Attachment 3

Attachment C
State/Local-Wide
Central Service Cost Allocation Plans
Attachment C - State/Local-Wide Central Service Cost Allocation Plans

**General**

- Most governmental units provide certain "central services" to operating agencies, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.
A central service Cost Allocation Plan is required to recover central service costs from Federal programs.

Attachment C - State/Local-Wide Central Service Cost Allocation Plans

Definitions

• Billed central services -

  – Billed to benefiting agencies and/or programs on a fee-for-service basis

  – Typical examples -- Computer services, motor pool, print shop, etc. (continued)
• **Allocated central services -**

  – Benefit operating agencies but are not direct billed

  – Allocated on some equitable basis

  – General accounting, personnel, purchasing, etc. (continued)
Attachment C - State/Local-Wide Central Service Cost Allocation Plans Definitions (continued)

• Agency or operating agency -
  – Organizational unit or sub-division that is responsible for performance or administration of awards or activities of the governmental unit (continued)
Which Federal agency is Cognizant?

Education
Attachment C - State/Local-Wide Central Service Cost Allocation Plans

Submission Requirements

OMB designated HHS as the cognizant Federal agency for all SWCAPs (State-Wide Cost Allocation Plans) (continued)
Components of state government, “governmental units”, may have a cognizant Federal agency designation. If not, the largest dollar volume of direct Federal funding is used to determine the cognizant Federal agency. (This may be negotiated between Federal agencies.) (continued)
In this example two scenarios are possible, as determined by the state government:
1. If a CAP is to be developed at the Governor’s Office level, then the DOJ would be cog.
2. If no Governor’s Office costs or SWCAP are to be allocated down to the division level, then DOJ would be cog for the Division of Justice and HUD would be cog for the Division of HUD Planning.
• Each state must submit to HHS(SWCAP)

• OMB designated "major local governments" submit to cognizant Federal agency (to recover costs)

• Other local governments submit only if requested to do so by the Cog -- otherwise retain plan on file (continued)
• When required, all CAPs must be submitted within six months prior to the beginning of the governmental unit's fiscal year in which costs are to be claimed on Federal programs.

• Extensions may be granted by the cognizant Federal agency.
Attachment C - State/Local-Wide Central Service Cost Allocation Plans

Documentation Requirements

• Cognizant agency may modify documentation requirements as needed
• Organization chart
• Financial Report (CAFR or budget)
• Certification of conformance to A-87
• Description of each service allocated
  – Allocation bases....etc. (continued)
The Circular discusses three types of potentially direct-billed items:
- Internal Service Funds
- Self-insurance Funds
- Fringe Benefits

Documentation requirements for each are listed in considerable detail (continued)
Attachment C - State/Local-Wide Central Service Cost Allocation Plans

Billed Services (continued)

• Each billed central service must separately account for all revenues (including imputed revenues), expenses incurred to furnish the service, and profit/loss.

• A working capital reserve of up to 60 days cash expenses as a part of Retained Earnings is considered reasonable.

(continued)
• Billing rates used to charge Federal awards must be based on the estimated cost of providing the service

• Adjustments to over/unders on direct-billed services will be made at least annually using one of the following methods: (continued)
Attachment C - State/Local-Wide Central Service Cost Allocation Plans

Billed Services (continued)

- 1. Cash refund to Fed for Fed share
- 2. Credits back to programs charged
- 3. Adjustments to future billing rates
- 4. Adjustments to allocated cs costs

- Residuals of more than $500,000 may not be adjusted via 4., above.
Negotiation and Approval of Central Service Cost Allocation Plans

• All proposed CSCAPs that are required to be submitted will be reviewed, negotiated and approved by the Cog on a timely basis. The Cog will review the proposed plan and take action within six months of receipt.

• Agreement will be accepted by all Federal agencies except where limited by statute. (continued)
Negotiation and Approval of Central Service Plans (continued)

• The results of each negotiation will be formalized in a written agreement signed by both parties and available to all agencies.

• Agreements are subject to post-audit and/or review and may be re-opened to correct for errors, unallowable costs, etc.