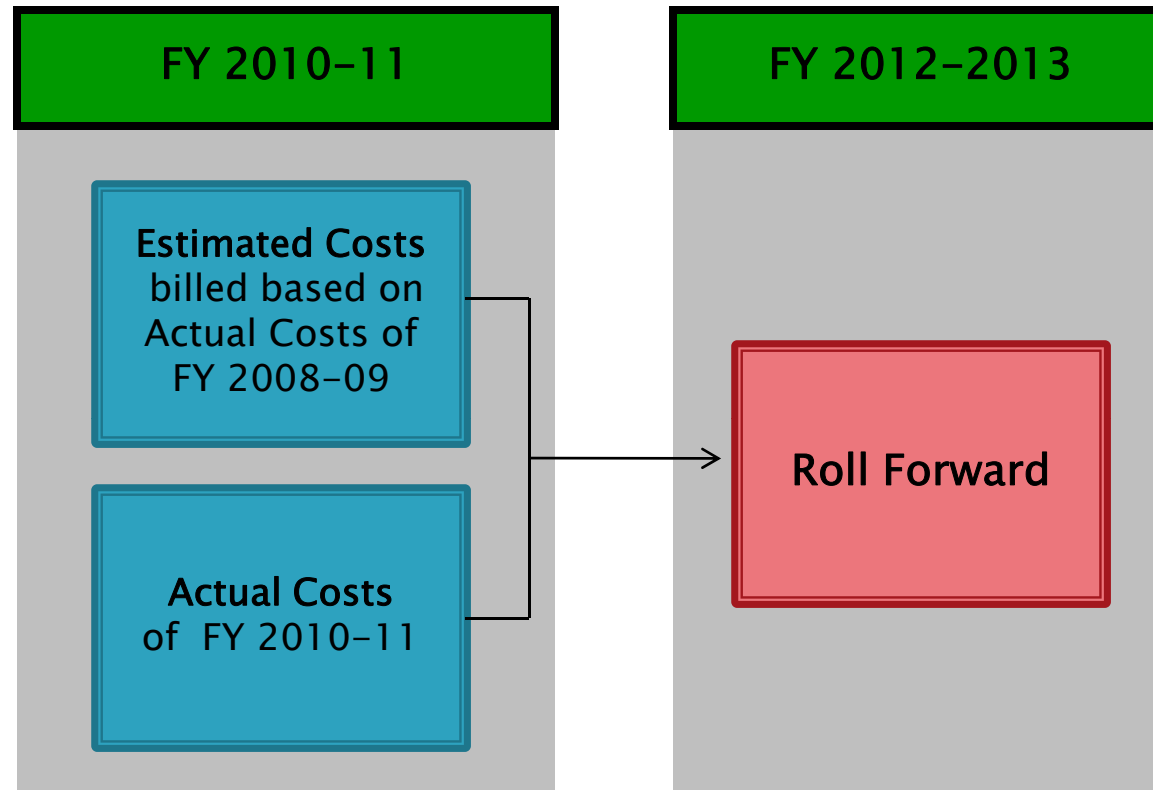


Roll Forward

- An adjustment to costs billed representing the difference between the estimated costs versus the actual costs incurred for the year. The difference is either added/subtracted from the estimated costs.



Illustration of Roll Forward Calculation



Cost Allocation for Capital Assets

- A. Equipment
- B. Buildings and Improvements



A. Equipment (User Department Only)

- Equipment use allowance is annually calculated at 6 2/3% of the cost of equipment assigned to the user department (approximately 10 years).
- Equipment use allowance is used in claiming for reimbursement to outside agencies.



A. Equipment (User Department Only) - *Continued*

- Equipment acquired thru a grant is not subject to an equipment use allowance.



B. Building and Improvements

- Building use allowance is calculated at 2% of the cost of the building
- Building use allowance is allocated to departments based on the ratio of square footage each department occupies in relation to the total area of the building.



B. Building and Improvements - *Continued*

- Building use allowance is the amount each department is charged for buildings under a lease-purchase agreement or buildings financed thru a loan.
- Building use allowance for a structure already paid off is generally not billed to the occupant. However, it is used in claiming for reimbursement to outside agencies.



