

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



October 12, 1999

COUNTY FISCAL LETTER (CFL) NO. 99/00-28

TO: COUNTY WELFARE DIRECTORS
COUNTY FISCAL OFFICERS
COUNTY AUDITOR CONTROLLERS
COUNTY PROBATION OFFICERS

SUBJECT: COUNTY EXPENSE CLAIM (CEC) – REPORTING REQUIREMENTS

The purpose of this letter is to remind counties of the cash claiming requirement for reporting costs on the CEC. The California Department of Social Services (CDSS) policy requires:

- a continuous cash flow basis (e.g., expenditures are reported when paid) for reporting costs on the CEC (Manual Of Policies and Procedures [MPP] Section 25-815.34); and
- compliance with Generally Accepted Accounting Principles (GAAP) and the State Controller's Office Accounting Standards and Procedures for California Counties (MPP Section 25-200.7).

The Fiscal Policy Bureau has recently received a number of questions from counties regarding waiver of the cash claiming requirement, specifically for:

- goods/services received in Fiscal Year (FY) 1998/99 (June) but not paid until the subsequent FY (July). The concern in these cases is that a cash basis would preclude counties from maximizing their FY 1998/99 allocations; and for
- advance payments made to contractors (e.g., capacity building provided by county mental health and alcohol and drug departments).

Unfortunately, CDSS policy does not provide for exemption or waiver to the cash claiming requirement. With regard to year-end expenditures, we recognize the workload difficulties associated with the year-end accounting process and understand that invoices received in the closing FY may not always be paid or recorded until the subsequent FY. While CDSS is responsible for prescribing CEC policies and procedures, these policies

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govern only the claiming process and are intended to ensure that costs claimed for Federal and State funding are reported consistently and are in compliance with GAAP. As a general rule, cash claiming requires that expenditures be reported in the quarter in which they are recorded in the county's official accounting records. Each county is responsible for developing and maintaining their own internal fiscal procedures (including year-end processes) within these above parameters.

Regarding advance payments, counties may, at their own discretion, negotiate the terms used in purchasing good/services through contract agreements. However, since the CEC operates on a cash basis, advances may not be claimed for reimbursement until the goods/services have been received and the expenditures recorded in the county's official accounting records. As a reminder, contracts/contract costs are subject to the costs principles in Office of Management and Budget (OMB) Circular A-87, and the procurement standards in OMB Circular A-102 and Manual of Policies and Procedures Sections 23-600 through 23-650.

If you have any questions regarding this letter, please contact your Fiscal Policy Analyst at (916) 657-3440.

Sincerely,

***Original Document Signed By
George E. Peacher, Jr., on 10/12/99***

GEORGE E. PEACHER JR., Chief
Fiscal Systems and Accounting Branch

c: CWDA