

DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814



January 8, 1991

COUNTY FISCAL LETTER NO. 90/91-53

TO: COUNTY WELFARE DIRECTORS
COUNTY FISCAL OFFICERS
COUNTY AUDITOR CONTROLLERS

This letter will provide guidance concerning non-welfare costs, Indirect Cost Rate Proposals (ICRP), Super/Umbrella Agencies, the Electronic Data Processing (EDP) Time Study (DFA 48), and Extraneous costs. The information contained below will assist Counties in the Fiscal Year (FY) 1991/92 Annual Time Reporting Plan (ATRP) and budget processes and will provide direction for development of ICRPs. A list designating analyst assignments for the FY 1991/92 ATRP process is also attached.

NON-WELFARE COSTS AND ICRPS

In recent years, Counties have been allowed to use a standard rate of 10 percent of salaries in lieu of developing individual ICRPs to determine the overhead costs associated with County Welfare Department (CWD) staff performing non-welfare activities. The Counties' ability to use the ten percent rate was dependent upon it being a fairly accurate and reasonable representation of the non-welfare activities' attributable overhead costs. However, recent State Controller Office (SCO) audits have resulted in audit exceptions in several Counties because the 10 percent rate has proven to be well below the actual cost of providing these non-welfare services. Subsequently, based on discussions with the SCO and the Federal Department of Health and Human Services, Division of Cost Allocation, the State Department of Social Services (SDSS) has developed a methodology to calculate individual pre-determined fixed rates for each County. These rates, which will more accurately reflect the actual costs of non-welfare activities for each County and will satisfy the requirements of Federal Cost Principles, are not subject to adjustment during the FY.

NOTE: Counties will retain the option of developing individual ICRPs rather than using the pre-determined fixed rates.

The rates developed by the SDSS were determined as follows: The actual indirect costs (Travel, Space, Space A-87, Other Operating, Public Agencies A-87, Public Agencies-Direct Billed, Private Agencies, and Super/Umbrella Agencies) for each County for the four quarters of FY 1989/90 were divided by the total

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direct costs (caseworker, administrative/clerical support and EDP staff salaries and benefits). The resulting percentages are each County's rates of indirect overhead costs. These rates should be applied to the salaries and benefits of CWD staff performing non-welfare activities whenever there are no case work equivalents, and the costs cannot be allocated within the normal claim process. For example, CWD staff who write grant proposals for grants associated with non-welfare activities, or who perform monitoring activities for non-welfare contracts do not perform casework equivalent duties. These staff must maintain continuous time records of the non-welfare activities whenever possible, so that salaries, benefits, and appropriate overhead can be abated from the Administrative Expense Claim (AEC) and reported as Extraneous. The following is provided as an illustration:

Jane Smith, a CWD administrative staff person, monitors a battered spouse contract with a community based organization. Jane earns \$2,000.00 per month, with an additional \$600.00 in benefits. She maintains a continuous time record throughout the quarter in order to identify her welfare and non-welfare time. For the quarter, her time record documents that she spent 200 hours on non-welfare activities, 300 hours on welfare activities, and 20 hours of non-allocable time. A ratio is to be developed to prorate her salary and benefits between welfare and non-welfare. Thus 40 percent (200 non-welfare hours divided by 500 total allocable hours) of her salary, or \$800.00 (40% X \$2,000.00), will be reported as Extraneous and not included in the Allocable Support cost pool on the AEC. In addition, \$240.00 (40% of the cost of benefits) will also be abated from the claim and reported in Extraneous. The remainder of the salary and benefits will be reported in accordance with the ATRP for those Counties submitting ATRPs, or to Generic for non-ATRP Counties. The County's indirect cost rate is applied to the portion of salary and benefits attributed to the non-welfare activities. If the County's indirect cost rate is 26 percent, \$270.00 (\$1040.00 X 26%) is also abated from the Allocable Support pool on the AEC, and reported in Extraneous.

There are instances where a continuous time record is not practical to capture time spent on non-welfare activities. In these instances, the County may use another methodology to identify the non-welfare time. For example, if a Deputy Director is responsible for welfare and non-welfare staff, the percentage of such staff may be used to allocate the Deputy Director's salary and benefits. The ICR would then be applied. Another example would be a mail room clerk who is processing mail for both welfare and non-welfare units. In this instance, the number of pieces of welfare and non-welfare mail may be used to prorate

the clerk's salary and benefits. Thus, for a quarter if 2,000 pieces of mail were processed, and 1,500 were welfare related, while 500 were non-welfare related, a ratio would be developed as follows:

Welfare Related Mail	<u>1,500</u>	=75% welfare related
Total mail	<u>2,000</u>	

The 75 percent would be applied to the clerk's salary and benefits to arrive at the portion to be included on the AEC. The remaining 25 percent of salary and benefits, plus the appropriate overhead as determined by the County's ICR, would be reported as Extraneous.

When there are caseworker equivalent staff providing services under non-welfare programs, e.g., Veteran's Services or Public Guardian, those staff must time study to Other County Only Programs on the appropriate time study so that sufficient overhead will be distributed based on time study hours. Caseworker equivalents are job assignments which typically include providing services to clients and performing case management activities. In these situations, because the non-welfare caseworkers, or caseworker equivalents, time study and allow the CWD Cost Allocation Plan to allocate indirect costs, support staff associated with the non-welfare caseworkers are treated as any other CWD support staff. In ATRP Counties, such support staff will be included in the ATRP, and the reporting designation is to be consistent with other support staff in the function, e.g., certifying to the functional level. In non-ATRP Counties, such support staff would be considered Generic. ✓

Attachment B lists the pre-determined indirect cost rates for FY 1991/92 developed from the above methodology. These rates should be used by Counties pending formal Federal approval, and will be renegotiated annually in order to more closely reflect actual costs and to remain in compliance with Federal Cost Principles.

As previously mentioned, Counties may develop individual ICRPs rather than using the pre-determined fixed rates. For Counties participating in the ATRP process, the ICRPs must be submitted with the FY 1991/92 ATRPs. The ATRPs must also clearly identify all non-welfare activities and must include detailed information concerning the number of staff performing non-welfare activities, the specific activities performed, and a detailed organization chart. Non-ATRP Counties that wish to develop individual ICRPs must submit the ICRPs by April 1, 1991.

The ICRPs must be developed in accordance with "The Guide for State and Local Agencies-Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government", (OASC-10). A

copy of OASC-10 is attached. The ICRPs will be subject to audit and Counties will remain liable for audit exceptions should the actual indirect costs of non-welfare activities prove to be higher than the rates developed in the ICRP.

SUPER/UMBRELLA AGENCIES

As a result of the above policy concerning welfare/non-welfare costs, we anticipate revising the CWD Cost Allocation Plan (CAP) for FY 1991/92 to eliminate the need to identify Super/Umbrella Agency costs separately on the claim. Elimination of Lines L and M from the Expenditure Schedule (DFA 325.1) will also simplify the claim. While the terms "Super Agency" and "Umbrella Agency" have sometimes been used interchangeably, they are not the same. The following provides a definition of these terms and directions on how they will be treated.

A Super Agency may be defined as one large department responsible for various programs, both welfare and non-welfare. Typically, these departments would have one Director and a number of Deputy Directors who are responsible for the individual programs. Since Counties will be fully identifying all welfare and non-welfare costs on the AEC, effective with FY 1991/92, it will no longer be necessary to separate Super Agency costs from any other claimable costs.

In contrast, an Umbrella Agency may be defined as a small organization with overall responsibility for several different departments that each have responsibility for different programs. This type of agency would typically have an Agency Director in conjunction with Directors of the individual departments, e.g., a Health and Human Services Agency with overall responsibility for the Departments of Health, Welfare, Mental Health, etc. The Umbrella Agency would usually have a distinct budget unit, although Umbrella Agency staff might perform activities for the individual departments. The costs of an Umbrella Agency are typically allocated to the benefiting departments based on efforts time studied, or other equitable bases such as total number of staff of each department within the agency. For claiming purposes, these costs are then either billed to the CWD as Umbrella Agency-Direct Billed, or included in an allocation plan as Umbrella Agency-Allocated. Since Umbrella Agency staff are not CWD employees, the associated costs including salaries, benefits, and overhead cannot be claimed as Allocable Support Staff Costs, in contrast to the claiming of Super Agency costs discussed above. Technically, these costs are representative of services provided by another public agency. Therefore, beginning with FY 1991/92 costs previously claimed as Umbrella Agency costs will be claimed as Purchase of Services, Public Agency-Direct Billed. If these Umbrella Agency costs are not included within

the scope of the Countywide Central Services A-87 Plan, a separate Memorandum of Understanding must be in place between the CWD and the Agency specifying the services to be rendered and the basis for distribution of costs.

EDP TIME STUDY

Definitions of EDP and support staff have been revised for time study purposes and for use in budgeting for FY 1991/92. Beginning with FY 1991/92, only CWD staff performing specific EDP activities will time study on the DFA 48, regardless of job title/classification. Approved EDP activities will include those involved with feasibility and system studies, system design, development, programming, implementation, analysis, and maintenance. This criteria will apply whether staff are permanently or temporarily assigned to perform approved EDP activities. Staff who are performing activities of a primarily user-oriented nature, e.g., support staff entering new or modified case information from turnaround documents onto an automated system, are not considered EDP staff, even if they are classified as Key Data Entry Operators. These staff will time study on the Support Staff Time Report (DFA 7) to the level approved in the FY 1991/92 ATRP.

EDP support staff, i.e., administrative/clerical staff supporting EDP staff who time study on the DFA 48, will continue to time study to EDP Support on the DFA 7. EDP Coordinators/Liaisons will also record their time on the DFA 7 rather than the DFA 48 unless they are performing the specific EDP activities addressed above. First line supervisors of EDP staff will time study on the DFA 48. If the supervisor also supervises non-EDP administrative and/or clerical staff, the supervisor's time must be time studied between the DFA 48 and the DFA 7. Second line supervisors will report their time on the DFA 7 unless they perform EDP duties as described above. All EDP staff will time study continuously and the total of all three months' hours will be reported on the AEC.

The instructions on the reverse of the DFA 48 will be revised for the September 1991 quarter to reflect the above changes.

EXTRANEIOUS COSTS

The federally approved CAP and the SDSS Manual of Policy and Procedures require that all costs incurred by the CWDs be reported on the AEC in order to ensure that there is an adequate audit trail and to facilitate reconciliation of County expenditure records to the claim. For any quarter, total CWD expenditures as recorded in the County's official accounting

records must reconcile to the AEC for that quarter. Consequently, as discussed above, it is necessary for CWDs to report the costs of CWD staff performing non-welfare activities which do not have casework equivalents and cannot be accounted for in the AEC process, in the Extraneous Section of the claim. In addition, any costs which are unallowable for Federal or State reimbursement must also be reported in the Extraneous Section of the AEC. Costs which must be reported in the Extraneous Section include but are not limited to:

1. Interest expense incurred on equipment acquisition.
2. Lease payments incurred for buildings or equipment where the asset is required to be capitalized and claimed using a use allowance or depreciation.
3. Unallowable costs billed from Internal Service Funds (ISF) such as motor pool ISF or General Services ISF, which are providing services to County departments. These costs may include interest or contingency costs such as equipment replacement value charged over and above depreciation.
4. Legislative expenses, fines and penalties, entertainment costs such as food, and any other costs unallowable for grant reimbursement under Federal Cost Principles.
5. The costs of unissued supportive services, such as bus tickets.
6. Salary, benefit, and overhead costs of clerical and administrative support staff who perform non-welfare activities.

Any questions regarding the impact of the above changes on the FY 1991/92 Cost Control budget process should be directed to your analyst in the County Administrative Expense Control Bureau at (916) 322-5802.

Any questions regarding this letter should be directed to the Fiscal Policy and Procedures Bureau at (916) 445-7046.



ROBERT L. GARCIA
Deputy Director
Administration

Enclosures

cc: CWDA

Annual Time Reporting Plans
Fiscal Year 1991-92
County Assignments

Cindi Carleton
424-2405

Alameda

San Luis Obispo

San Bernardino

Santa Cruz

JoAnn Cooper
445-8511

Contra Costa

Mendocino

Placer

Sacramento

Sutter

Reuben Jimenez
323-0260

Tulare

Santa Barbara

Nevada

Santa Clara

Stanislaus

Susan McCune
323-0276

Yolo

Imperial

Butte

LA - DCS

Merced

Kathy Manzer
324-2332

LA - DPSS

Riverside

San Francisco

Napa

Ventura

Orange

Judi Queirolo
445-8413

Shasta

Monterey

Humboldt

San Diego

Kings

Karen Richardson
323-0285

Marin

Sonoma

Lake

Fresno

Kern

San Mateo

Nora Ybarbo
323-0277

Yuba

Solano

El Dorado

Madera

San Joaquin

San Benito
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COUNTIES' PREDETERMINED FIXED ICR
 FY 1989/90

	Total Salaries	Total Support	Support Ratio
Alameda	47,557,057	11,055,985	0.23
Alpine	182,120	58,957	0.32
Amador	819,817	269,484	0.33
Butte	7,051,124	1,952,588	0.28
Calaveras	1,067,420	341,632	0.32
Colusa	968,564	283,385	0.29
Contra Costa	37,800,250	10,365,730	0.27
Del Norte	1,363,814	314,772	0.23
El Dorado	3,690,380	1,200,662	0.33
Fresno	29,180,420	5,396,209	0.18
Glenn	1,470,382	406,458	0.28
Humboldt	5,729,784	1,586,976	0.28
Imperial	3,869,925	1,204,864	0.31
Inyo	963,273	254,208	0.26
Kern	25,564,626	6,745,370	0.26
Kings	4,499,770	850,787	0.19
Lake	2,078,102	621,666	0.30
Lassen	885,596	561,847	0.63
Los Angeles DPS	258,926,037	70,436,988	0.27
Madera	3,835,644	591,886	0.15
Narin	5,163,301	1,392,109	0.27
Mariposa	750,170	264,708	0.35
Mendocino	4,294,601	1,025,831	0.24
Merced	9,569,610	3,053,465	0.32
Modoc	351,230	89,095	0.25
Mono	407,652	187,995	0.46
Monterey	12,023,363	3,834,275	0.32
Napa	2,900,128	898,625	0.31
Nevada	2,361,828	822,441	0.35
Orange	64,084,889	17,943,004	0.28
Placer	5,220,364	1,160,190	0.22
Plumas	730,292	127,960	0.18
Riverside	34,810,718	13,356,165	0.38
Sacramento	58,399,542	14,315,128	0.25
San Benito	1,102,526	265,749	0.24
San Bernardino	51,756,669	14,688,259	0.28
San Diego	97,695,278	22,568,079	0.23
San Francisco	42,739,342	10,595,913	0.25
San Joaquin	22,464,923	3,203,297	0.14
San Luis Obispo	8,025,039	2,685,846	0.33
San Mateo	17,067,934	6,020,450	0.35
Santa Barbara	10,654,056	2,544,783	0.24
Santa Clara	68,920,743	13,568,423	0.20
Santa Cruz	7,721,013	2,734,018	0.35
Shasta	8,127,557	1,623,779	0.20
Sierra	325,127	88,592	0.27
Siskiyou	1,848,519	408,298	0.22
Solano	10,246,755	2,591,205	0.25
Sonoma	12,880,186	2,171,220	0.17
Stanislaus	17,881,566	3,091,032	0.17
Sutter	2,830,090	646,077	0.23
Tehama	1,930,995	450,674	0.23
Trinity	649,608	223,501	0.34
Tulare	14,377,163	3,494,397	0.24
Toulumne	1,876,858	467,697	0.25
Ventura	19,742,153	5,334,882	0.27
Yolo	6,371,966	1,791,680	0.28
Yuba	4,484,389	1,191,807	0.27
Los Angeles DCS	123,168,939	38,654,707	0.31