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Overview of Statewide Cost Allocation Plan

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Statewide Cost Allocation Plan

Overview of Topics

- Scope of SWCAP
 - Section I - Allocated Costs
 - Section II – Billed Costs
- Submission requirements
- Documentation requirements
- Negotiation and approval process
- Other policies
- Rate reductions, rebates and paybacks
- Outstanding issues



Scope of SWCAP

Statewide Cost Allocation Plan - Scope

What is the Statewide Cost Allocation Plan (SWCAP)?

- SAAM 50.20.60
 - Washington's Statewide Central Services Cost Allocation Plan (SWCAP) is used to identify and assign central service costs.
- Required document
 - Section I – identifies, accumulates and allocates indirect costs.
 - Section II – develops billing rates based on allowable costs of services provided by a governmental unit to its departments and agencies.
 - The costs may be allocated or billed to benefiting agencies.
- Required in order to charge federal programs central service costs
- Omitted costs will not be reimbursed

Statewide Cost Allocation Plan - Scope

Section I

- Allocated costs
 - Statewide administrative costs
 - 10 Schedules
 - Building Depreciation
 - OFM Administration
 - OFM Budget
 - OFM Statewide Accounting & Fiscal
 - OFM State Policy
 - OFM Forecasting
 - OFM Management & Productivity
 - State Treasury
 - SEC Administration
 - DES Administration

Statewide Cost Allocation Plan - Scope

Section I

- Allocated costs – continued
 - Allocated to all agencies
 - Costs are not billed but supports federal awards and programs
 - Only includes allowable costs (*2 CFR Part 200.420*)
 - Ex: General cost of Government (unallowable)
 - Can be included in agency indirect rate plan

Statewide Cost Allocation Plan - Scope

Section II

- Billed Central Services
 - 24 billed central services
 - Internal Service Funds
 - Office of the Attorney General Account 405 Legal Services
 - Department of Enterprise Services Account 422 Executive Management
 - Department of Enterprise Services Account 422 Consolidated Mail Services
 - Department of Enterprise Services Account 422 Facilities Management
 - Department of Enterprise Services Account 422 Fleet Management
 - Department of Enterprise Services Account 422 Brokering
 - Department of Enterprise Services Account 422 Real Estate Services
 - Department of Enterprise Services Account 422 Other Services

Statewide Cost Allocation Plan - Scope

Section II

- Billed Central Services - continued
 - 24 billed central services
 - Internal Service Funds
 - Consolidated Technology Services Account 458 Data Processing
 - Office of Financial Management Account 415 Personnel Services
 - Department of Enterprise Services Account 422 Workforce Support & Development
 - Office of Financial Management Account 455 Higher Education Personnel Services
 - Department of Enterprise Services Account 422 Printing Services
 - Office of Administrative Hearings Account 484 Administrative Hearings Services
 - Consolidated Technology Services Account 472 Enterprise Systems
 - Office of Financial Management Account 436 Labor Relations Services

Statewide Cost Allocation Plan - Scope

Section II

- Billed Central Services - continued
 - 24 billed central services
 - Internal Service Funds
 - Department of Enterprise Services Accounts 546/547 Risk Management
 - Department of Enterprise Services Small Agency Financial Services
 - Department of Enterprise Services Account 422 Technology Leasing
 - Office of the Secretary of State Account 006 Archives and Records Management
 - Office of the Secretary of State Account 470 Imaging Services
 - Office of the State Auditor Account 483 Auditing Services
 - Consolidated Technology Services Account 461 IT Services
 - Consolidated Technology Services Account 466 Miscellaneous Services

Statewide Cost Allocation Plan - Scope

Section II

- Billed Central Services - continued
 - 24 billed central services
 - Employee Benefits
 - Department of Employment Security Unemployment Compensation Enterprise Fund
 - Department of Labor & Industries Worker's Compensation Enterprise Fund
 - Department of Retirement Systems Employee Retirement Systems
 - State Health Care Authority Health Insurance Fund

Statewide Cost Allocation Plan - Scope

Section II

- Billed Central Services - continued
 - Billed either as a fee for service or similar method
 - Reviewed for allowable costs
 - Verify not charging too much to federal programs
 - Charged to federal programs as a direct or indirect cost

Statewide Cost Allocation Plan - Scope

Section II

- Billed Central Services - continued
 - Each schedule includes:
 - Service Description
 - Billing methodology
 - Financial Statements
 - Operating transfers in/out
 - Reconciliation of:
 - Revenues and expenditures
 - Additions and deductions (Section I costs, imputed interest)
 - Adjustments
 - Working Capital Reserve
 - Revenue by customer

Submission Requirements



Statewide Cost Allocation Plan – Submission Requirements

- Submitted annually to Department of Health and Human Services
- Submitted within six months after year end



Documentation Requirements

Statewide Cost Allocation Plan – Documentation Requirements

General Documentation Requirements

- Organization chart
- Comprehensive Annual Financial Report
- Audited financial statements
- Certificate of Cost Allocation Plan
 - All allocated costs are allowable in accordance with *Cost Principles in 2 CFR Part 200*
 - All costs are properly allocable to federal awards
 - Consistent treatment of costs
 - Must be signed by an official who is authorized to legally bind the non-federal entity.

Statewide Cost Allocation Plan – Documentation Requirements

Documentation required for allocated services

- Brief description of the service
- Identification of the unit rendering the service
- Operating agencies receiving the service
- Items of expense included in the cost
- Method used to distribute the cost
- Summary schedule of allocations to benefited agencies

Statewide Cost Allocation Plan – Documentation Requirements

Documentation for billed services

- Internal service funds with budget of >\$5M
- Self-insurance funds
- Fringe benefits
- Other billed services

Statewide Cost Allocation Plan – Documentation Requirements

Documentation for billed services - continued

- Service descriptions
- Billing methodology
- Balance sheet
- Income statement
- Revenue by customer
- Fund balance reconciliation



Negotiation and Approval Process

Statewide Cost Allocation Plan – Negotiation and Approval Process

- Timely basis
- Review within six months of receipt
 - Every two years HHS conducts a site visit
 - 2018 plan review took longer than normal
- Issuance of a central service cost allocation negotiation agreement
- Applicable to all federal programs

Other Policies



Statewide Cost Allocation Plan – Other Policies

- Each billed central service activity must maintain profit/loss financial statements
- Each billed service allowed up to a 60 day working capital reserve
- Billed services required to annually adjust rates
- Requirements related to “carry-forward” adjustments
- Record retention same as Subpart D of 2 CFR Part 200



Rate Reductions, Rebates and Paybacks

Statewide Cost Allocation Plan – Rate Reductions, Rebates and Paybacks

- What can cause a rebate or payback?
 - Excess balance
 - Services allowed to have up to a 60 day working capital reserve
 - When service exceeds that working capital reserve, an excess balance is identified in Part I of the reconciliation

Statewide Cost Allocation Plan – Rate Reductions, Rebates and Paybacks

EXHIBIT C

STATE OF WASHINGTON
ACCOUNT 422 - FLEET MANAGEMENT
RECONCILIATION OF RETAINED EARNINGS BALANCE TO FEDERAL GUIDELINES
AS OF JUNE 30, 2016

PART I 2 CFR Part 200 RETAINED EARNINGS BALANCE

| | | | |
|---|---------|------------|-------------|
| 2 CFR Part 200 RETAINED EARNINGS BALANCE JULY 1, 2015 | | | |
| Balance Per Prior Year's Reconciliation of Fund to 2 CFR Part 200 | | | \$2,105,103 |
| FY 2016 RETAINED EARNINGS INCREASE(DECREASE) Per CAFR | | | |
| 2 CFR Part 200 Revenues | | | |
| Charges for Services | | \$703,640 | |
| Miscellaneous Revenue | | 22,080,026 | |
| Operating Transfers In | | 0 | |
| Total Revenues | | | 22,783,666 |
| Less: Expenditures (Actual Costs): | | | |
| Per State's Financial Report | | | |
| Salaries and Wages | | 1,094,578 | |
| Employee Benefits | | 498,214 | |
| Personal Services | | 0 | |
| Goods and Services | | 10,290,199 | |
| Travel | | 2,682 | |
| Depreciation and Amortization | | 9,648,485 | |
| Miscellaneous Expenses | | 0 | |
| Interest Expense | | 1,302,641 | |
| Other Expenses | | (301,783) | |
| Total Per Financial Statements | | | 22,535,016 |
| Additional 2 CFR Part 200 Allowable Costs | | | |
| FY 2016 SWCAP Costs | \$1,029 | | |
| Other | 0 | | |
| Total Additions | | 1,029 | |
| Less 2 CFR Part 200 Allowable Expenditures | | | 22,536,045 |
| Plus Adjustments: | | | |
| Prior Period Adjustments | | 0 | |
| Imputed Interest Earnings (Exhibit D) | | 2,105 | |
| Total Adjustments | | | 2,105 |
| 2 CFR Part 200 RETAINED EARNINGS BALANCE JUNE 30, 2016 | (A) | | \$2,354,829 |
| Allowable Reserve (1/6 of Allowable Expenses Less Deprec.) | (B) | | \$2,147,927 |
| Excess Balance (A) - (B) | | | \$206,902 |

Statewide Cost Allocation Plan – Rates Reductions, Rebates and Paybacks

- **When an excess balance is identified, next steps**
 - HHS usually gives a short timeframe to reduce
 - Rate reductions
 - Rebate to customers
 - Payback (*refund*) to HHS

Statewide Cost Allocation Plan – Rate Reductions, Rebates and Paybacks

- **Rate reduction**

- The reduction of rates can over time reduce that excess balance because revenue < expenses for the particular service.
 - Can be difficult to get rates approved

Statewide Cost Allocation Plan – Rate Reductions, Rebates and Paybacks

- **Rebates to customers**

- Customer agencies of the service with an excess balance would receive the rebates.
- Flow back to the federal programs

Statewide Cost Allocation Plan – Rate Reductions, Rebates and Paybacks

- **Payback**

- Federal share of the excess balance is sent back to HHS
- State portion moved to Part II Contributed Capital of the reconciliation

| PART II 2 CFR Part 200 CONTRIBUTED CAPITAL BALANCE | | | |
|---|-----|-----|--------------|
| 2 CFR Part 200 CONTRIBUTED CAPITAL BALANCE JULY 1, 2015 | | | \$10,860,000 |
| TRANSFERS Per CAFR (Supported By Official Accounting Records) | | | |
| Plus: Non-operating Transfers In | | \$0 | |
| Less: Non-operating Transfers Out | | 0 | |
| Net Transfers | | | 0 |
| 2 CFR Part 200 CONTRIBUTED CAPITAL BALANCE JUNE 30, 201 | (C) | | \$10,860,000 |

Statewide Cost Allocation Plan – Rate Reductions, Rebates and Paybacks

- **Prior year paybacks:**

- FY2016 SWCAP (FY2014 Financials)
 - Payback of \$115,680 from OFM’s Personnel Services
 - Payback of \$29,374 from DES’s Enterprise Systems
- FY2017 SWCAP (FY2015 Financials)
 - Payback of \$20,214 from DES’s Enterprise Systems
 - Payback of \$112,240 from ATG’s Legal Services
 - Payback of \$96,756 from OFM’s Personnel Services
 - Payback of \$172,444 from DES’s Personnel Services
- FY2018 SWCAP (FY2016 Financials)
 - Payback of \$100,300 from DES’s Brokering
 - Payback of \$335,967 from DES’s Technology Leasing

Outstanding Issues



Statewide Cost Allocation Plan – Outstanding Issues

- **GASB 68**

- Since the implementation of GASB 68, there has been discussion on the billed pension costs that are allowed in the plan.
 - Possibly disallow the pension contributions that are in excess of the GASB 68 calculated pension expense.

- **ERP**

- Monitoring our expenses

Questions?





FOR MORE INFORMATION:

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