



The Metropolitan Government of Nashville and Davidson County

***** METRO *****

PRIMER ON FULL COST RECOVERY

October 26, 2005

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WELCOME TO THE PRIMER ON FULL COST RECOVERY



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- ❑ **One of the Largest Management Consulting Firms in the Nation Serving the Needs of Non-Defense, Public Sector Clients**
- ❑ **Clients in All 50 States, Including 97 of the 100 Largest Cities**
- ❑ **Employees – over 5,000 ~ Revenues in Excess of \$650 Million**
- ❑ **Our Mission:**

“Helping Government Serve the People”

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MAXIMUS, Inc.



- **Cost Services Division**
 - **Formerly David M. Griffith & Associates**
 - **Specialized in Preparing Cost Allocation Plans**
 - **Work With Over 2,000 States and Local Governments Annually**
 - **Worked With METRO Since 1980s**

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FULL COST RECOVERY



**Allocated Costs
And
Cost Allocation Plans**

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DISCUSSION POINTS



- ❑ **Review the Metro Government's Policy for Indirect Cost Planning and Recovery**
- ❑ **Provide an Overview of Cost Allocation**
- ❑ **Review Basic Cost Allocation Guidelines**
- ❑ **Discuss Factors That Affect Allocated Costs**
- ❑ **Review Types of Cost Allocation Plans**
- ❑ **Discuss How Cost Allocation Plans May Be Used**

Policy for Indirect Cost Planning and Recovery



Metro Policy – OMB #1 (9/23/03)

- ❑ Metro departments and agencies shall develop an annual indirect cost plan
- ❑ The cost plan must include both LOCAP and departmental indirect cost allocations
- ❑ Indirect cost must be recovered when funding is available, in accordance with applicable terms and regulations
- ❑ Departments and agencies shall make provisions for indirect cost recoveries in their grant applications and budgets
- ❑ Departmental indirect cost rate proposals and cost allocation plans must be updated annually to reflect changes in relevant costs, submitted in a timely manner as prescribed, and retained on file for audit purposes
- ❑ Indirect cost recoveries from grantors shall be deposited into the General Fund

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The 2005 Florida Statutes

[Title XIV](#)
TAXATION AND
FINANCE

[Chapter 215](#)
FINANCIAL MATTERS: GENERAL
PROVISIONS

[View Entire
Chapter](#)

215.195 Agency deposits relating to the Statewide Cost Allocation Plan.--

(1) APPLICATION FOR ALLOCABLE STATEWIDE OVERHEAD.--Each state agency, and the judicial branch, making application for federal grant or contract funds shall, in accordance with the Statewide Cost Allocation Plan (SWCAP), include in its application a prorated share of the cost of services provided by state central service agencies which are reimbursable to the state pursuant to the provisions of Office of Management and Budget Circular A-87. Preparation of the Statewide Cost Allocation Plan and coordination thereof with all applicable parties is the responsibility of the Department of Financial Services. The Department of Financial Services shall ensure that the SWCAP presents the most favorable allocation of central services cost allowable to the state by the Federal Government.

(2) DEPOSIT OF OVERHEAD IN THE GENERAL REVENUE FUND.--If an application for federal grant or contract funds is approved, the state agency or judicial branch receiving the federal grant or contract shall identify that portion representing reimbursement of allocable statewide overhead and deposit that amount into the General Revenue Fund unallocated as directed by the Department of Financial Services. The Department of Financial Services shall be responsible for monitoring agency compliance with this section.

History.--ss. 1, 2, 3, 4, ch. 77-419; s. 1, ch. 78-350; s. 8, ch. 79-190; s. 119, ch. 81-259; s. 1, ch. 83-331; s. 8, ch. 92-142; s. 2, ch. 99-192; s. 44, ch. 2004-305.



50.20 Cost Allocation and Indirect Cost Recoveries

50.20.80

July 1, 2003

Responsibilities of agencies and institutions administering or expending federal awards

State of Washington operating agencies and institutions, administering or expending federal awards have the following responsibilities:

1. Unless prohibited by federal /state laws or regulations or formal funding limitations (refer to examples in [Subsections 50.20.90.b & c](#)), operating agencies are to include the fixed cost allocation from the approved, state central service cost allocation plan in their agency indirect cost/cost allocation pool.
2. Any indirect costs or cost allocation amounts recovered, as a result of a SWCAP cost allocation amount being included in an agency's indirect rate or cost allocation plan, are to be deposited as a recovery in the state General Fund 001 utilizing revenue source 0448. Refer to examples in [Subsection 50.20.90](#).

**STATE OF TEXAS
GOVERNMENT CODE**

CHAPTER 2106. INDIRECT COST RECOVERY PROGRAM

§ 2106.003. AGENCY INDIRECT COST RECOVERY PLAN. (a) A state agency that receives federal money or charges a fee for a service it provides shall prepare annually an indirect cost recovery plan.

(b) The plan must include proposals to recover the indirect costs of the agency's programs, including the portion of statewide support service costs allocated to the agency under the statewide cost allocation plan.

(c) A state agency that receives federal money shall also prepare a separate schedule indicating its federally reimbursable indirect costs.

Added by Acts 1993, 73rd Leg., ch. 268, § 1, eff. Sept. 1, 1993.

§ 2106.005. AGENCY RECOVERY OF INDIRECT COSTS. A state agency shall implement its indirect cost recovery plan by:

- (1) applying for reimbursement for federally reimbursable indirect costs; and
- (2) when permitted by law, setting fees and billing rates at amounts sufficient to recover the indirect costs of the agency.

Added by Acts 1993, 73rd Leg., ch. 268, § 1, eff. Sept. 1, 1993.

§ 2106.006. GENERAL REVENUE FUND REIMBURSEMENT. (a) Subject to Subsection (c), a state agency shall send to the comptroller for deposit to the credit of the general revenue fund:

(1) the amount of federal money received by the agency for federally reimbursable indirect costs to the extent that the indirect costs are statewide allocated costs for which the agency is billed under Section 2106.002(b);

(2) the amount the agency has received in fees:
(A) that in accordance with Section 2106.005(2) should be accounted for as payment for the cost of providing statewide support services to the agency; and
(B) to the extent the agency is billed for those amounts under Section 2106.002(b);

and
(3) any remaining amounts still necessary to pay the amount billed under Section 2106.002(b).

Sec. 4-29b. Use of indirect cost recoveries. Any state agency which receives indirect cost recoveries from federal grant funds or other sources, when such recoveries apply to costs originally paid from the General Fund, shall deposit such cost recoveries with the Treasurer, to the credit of General Fund revenues, unless such deposit is waived by the Secretary of the Office of Policy and Management. This section does not apply to any applicable surcharges on assessments recovered by the state pursuant to sections 12-586g and 12-586f. For purposes of this section "state agency" does not include any constituent unit of the state system of higher education or any state institution of higher education.

(P.A. 00-192, S. 28, 102; June Sp. Sess. P.A. 01-6, S. 15, 85; June Sp. Sess. P.A. 01-9, S. 41, 131.)

History: P.A. 00-192 effective July 1, 2000; June Sp. Sess. P.A. 01-6 provided that section does not apply to certain recoveries under Secs. 12-586g and 12-586f, effective July 1, 2001; June Sp. Sess. P.A. 01-9 changed "overhead charges" to "surcharges" re Secs. 12-586g and 12-586f, effective July 1, 2001.

STATE OF CONNECTICUT OFFICE OF THE STATE COMPTROLLER COST MANUAL

Indirect Costs and Fringe Benefit Cost Recovery Manual

4.1 Provision for Indirect Costs

state agencies are directed to include a provision for indirect costs in all federal and private grant budget proposals and to aggressively negotiate their acceptance as part of the costs of such grants or projects.

Agencies are reminded that OMB Circular A-87 requires that federally assisted programs bear their fair share of indirect costs except where specifically restricted or prohibited by program legislation. Unless specifically required by federal statute, the policies and procedures included within OMB Circular A-87 has the force and effect of law.

Metro Indirect Cost Recovery



- **For Fiscal Year 2006, Indirect Cost Recoveries are budgeted to be \$14,505,200**
 - **Off-setting of Property Taxes (\$.10)**
 - **Additional General Fund Revenues**

Cost Allocation Overview



- **What Is Cost Allocation?**
 - **Cost Allocation Is the Process of Distributing or Apportioning Costs to a Benefiting “Cost Objective”**

Cost Allocation Overview (Continued)



- ***Simple Example:***
 - **Centrally Located Copier**
 - **Three Divisions Utilize**
 - **“Cost to Operate” includes Lease Payments, Repairs & Maintenance, Toner, Paper, Supplies, etc.**
 - **“Direct Costs”**

Cost Allocation Overview (Continued)



- ***Copier Example (continued):***
 - **What about electricity used, the space it occupies, the office manager's time paying related bills, ordering paper & supplies, arranging deliveries and coordinating servicing, etc.?**
 - **“Indirect Costs”**

Cost Allocation Overview (Continued)



- ***Copier Example (continued):***
 - **How Do We Apportion or Allocate These “Costs”?**
 - **Equal Distribution (I.E., 1/3rd Each)**
 - Good
 - **Number of People Using the Copier**
 - Better
 - **User Codes – Best**
 - Measures Actual Usage of the Resource

Cost Allocation Overview (Continued)



- ***Copier Example (continued):***
 - **What if we took our copy job to Kinko's?**
 - **“Direct Bill” @ 4¢ per copy made**
 - **How does Kinko's determine that it should charge 4¢ per copy?**
 - Recover “direct costs”
 - Recover “overhead”
 - Provide for “profit”?

Cost Allocation Overview (Continued)



“Cost Allocation” Differs From “Direct Billing”

BUT ...

“Cost Allocation” Should be Used to Develop “Billing Rates”

Cost Objectives - Defined



- **Cost Objective**: a service, function, activity, organization subunit, contract, grant, or other work unit for which cost data are desired and for which costs are incurred
 - Where costs are to be allocated “to”
 - Also referred to as “Direct” or “Receiving” Departments, or “Grantees”
 - Examples may include an organization subunit (i.e., Public Works Department) or a federal award (i.e., grant)

Central Services - Defined



- **Central Services**: a function, activity, organization subunit, or other work unit that provides services or benefits to other central services and/or cost objectives on a centralized basis
 - Where costs are to be allocated “*from*”
 - Examples may include organization subunits such as Human Resources, Finance, Budget, Payroll, Purchasing, General Services, Employee Benefits, etc.

Direct Costs - Defined



- **Direct Costs**: those costs that can be identified specifically with a particular final cost objective (i.e., a particular award, project, service, or other direct activity of an organization)
 - Examples may include organization units such as the Public Library, Parks, Metro Transit Authority, Health Department, etc.

Indirect Costs - Defined



- **Indirect Costs**: those costs (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved
 - Often used interchangeably with “administrative” or “support” costs

Total Costs = Direct + Indirect



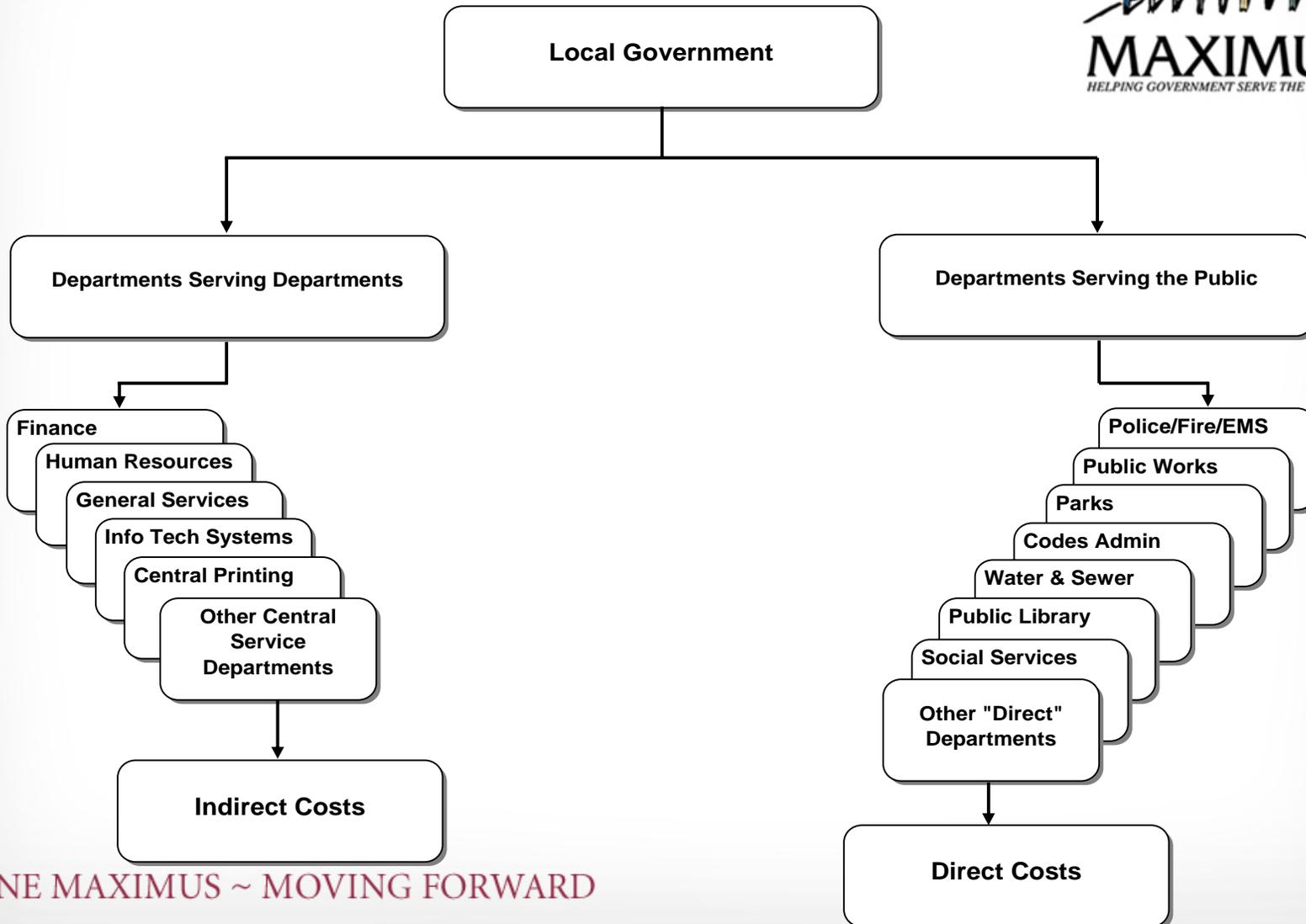
□ Direct Costs

- Usually Incurred Within the Same Organization Unit
- Can Be Directly Associated With a Service

□ Indirect Costs

- Often Incurred Within Another Organization Unit
- Cannot Easily Be Associated With the Service Being Costed
- May Be Centrally Budgeted
- Incurred for Joint or Common Purpose

Cost Allocation Components



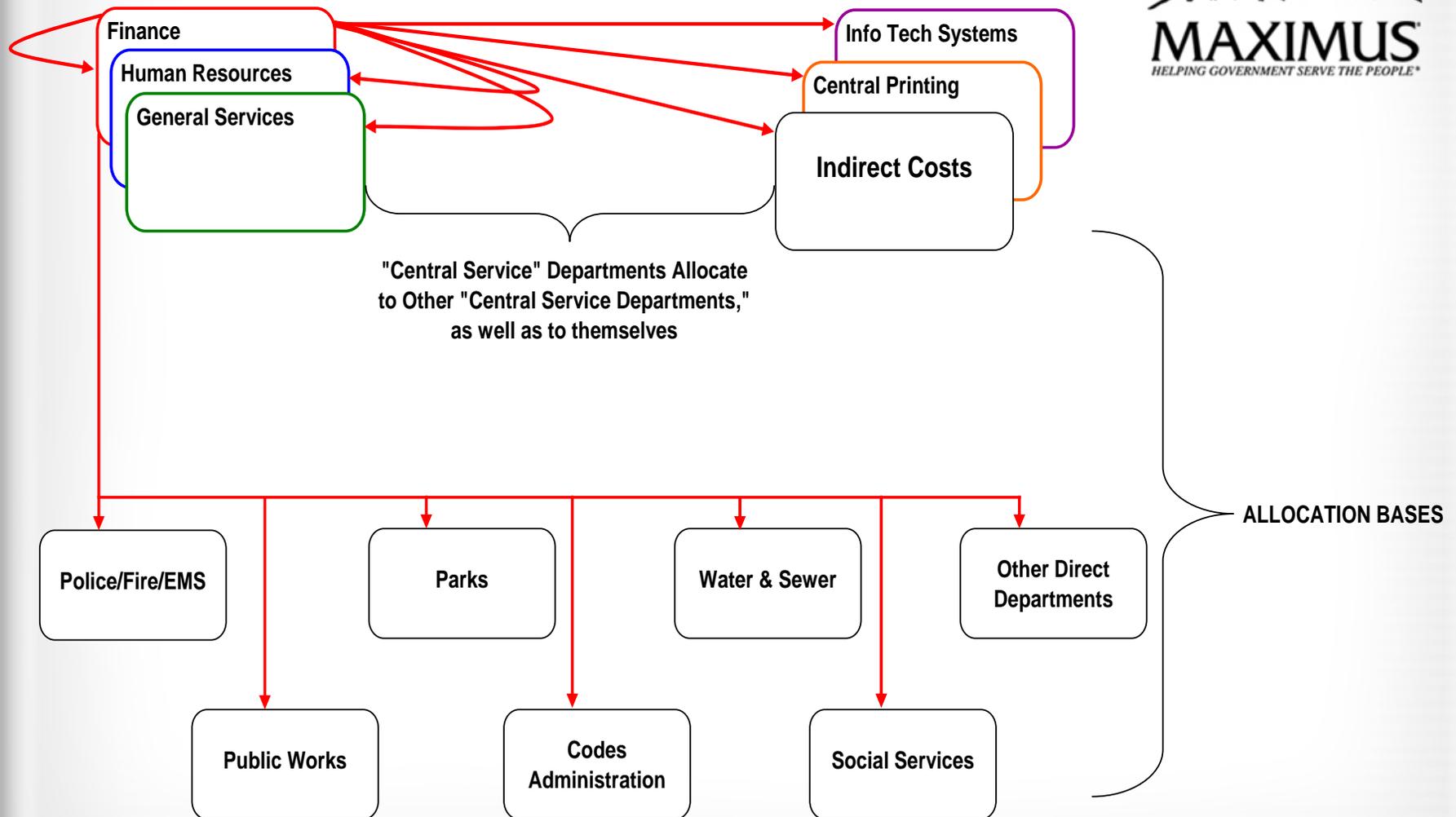
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Allocating Indirect Costs



- **Allocation Bases: The Methodology or Statistical Measure by Which Indirect Costs Are Distributed to Other Benefiting Central Services And/or Cost Objectives**
 - **Examples May Include:**
 - **Number of Active Employees;**
 - **Number of Transactions Processed;**
 - **Square Footage Occupied;**
 - **Salaries and Wages of Units Supervised;**
 - **Direct Assignment**

Cost Allocation Process

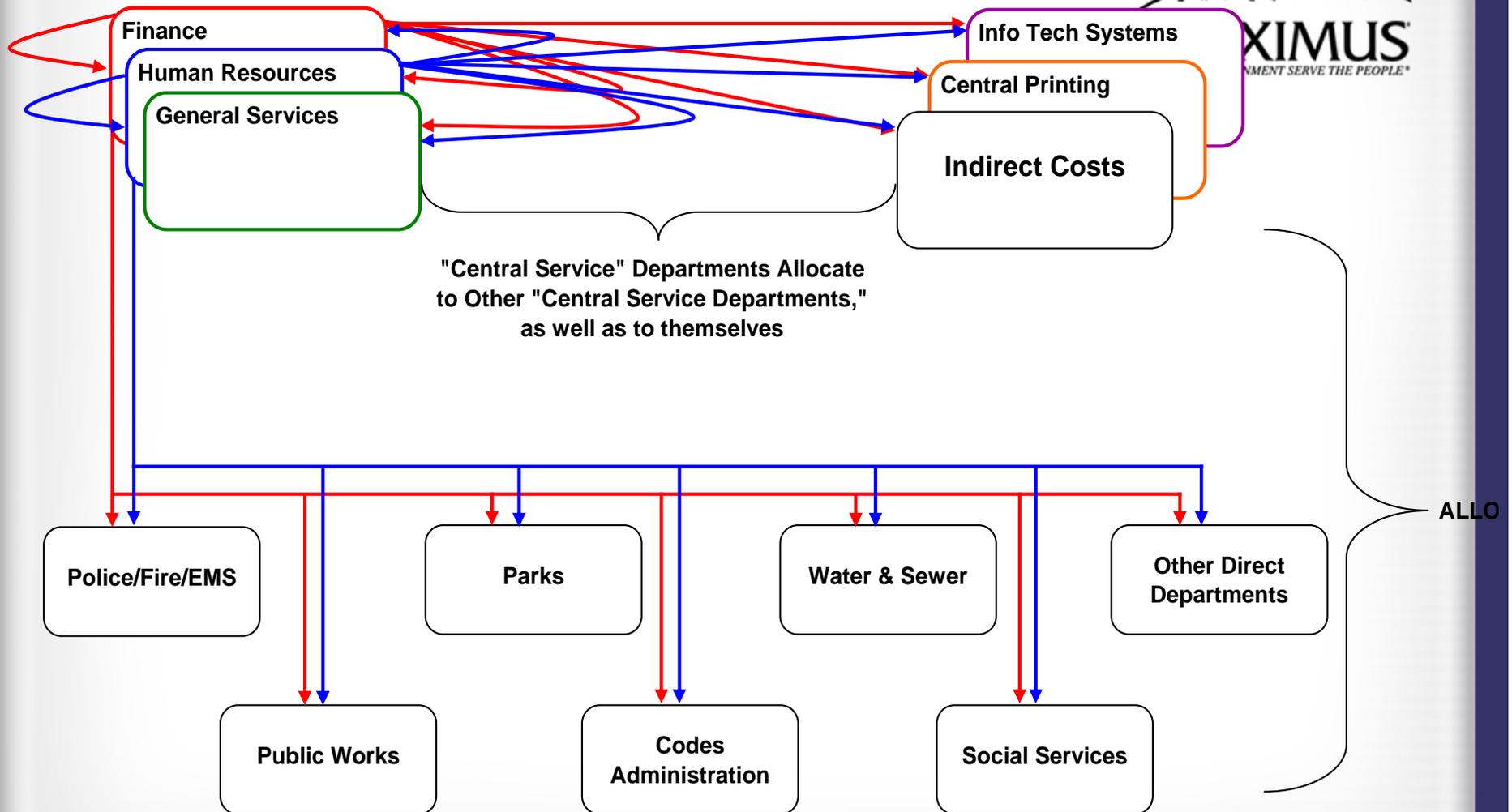


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Cost Allocation Process

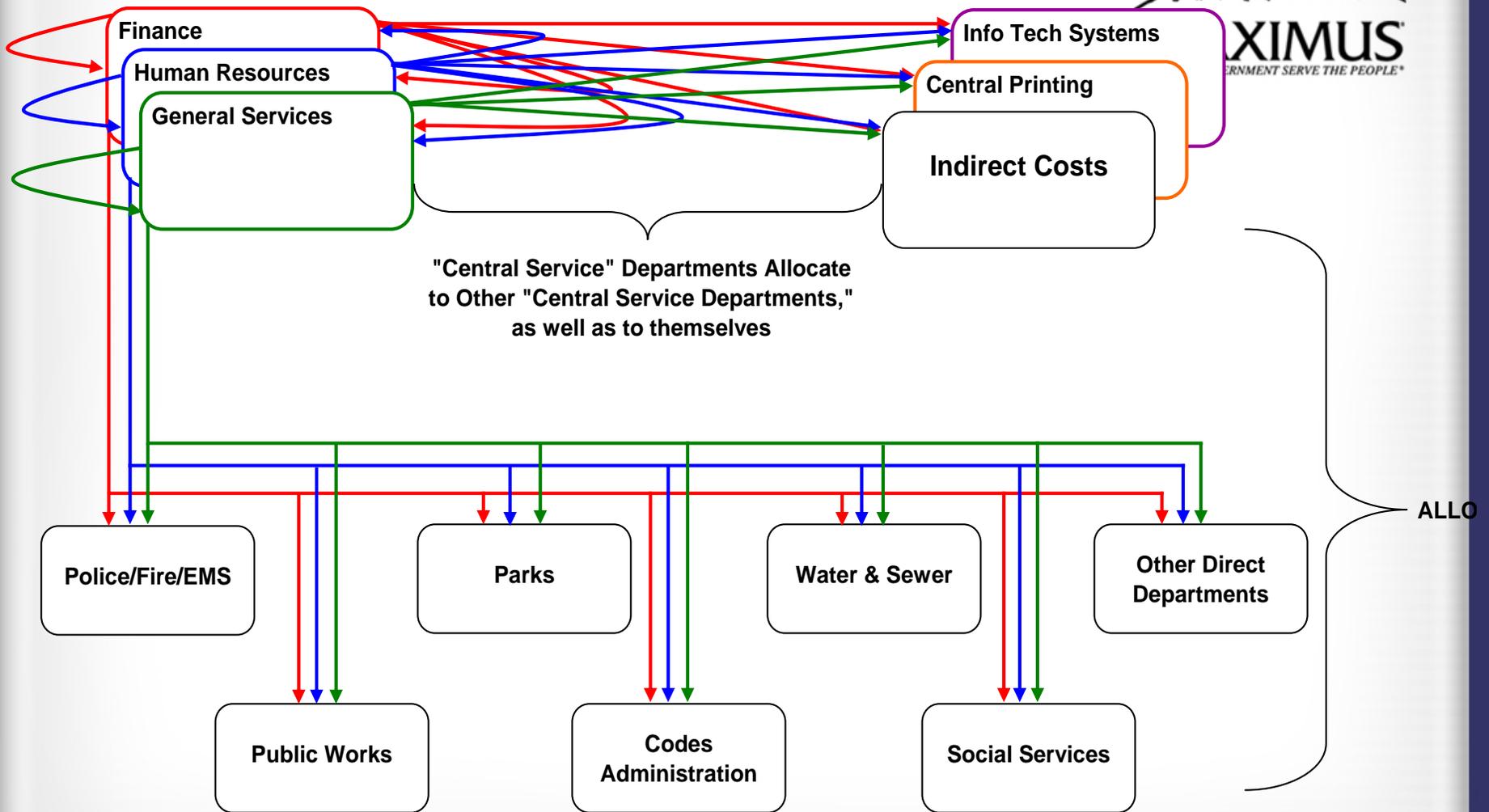


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Cost Allocation Process

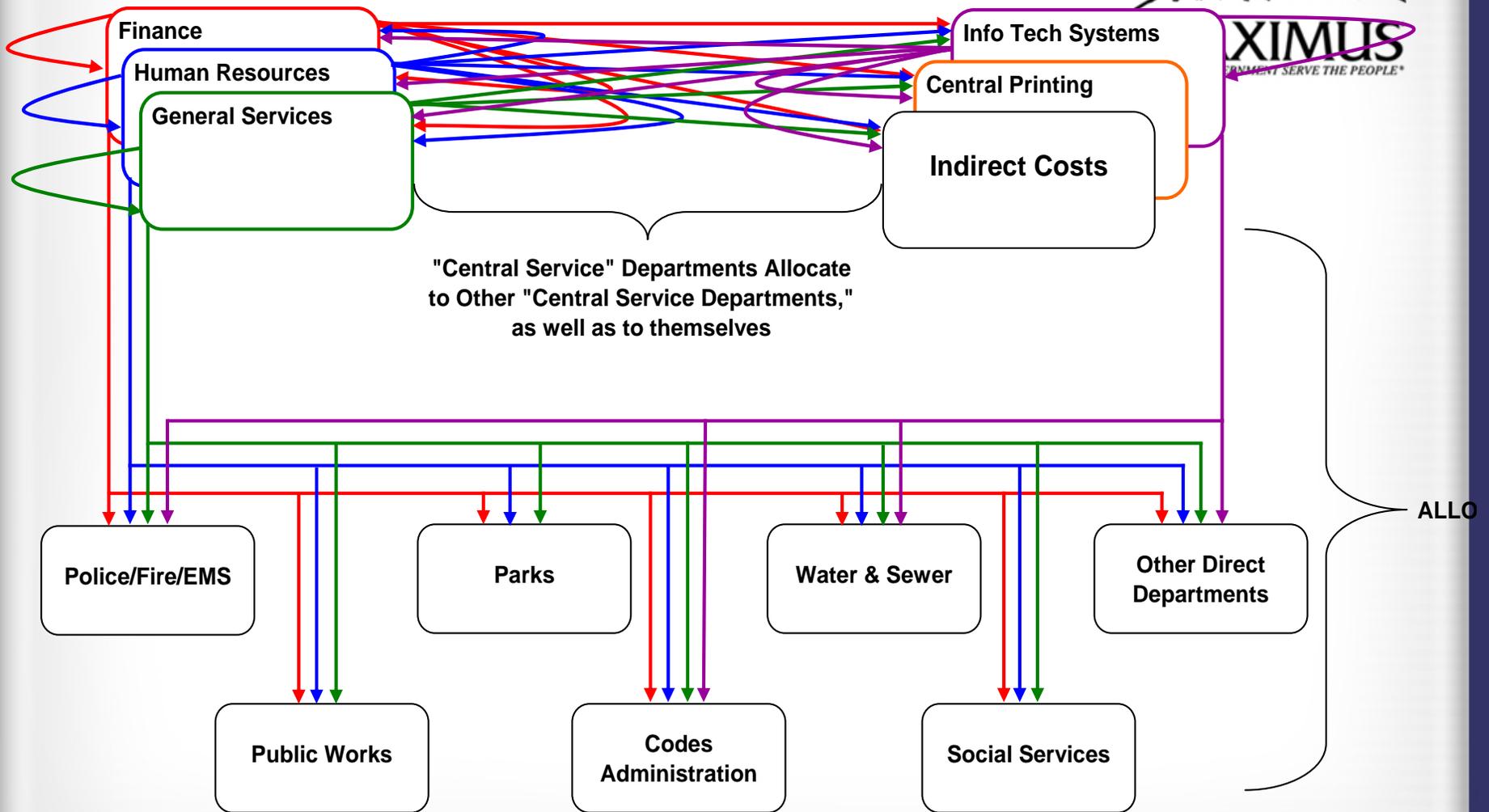


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Cost Allocation Process

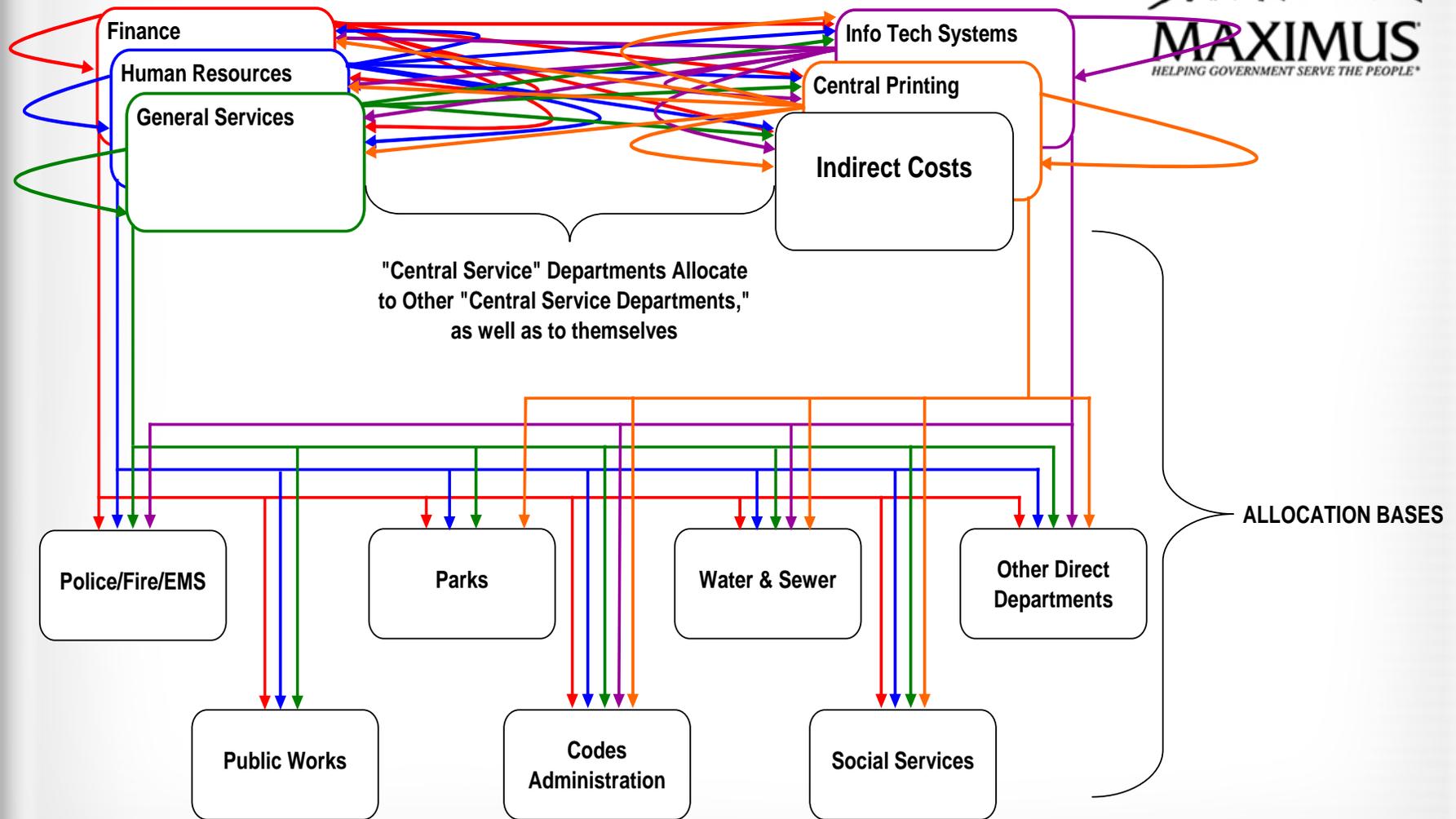


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Cost Allocation Process



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Reasons for Cost Allocation



- ❑ **Identify Total Cost of Providing Services (“Full Cost”)**
- ❑ **Cost Recovery**
 - **Federal or State Programs and Grants**
 - **Special Funds**
 - **Service or User Fees**
 - **Insurance or Legal Claims**
- ❑ **Other reasons may include:**
 - **Recognize cost drivers**
 - **Analyze outsourcing options**
 - **Compare with others (e.g., unit costs)**

OMB Circular A-87 Overview



- **United States Office of Management and Budget (OMB) Circular No. 87 – Purpose:**

“Establish principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and Local governments and federally-recognized Indian tribal governments (governmental units)”

OMB Circular A-87 Overview



□ Basic Principle

**“The principles are designed to provide that Federal awards bear their *fair share* of cost recognized under these principles except where restricted or prohibited by law.”
(*emphasis added*)**

(Source: OMB Circular No. A-87, Attachment A)

OMB Circular A-87 Overview



- **Circular Applies To:**
 - **Direct costs**
 - **Indirect costs**
 - **Internal service fund billings**
 - **Interagency services**
 - **Subawards**
 - **Local government (OMB A-87)**

OMB Circular A-87 Overview



- **Basic Guidelines for Costs**
 - **To Be Claimed Under Federal Awards, Costs Must Be:**
 - **“Allowable”**
 - **“Reasonable”**
 - **“Allocable”**

Allowable Costs



To Be Allowable, Costs Must Meet the Following General Criteria:

- ❑ **Necessary & reasonable for proper & efficient performance of Federal programs**
- ❑ **Be “allocable” to Federal awards under provisions of this Circular**
- ❑ **Be authorized & not prohibited by State or local laws or regulations**
- ❑ **Conform to limitations imposed by any other Federal FFP regulations**
- ❑ **Be consistent with policies that are uniform for both federally assisted & other activities**
- ❑ **Be accorded consistent costing treatment**
- ❑ **Follow GAAP, unless otherwise prescribed**
- ❑ **Not included as match for another Federal program**
- ❑ **Be net of all applicable credits**

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Basic Guidelines

Allowable Costs - Examples

- ❑ Salary & Wages
- ❑ Fringe Benefits
- ❑ Depreciation or Use Allowance
- ❑ Communications
- ❑ Employee Morale, Health and Welfare
- ❑ Materials & Supplies
- ❑ Legal (except claims against the Federal Government)
- ❑ Maintenance & Repair
- ❑ Memberships
- ❑ Motor Pools
- ❑ Plant and Homeland Security
- ❑ Training
- ❑ Travel
- ❑ Insurance
- ❑ Interest (with restrictions)
- ❑ Professional Services



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Basic Guidelines

Unallowable Costs - Examples

- ❑ **Bad Debts**
- ❑ **Capital Outlay**
- ❑ **Contributions**
- ❑ **Entertainment**
- ❑ **Fund Raising**
- ❑ **Elected Officials**
- ❑ **Contributions to Reserve Funds**
- ❑ **Research & Development Costs**
- ❑ **Fines & Penalties**
- ❑ **Alcoholic Beverages**
- ❑ **Lobbying**
- ❑ **Idle Facilities**
- ❑ **Personal Use Goods & Services**



Reasonable Costs



A Cost Is Reasonable If It Meets the Following General Criteria:

- ❑ **Pass prudent person test**
- ❑ **Recognized as ordinary and necessary**
- ❑ **Constitutes sound business practice, including arms length bargaining**
- ❑ **Reasonably related to market price**
- ❑ **Does not significantly deviate from the government unit's established practices**

Allocable Costs



To Be Allocable, Costs Must Meet the Following General Criteria:

- ❑ Only if benefit is received by Federal program;
- ❑ All other (non-allowable) activities must receive appropriate allocation of indirect cost;
- ❑ May not be “shifted” to other Federal programs, except in cases where costs are allowable under two or more awards’ program agreements;
- ❑ If a joint cost, a cost allocation plan or indirect cost proposal is required as in OMB Circular A-87; and
- ❑ Ultimately, there must be a relationship between the costs allocated and the benefit derived for that service.

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What Affects Allocated Costs?



- ❑ **Total Allowable Expenditures**
- ❑ **Functional Distribution of Staff Time**
- ❑ **Variations in Usage (Consumption) of Central Service Departments**
- ❑ **Reorganization or Realignment of Departments**
- ❑ **Modification to Allocation Statistics**

What Affects Allocated Costs?



Total Allocable Expenditures

- ❑ *Increases in Total Allowable Costs Generally Result in Increased Total Allocated Costs to Receiving Departments.*
- ❑ *Reductions in Total Allowable Costs Generally Result in Reduced Total Allocated Costs to Receiving Departments.*

What Affects Allocated Costs?



Functional Distribution of Staff Time

- ❑ *Any Modification* has an Impact on Allocated Costs.
- ❑ **Only Applies to Central Services Departments with Multiple Functions.**
 - **Increased Effort Generally Indicates Higher Allocation of Cost to Receiving Departments.**
 - **Reduced Effort Generally Indicates a Reduction Allocation of Cost to Receiving Departments.**
 - **Concurrent Changes to Departmental Functionalization along with Changes in Allowable Expenses Produces both Increases and Decreases Based on the Change to the Flow of Costs.**

What Affects Allocated Costs?



Variations in Usage (Consumption) of Central Service Departments

- *Increased* Demand for Services May Result in Greater Proportionate Share of Allocated Cost.
- *Reduced* Demand for Services May Result in Smaller Proportionate Share of Allocated Cost.
 - However, a Department Can Reduce Demand for Service and Still be Allocated More than Prior Year if Total Proportionate Amount Does not Decrease by Same Rate. May Reduce Usage but Still Pay More. (Converse True As Well).

What Affects Allocated Costs?



Reorganization or Realignment of Departments

- ❑ **Reorganizations Have the Following Impacts on Allocated Costs:**
 - **Total Budget Cost Revised Immediately.**
 - **Increased Budgets**
 - Does not always equate to increased allocations.
 - **Decreased Budgets**
 - Does not always equate to reduced allocations.
 - **Impacts Functional Distribution of Staff Time.**

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What Affects Allocated Costs?



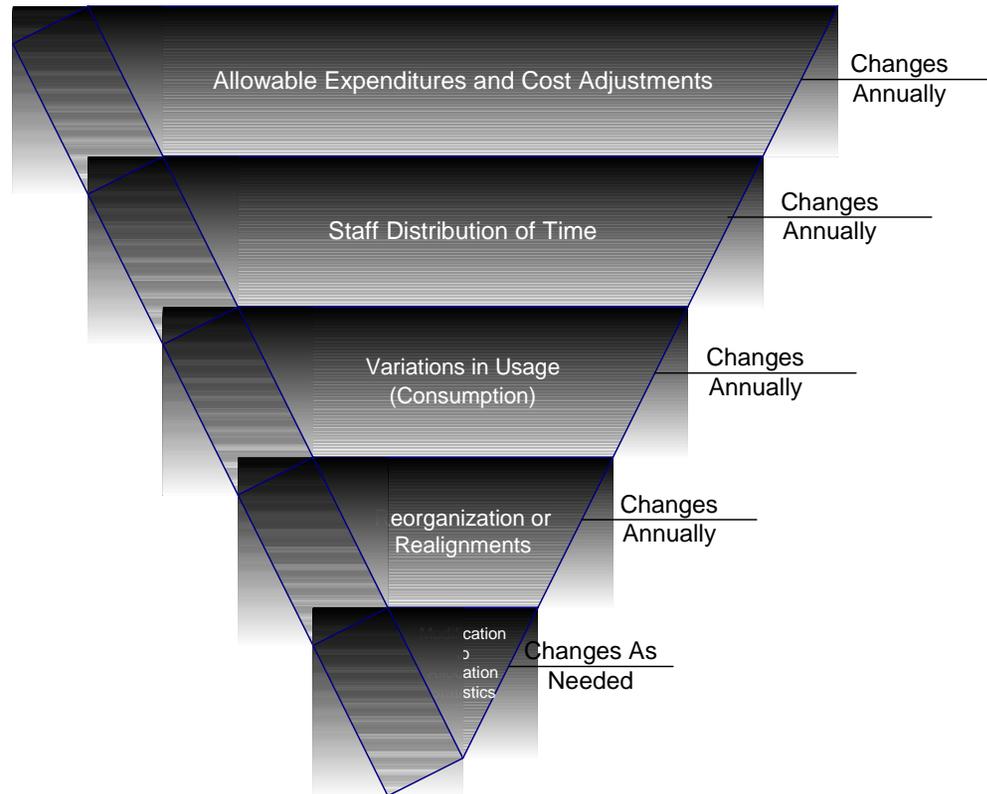
Modifications to Allocation Statistics

- **Changed to Better Define Relationship between Cost of Service and Benefit Derived by Receiving Departments.**
 - **Purchasing – Contracts Function**
 - **Changed from Contract Value to Number of Contracts**
 - **Changed at Staff Direction as Number of Contracts not Value, Better Correlates the Effort.**

What Affects Allocated Costs?



Recap



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What is a Cost Allocation Plan?



- **A Cost Allocation Plan Is a Set of Documents That Relate to a Process Where Indirect Costs Are Allocated Using a Set of Allocation Methods to “Benefiting Cost Objectives.”**

- **The Purposes of a Cost Allocation Plan Are As Follows:**
 - **They are often the only way to determine the full cost of operating programs.**
 - **They allow an agency (state or local) to ensure that they are recovering all allowable costs incurred by the agency.**
 - **They can provide valuable management data to an agency regarding funding levels and time spent on activities (if time studies are also employed).**

Cost Allocation Plans



Two Main Types of Cost Allocation Plans:

- ❑ A Full Cost Plan May Be Used When Federal Dollars Are Not Involved
- ❑ OMB A-87 Cost Plan Required If Federal Dollars Are Involved

What is a Full Cost Plan?



- **A Full Cost Plan Includes Costs That May Be Specifically Identified for Exclusion As “Unallowable” Costs Under the Cost Principles Contained in OMB Circular A-87**
 - **For example, a Full Cost Plan would include “General Government” costs such as the Metro Council and the Office of the Mayor, which are responsible for the executive direction of the Metro departments**

What is an OMB A-87 Cost Plan?



- ❑ **An OMB A-87 Cost Plan Is Prepared in Accordance With OMB Circular A-87 Cost Principles to Document Costs Associated With the Administration of Federal or State Grants and Contracts**

Types of OMB A-87 Cost Plans



- ❑ **Central Service Cost Allocation Plan**
- ❑ **Departmental Cost Allocation Plan**
- ❑ **Indirect Cost Rate Proposal (ICRP)**

Central Service Cost Allocation Plan



- **Central Service Cost Allocation Plan: the documentation prepared by an organization to identify, accumulate, and allocate costs of services provided by a governmental unit on a centralized basis to its departments and agencies. The costs of these services may be allocated or billed to users.**
 - **Commonly referred to as a LOCAP for local governments**

Departmental Cost Allocation Plan



- **Departmental Cost Allocation Plan: the documentation prepared by an organization unit to identify, accumulate, and allocate indirect costs to the cost objectives defined within the department**
 - **Departmental Plans Prepared in Metro include:**

Police	Metro Action Commission
District Attorney	Nashville Career Advancement Center
Public Works	Health
Sheriff	Planning
Parks	Social Services

Indirect Cost Rate Proposal



- Indirect Cost Rate Proposal (ICRP): the documentation prepared by an organization to substantiate its claim for the reimbursement of indirect costs. The proposal is the basis for establishing an indirect cost rate agreement
 - Where applicable, Metro Departments are responsible for developing and submitting an ICRP that includes both LOCAP and departmental indirect cost allocations to OMB **ANNUALLY**

OMB A-87 Cost Plan Documentation



□ General Documentation Requirements

- Organization Chart
- Certification by Government Unit Official
- Identification of Allocated/Shared Costs
- Related Documentation for Allocation Bases, etc.
- Rate(s) Development Schedules
- Copy of Financial Data
 - Financial Statements
 - Comprehensive Annual Financial Report (CAFR)
 - Reconciliation to CAFR
 - Executive Budget

Developing an OMB A-87 Cost Plan



- ❑ **The following are the main steps in developing a cost allocation plan:**
 - **Obtaining Organization Charts**
 - **Interviewing Staff**
 - **Obtaining Financial Information**
 - **Constructing a Plan**
 - **Submitting a Plan**

OMB A-87 Cost Plan Development – Organization Charts



- ❑ **Accurate Organization Charts are important for determining functions and staff responsibilities.**

- ❑ **Organization Charts can be used for the following:**
 - **Determining who does what and who reports to whom.**
 - **Ensuring that all administrative overhead functions are identified.**
 - **Showing oversight agencies how an organization works and changes that might occur during a reorganization.**

- ❑ **Cognizant agencies require the submission of organization charts.**

OMB A-87 Cost Plan Development – Interviewing Staff



- ❑ **Key agency staff should be interviewed to provide justification for cost pool development and allocation methodologies.**
- ❑ **Interviews are often the best or only way to truly understand certain functions and how they support other functions within your agency.**

OMB A-87 Cost Plan Development – Obtaining Financial Information



- ❑ **Determining capabilities for reporting is important to determining how you will develop specific cost pools. You need to be able to quantify activities.**
- ❑ **Accounting systems often provide detail by appropriation, organization, and expenditure type necessary to classify costs to various cost pools.**
- ❑ **Payroll systems often provide personnel detail accurate enough to assign personnel payroll to cost pools.**
- ❑ **When choosing financial data sources, make sure to ensure data integrity and auditable supporting documentation.**

OMB A-87 Cost Plan Development – Constructing a Plan



- ❑ **Choosing a platform that is appropriate for the amount of data and complexity of allocations will ensure an efficient plan.**
 - **Software Packages Capable of Running a Cost Allocation Plan include Excel, Access, FoxPro, and vendor software programs.**

- ❑ **In developing a plan be mindful that its format will need to ensure a clear audit trail of expenditures and be compatible with other internal systems.**

- ❑ **Essential reports in a cost allocation plan include:**
 - **Initial Cost Pools & How they are Calculated**
 - **Allocation Bases**
 - **Benefiting Cost Objectives**
 - **Detail of Allocations to Cost Objectives**

- ❑ **Processes need to be described in a detailed plan narrative.**

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Submitting an OMB A-87 Cost Plan



- ❑ **“Major” Local Governments**
 - Designated by OMB – “periodically” listed in the Federal Register
 - Submitted annually to cognizant Federal agency
 - Submitted within six months of fiscal year end

- ❑ **Other Local Governments**
 - Prepare and maintain documentation for audit
 - Submit only at request of cognizant Federal agency

- ❑ **Local Governments - Sub-Recipient**
 - Prepare and maintain documentation for audit
 - State Agency responsible for negotiation

Cost Allocation Plan Guidance



- ❑ **OMB Circular A-87**: governs indirect cost rate proposals and cost allocation plans.
- ❑ **Attachments C and E of OMB A-87**: contains specific requirements related to local-wide cost allocation plans and local indirect cost rate proposals, including submission requirements.
- ❑ **ASMB C-10**: the implementation guide for OMB A-87 issued by the United States Department of Health and Human Services.

So, Why Do It?



- ❑ **Well ... Metro Policy OMB #1 Requires it!**
- ❑ **Federal and State Cognizant Agencies Require it!**
- ❑ **Recover the “Full Cost” of Administering Federal and State Grants and Contracts**
 - **Additional General Revenues to the Metro Government**
- ❑ **A Useful “Management Tool” to Assess Operations**
 - **What Does it “Truly” Cost to Run Operations?**
 - **“Its Not Just for Finance Anymore ...”**

Other Uses of the Cost Allocation Plan



- ❑ Charge indirect costs to Federal or State grant programs or special taxing districts.
- ❑ Supporting documentation for interfund transfers.
- ❑ Useful in budgeting process by identifying which departments are being served and the level of service provided.
- ❑ Useful in identifying costs shared between agencies such as buildings (courthouse) or services (jail).
- ❑ Provides indirect cost analysis, which when combined with direct costs, is useful in determining fees-for-service.
- ❑ Charge central service costs to internal service and enterprise funds.

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Direct Billed Costs

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Goals



- ❑ **Define the Purpose and Objectives of Direct Billing for Services That Are Centrally Provided to Metro Departments**
- ❑ **Overview the Business Practices Involved in Direct-billing**
 - **Rate Setting**
 - **Billing**
 - **Operating and Financial Management**
- ❑ **Discuss Best Practices and Trends**
- ❑ **Respond to Your Questions**

Direct Billed Services, Internal Service Funds and Enterprise Funds



- ❑ **Broadly Used Mechanism to Track and Account for the Costs of Services Provided by One Unit of a Government to Other Units Within the Government, or to Outside Parties**
- ❑ **Definitions*:**
 - **Overall classification is as “Proprietary Funds”, which account for a government's ongoing activities that are similar to those found in the private sector.**

* Per GASB Codification Section 1300, NCGA-1

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Direct Billed Services, Internal Service Funds and Enterprise Funds



- Enterprise Funds – Account for operations (a) that are financed and operated in a manner similar to private business where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed and recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Direct Billed Services, Internal Service Funds and Enterprise Funds



- ❑ **Internal Service Funds – Account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.**

NOTE: Both Internal Service and Enterprise Funds employ the accrual method of accounting – importantly, they include depreciation/ amortization of assets as operating expenses

In Metro, Example Direct Billed Services Are:



Internal Service

Office of Fleet Management
Information Systems
Radio Shop
School Central Storeroom
Metro Postal Service
Real Property Services
Treasury Management
Technology Revolving
Finance Operations
Human Resources Operations

Enterprise

Nashville Convention Center
Board of Fair Commissioners
Farmers Market
Police Secondary Employment
Surplus Property Auction

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Direct Billing is Most Effective When:



- ❑ **Service Costs Can Be Specifically Identified and Usage Specifically Measured – and When Usage Is “Discretionary” or “Controllable”**
- ❑ **The Service Requires Substantial Capital Investment**
- ❑ **There Is a Need to Accumulate and Actuarially Account for Monetary Reserves**

Advantages/Objectives of Direct Billing



- ❑ **First and Foremost – to Realize the Economies and Efficiencies of Centrally-managed Functions**
- ❑ **Readily Identify the Costs of Centrally Managed Services**
- ❑ **Distribute Costs to Entities Actually Using the Service(s), Based on Actual Measures of Service Usage**
- ❑ **Associate Service Costs With the Departments/programs That Use Them (Better Understand the Full-cost of Those Programs)**

Advantages/Objectives of Direct Billing



- ❑ **Maximize Recovery of Costs Form Non-tax Revenue Sources – Minimize Local Tax Burden**
- ❑ **Accumulate Reserves That Help to Fund Capital Outlays**
- ❑ **Promote Efficient Use of Services by Requiring Departments to Pay the Full Costs of Services**
- ❑ **Enable Comparisons to Private Sector or Alternative Service Providers**

OMB A-87 Requirements



□ Costs Must:

- Meet General Requirements for Allowability
- Be Comprised of the Direct and Allocated Indirect Costs of Each Service
- Be Charged to Departments Based on “Actual” Expenditures
- Reflect Extent to Which Customers Actually Utilize Each Service
- Be Consistent for All Customers

OMB A-87 Requirements for Direct-Billed Costs



- ❑ **If a “Standard Rate” System Is Used to Charge Costs to Customers (Based on Budgeted Costs), Adjustments Must Be Accorded to Off-set Actual Over/under-recoveries of Costs**
- ❑ **Internal Service Funds May Retain a “Balance” for Working Capital Purposes Equal to 60-days Cash Expenditures**
- ❑ **Why Federal Compliance Is Important to Metro**
 - **Disallowances**
 - **Disruption of Administrative Processes**

OMB A-87 Requirements for Direct-Billed Costs



- **Why Emphasize the Direct Billed Approach for Federal Recoveries:**
 - **Metro Direct Billed Operations (FY 2006 Budget) - \$62 Million**
 - **Two-year Lag in Recovering Costs Under LOCAP Method**
 - **Direct-billed Costs Are Much More Likely to Be Claimed for Federal Reimbursement**
 - **Direct-billed Costs Can Avoid Federal Caps on “Administrative” or “Indirect” Costs in Certain Grants**

Determining Service Costs and Setting Billing Rates



- ❑ **Each Direct-bill Service Provider Prepares a Cost Allocation Plan (Conforming With A-87) To Determine the Full-costs of Each Service:**
 - **“Direct Costs” Assigned Specifically to the Service They Support**
 - **“Indirect Costs Allocated Based on Statistical Measures That Realistically Reflect the “Benefit” That Each Service Receives From the Indirect Activity**
- ❑ **Include Depreciation Expense or Amortization of Fixed Assets in Lieu of Capital Outlay Expenditures in Order to Distribute Costs Over the Useful Life of Assets**
- ❑ **Incorporate Actuarially Determined Cost of Risks (Insurance Funds)**

**Metro Government
Information Technology Services
Cost Recovery system**

Statistical Data Requirements



ITS Salaries by Budget Unit
Occupied Square Feet by Budget Unit
Equipment Depreciation Expense
Level A Applic Labor Hours
Level B Applic Labor Hours
Level C Applic Labor Hours
Level D Applic Labor Hours
Applications Support Hours
Database Project Hours
Database Support Hours
Help Desk Calls by ITS Service
Directory Services - Email Accounts
Desktop & Computer Support Counts
IBM Mainframe CICS Transactions
AS/400 Server Partitions
Web Hosting - MB Storage
Generic Server Hosting - Server Counts
Enterprise Servers - Server Counts
Central Data Repository (SAN) - GB Storage
Network Node Counts
Imaging - MB Storage
LOCAP Accounting Transaction Counts

ONE MAXIMUS ~ MOVING FORWARD



Summary of Depreciation

Sum of FY06 Depr													
Cost Pool	Total	ITS Admin	Help Desk	Desktop	Appls	Opns	Ch 3	Email	Host w/Hdwe	Hosting Sppt	Imaging	Network	Proj Mgmt
Admin	24,172	24,172											
Appls	2,572				2,572								
Bkup	31,900												
Channel 3	2,438						2,438						
Directory Service	47,888							47,888					
Email	14,942							14,942					
Genl Server Opns	63,816												
Genl Server Sftwe	40,822												
Help Desk	78,375		78,375										
Host w/ Hdwe	48,036								48,036				
Hosting	15,075									15,075			
Imaging	20,806										20,806		
Network	48,606											48,606	
Opns	11,693					11,693							
Out	4,086	4,086											
Proj Mgmt	10,651												10,651
SAN	132,765												
SQL Sftwe	51,850												
Web Dev	2,015												
Web Host	12,761												
Desktop	6,274			6,274									
Grand Total	671,543	28,259	78,375	6,274	2,572	11,693	2,438	62,830	48,036	15,075	20,806	48,606	10,651

ONE MAXIMUS ~ MOVING FORWARD

Nashville - ITS
 Cos Distribution - Data Collection
 Imaging Statistics (Storage)
 Updated: 12/20/2004
 "Image-Stat-1"



Department	Vendor	Server	System	# of Files	Storage Space In Use	Giga Bytes
Codes Administration	DMC	MGISIMG01	Questys	5,970,128	170GB	170.0000
Planning Department	DMC	MGISIMG01	Questys	2,200	23.1MB	0.0231
Assessor of Property	DMC	MGISIMG01	Questys	3,907,597	212GB	212.0000
Health Department	DMC	MGISIMG01	Questys	2,265,562	37.7GB	37.7000
Sheriff's Office	DMC	MGISIMG01	Questys	2,500,762	31.5GB	31.5000
Purchasing Division	DMC	MGISIMG01	ProMIS	656,566	14.1GB	14.1000
						<u>465.3231</u>
Metro Clerk	Acculmage	AP13 (SAN)	AX	604,818	17.9GB	17.9000
Schools – Psychology	Acculmage	AP13 (SAN)	AX	7,297,261	204GB	204.0000
Human Resources	Acculmage	AP13 (SAN)	AX	2,544,237	52.5GB	52.5000
Water – TV Logs	Acculmage	AP13 (SAN)	AX	127,605	27.6GB	27.6000
Water – Storm Water	Acculmage	AP13 (SAN)	AX	9,485	8.70GB	8.7000
Water – Permit Cards	Acculmage	AP13 (SAN)	AX	15,204	89.7MB	0.0897
Water – Photo Archives	Acculmage	AP13 (SAN)	AX	49	231MB	0.2310
						<u>311.0207</u>
						<u>776.3438</u>

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STATE OF XXXXXXXXXXXX - ITS
 RATE DEVELOPMENT - FY 2006
 E-Government Cost Analysis - FY '04 vs. FY '06
 LAST UPDATED: 6/3/05

"Portal Costs-04-06"



	<u>Fiscal Year 2004 Actual</u>			<u>Fiscal Year 2006 Forecast</u>			<u>Change</u>
	<u>Development</u>	<u>Operations</u>	<u>Total</u>	<u>Development</u>	<u>Operations</u>	<u>Total</u>	
Depreciation		\$ 607,420	\$ 607,420		\$ 82,880	\$ 82,880	\$ (524,540)
Strategic Svcs	\$ 125,497		\$ 125,497	\$ 174,284		\$ 174,284	\$ 48,787
I S S	\$ 225,702		\$ 225,702	\$ 249,847		\$ 249,847	\$ 24,145
Data Services	\$ 114,863	\$ 436,278	\$ 551,141	\$ 132,580	\$ 477,666	\$ 610,246	\$ 59,105
Voice Services	\$ 2,924	\$ 4,385	\$ 7,309	\$ -	\$ -	\$ -	\$ (7,309)
	<u>\$ 468,986</u>	<u>\$ 1,048,083</u>	<u>\$ 1,517,069</u>	<u>\$ 556,711</u>	<u>\$ 560,546</u>	<u>\$ 1,117,257</u>	<u>\$ (399,812)</u>
				\$ -	\$ -		
<u>Data Services Detail</u>							
Salaries & FBs	\$ 34,565	\$ 172,260	\$ 206,825	\$ 60,367	\$ 227,999	\$ 288,366	\$ 81,541
Contractors	\$ 32,910	\$ 18,199	\$ 51,109	\$ -	\$ -	\$ -	\$ (51,109)
Software		\$ 8,542	\$ 8,542		\$ 3,700	\$ 3,700	\$ (4,842)
Ntwk Eq Maint		\$ 982	\$ 982		\$ 950	\$ 950	\$ (32)
Misc Op Costs	\$ 7,384	\$ 36,812	\$ 44,196	\$ 15,039	\$ 53,713	\$ 68,752	\$ 24,556
D/S Admin	\$ 8,964	\$ 44,698	\$ 53,662	\$ 15,500	\$ 50,267	\$ 65,767	\$ 12,105
ITS Admin	\$ 31,040	\$ 154,784	\$ 185,824	\$ 41,674	\$ 141,037	\$ 182,711	\$ (3,114)
	<u>\$ 114,863</u>	<u>\$ 436,278</u>	<u>\$ 551,140</u>	<u>\$ 132,580</u>	<u>\$ 477,666</u>	<u>\$ 610,246</u>	<u>\$ 59,105</u>

ONE MAXIMUS ~ MOVING FORWARD

Methods of Billing and Recovery



- ❑ **Standard Rate Billing Systems**
- ❑ **Allocation Billing Systems**

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Methods of Billing and Recovery

Standard Rate System



- ❑ **“Standard” Rates Determined Before Year Begins**
 - ❑ **Billings Issued Monthly**
 - ❑ **Actual Service Costs Determined at Year End**
 - ❑ **Variances in Recoveries Identified**
 - ❑ **Billing Adjustments Made**
- **Using Cost Allocation Plan with Budgeted Costs and Forecasted Usage**
 - **Using Standard Rates and Actual Usage**
 - **Using Cost Allocation Plan and Actual Costs and Usage**
 - **Compare Billings and Costs by Service and Customer**
 - **If Material and/or Required by OMB A-87**

**INFORMATION SERVICES DIVISION
DATA CENTER
SUMMARY OF FORECASTED FY 2006 COSTS AND RATES**



	UNIT OF MEASURE	FY 2006 FORECASTED COST	FY 2006 BILLABLE USAGE	FY 2006 COST-BASED RATES
<u>C P U SERVICES</u>				
BATCH-PRIME	CPU SECOND	\$1,177,403	19,097,102	\$0.0617
BATCH-OFF PRIME	CPU SECOND	\$698,625	21,618,750	\$0.0323
CICS	CICS SECOND	\$1,651,841	12,952,018	\$0.1275
IMS	CPU SECOND	\$1,056,970	12,886,837	\$0.0820
ROSCOE	CPU SECOND	\$192,645	707,660	\$0.2722
TSO	CPU SECOND	\$138,569	2,144,178	\$0.0646
DB2	CPU SECOND	\$1,426,417	3,638,809	\$0.3920
DOT SUPPORT	DIRECT CHARGE	206,596		N/A
<u>I / O SERVICES</u>				
DASD STORAGE				
SMS STORAGE	PER 1,000 BYTES/MO	\$297,958	13,725,579,887	\$0.000022
DASD I/O	1,000 EXCP'S	\$129,980	11,649,109	\$0.0112
TAPE I/O	1,000 EXCP'S	\$292,134	2,137,027	\$0.1367
TAPE STORAGE		\$209,200	411,136	\$0.51
LINE PRINT	1,000 LINES	\$95,502	87,369	\$1.09
LASER PRINT	PAGES	\$404,974	12,221,549	\$0.0331
<u>APPLICATIONS SVCS</u>				
SYS ANALYSIS & PROG	PER PERSON-HOUR	\$958,545	10,613	\$90
WEB CONSULTING	PER PERSON-HOUR	\$739,041	8,736	\$85
<u>SERVER ADMINISTRATION</u>				
SERVER ADMINISTRATION	PER SERVER /MO	795,590	1,200	\$663
ACE - EMAIL	PER MAIL BOX (AVG)	608,367	72,000	\$8.45
SAN STORAGE	MBs PER MONTH	\$385,473	12,500	\$30.84
WEB HOSTING	MBs STORAGE	\$69,516		
<u>IT STRATEGIC PLANNING</u>				
	Per F T E	\$609,546	30,000	\$20.32

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Methods of Billing and Recovery



- **Allocation Billing Systems**
 - **Billings to Customers Based on a Cost Allocation Plan Run for Each Billing Cycle Using Actual Costs and Actual Service Usage**
 - **No Billing Adjustments Required at Year-end**

Methods of Billing and Recovery



- **Metro's Billing Systems**
 - **Predominately Based on Standard Rates**
 - **Use a Cost Allocation Plan to Determine Service Costs/Billing Rates**



**METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY
INFORMATION TECHNOLOGY SERVICES DIVISION**

FY 2005 FORECASTED BILLING RATE SUMMARY (WITHOUT LOCAP COSTS)

MaxCars Plan ver. 1.0010

Service	Billable Unit	(A) FY 2005 Budgeted Costs (Without LOCAP)	(B) FY 2005 Forecasted Billable Utilization	(C) FY 2005 Bud- Budgeted Cost-Based Rates (A / B)
Technical Services				
Desktop Refresh	-----	\$340,374	Allocated to Desktop Refresh	
Desktop Computer Support	PC-Month	\$1,011,397	16,968	\$59.61
IBM Mainframe	CICS Transaction	\$599,205	8,455,185	\$0.071
AS/400	CPU-Month	\$388,035	45.00	\$8,623.00
Web Hosting	Megabyte-Month	\$267,678	61,032.00	\$4.39
Generic Server Hosting	Server-Month	\$803,675	624.00	\$1,287.94
Enterprise Servers	-----	Allocated to Other ITS Budget Units & Services		
Central Data Repository	Gigabyte-Month	\$87,851	34,512.00	\$2.55
Technical Services Subtotal		\$3,498,215		
Voice/Data Communications				
Network Nodes	Node-Month	\$2,174,838	78,876	\$27.57
Voice Services	-----	\$546,495	Allocated to Voice Services	
Telephone Instruments	-----	\$0		
Voice/Data Communic Subtotal		\$2,721,333		

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Real and Perceived Limitations



□ Real

- **Usage-based Systems Can Discourage/Inhibit Investment in Otherwise Priority Programs**
- **Propensity to Subsidize Certain Services**
- **Providers React Too Slowly (or Not at All) to Usage Variances That Affect Unit-costs of Services**

Real and Perceived Limitations



□ Perceived

- Inter-Departmental “Competition”
- “We Can Do It Cheaper” - What Is the Full Cost, Really?
- Double Billing

Best Practices and Trends



- ❑ **Employ Standardized Cost Allocation and Rate Determination Methods**
- ❑ **Reconcile Actual Costs and Revenues Service-by-Service After the Close of a Fiscal Period (Year)**
- ❑ **Monitor Recoveries at the Service Level – Adjust Rates to Off-set Unanticipated Recovery Variances**
- ❑ **Manage Service Levels – Utilize Service Level Agreements**
- ❑ **Publish Service Catalogs – Clearly Identify Scope of Services and Functions/features Included**
- ❑ **Adopt Customer Service Orientation (“Happy Customers Don’t Complain About Their Bills”.)**

**SERVICE DEFINITIONS
TELECOMMUNICATIONS SERVICES
CHARGE-BACK SERVICE DEFINITIONS - FY 2002**



VOICE SERVICES				
Station-Line w/ Access (Ericsson Configuration)				
DESCRIPTION	Voice service within a local calling area (aka "Dial Tone") using facilities and services provided by/through the Telecom Division.			
	Service only available in Capital City			
UNITS OF MEASURE	Per Station-Line per Month.			
USAGE DATA SOURCE(S)	MONIES catalog detail.			
COST COMPONENTS	<u>Activ</u>	<u>Sect</u>	<u>Component</u>	<u>Allocation Basis</u>
	N/A	N/A	Depreciation	Direct Cost
	Var.	Var.	Telecom Administration	See "Admin" Schedule
	030	25	Telecom Billing	Effort Analysis
	031	20	Telecom Operations	Effort Analysis
	031	30	Customer Support	Effort Analysis
	031	35	Telecom Operators	Effort Analysis
	N/A	N/A	Maintenance (Ericsson)	Direct Cost
	N/A	N/A	Southwestern Bell	Trunk costs - Local vs. L-L
	031	20	NOC operations	Effort Analysis
			<u>Less Transfers: *</u>	
	N/A	N/A	Enhanced PBX Feature Packages	Estimated cost
	N/A	N/A	Analog Extensions	Estimated cost

Nashville - Davidson County
 Information Technology Services
 Cost Recovery Plan

Service Definitions -- SUMMARY OF SERVICES

1/8/2004



<u>Line of Business</u>	<u>Program</u>	<u>Key Product</u>	<u>Other Products</u>	<u>Service Name</u>	<u>Service Description</u>
Voice/Data Communications	Network Communication Services	Network Connections	Network Hardware, Backbone Fiber Connections, IP Addresses, Leased Line Connections, Network Routers, Network Switches, Wireless Connections, Network Reports and Services, Managed Applications/Naming Resolutions, Dial-In Accounts, Secure Remote Access Acc	Network Nodes	Operation and support of the Metro Government data network, Includes monitoring network availability/performance, recovery from outages, network maintenance/upgrades, servicing of network equipment, and planning for network expansions/enhancements
	Voice Communications	Supported Phones	Network Availability (uptime), Key Systems, Pages, Voice Mailboxes, Service Requests, Public Branch Exchange (PBX) Phone Systems.	Voice Services	Provision of standard voice communications services, including local and long-distance calling, and all features available on the ITS Voice Switch (PBX). Also includes telephone installs, moves and repairs.
				Telephone Instruments	Acquisition of new telephone instruments.
Television and Multi-Media	Metro 3	Program Hours	Message Pages, Media Copies, Media Jobs,	Metro 3	Operation of Metro 3.
	Multi-Media	Minutes of Training Videos Produced	Scripts, Web Video Files	Multi-Media	Training Videos
Administrative Services	Various Administrative Functions	Various Key Products based on functions		ITS Administration (ALOB)	All activities assigned to ITS ALOB Business Units, including Facilities Management, Human Resources, Finance, Procurement, Billings and Collections, and Executive Leadership

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<u>SERVICE</u>	<u>ACTUAL COST</u>	<u>ACTUAL REVENUE</u>	<u>PROFIT (LOSS)</u>	<u>PERCENT P or (L)</u>	<u>ACTUAL UNIT COST</u>	<u>RATE USED</u>
<u>BATCH</u>						
1ST						\$1,540
2ND						\$1,075
3RD						\$800
Total	\$1,438,852	\$1,735,501	\$296,648.83	20.62%	\$974	
<u>CICS</u>						
1ST						\$1.12
2ND						\$0.72
3RD						\$0.54
Total	\$1,299,194	\$1,962,765	\$663,570.96	51.08%	\$0.72	
<u>ADABAS</u>						
1ST						\$0.49
2ND						\$0.32
3RD						\$0.19
Total	\$931,964	\$1,336,830	\$404,866.22	43.44%	\$0.25	
<u>TSO</u>						
1ST						\$3,040
2ND						\$1,950
3RD						\$880
Total	\$140,310	\$186,893	\$46,583	33.20%	\$2,097	
STARS	431,220	\$274,940	(156,280)	-36.24%	N/A	660
PIMS (incl DB/2)	492,472	347,754	(144,718)	-29.39%	\$708	\$500
DB/2 SOFTWARE	251,705	162,939	(88,766)	-35.27%	N/A	N/A
DHS CHARGES	356,929	476,036	119,107	33.37%	N/A	N/A
DHS NETWORK	89,760	89,760	-	0.00%	N/A	N/A
STATEWIDE PORTAL	1,517,069	73,673	(1,443,396)	-95.14%	N/A	N/A
DASD STORAGE	835,459	723,781	(111,678)	-13.37%	\$0.01	\$0.010
DASD I/O	106,165	166,861	60,696	57.17%	\$0.006	\$0.01
TAPE STORAGE	286,673	249,191	(37,482)	-13.07%	\$1.06	\$0.92
TAPE I/O	149,146	160,279	11,133	7.46%	\$0.05	\$0.05
PAGE PRINT	227,900	60,040	(167,860)	-73.66%	\$0.17	\$0.05
WEB/EMAIL SRVR	343,473	74,196	(269,277)	-78.40%	N/A	N/A
SECURITY	16,455		(16,455)	-100.00%		
MID-WARE-MQ	51,213		(51,213)	-100.00%		
E T V	43,176		(43,176)	-100.00%		
OTHER - D/S - PASS THRU	451,009	477,147	26,138	5.80%		
	\$9,460,144	\$8,558,585	(\$901,559)	-9.53%		

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SERVICE	ACTUAL COST	ACTUAL REVENUE	PROFIT (LOSS)	PERCENT P or (L)	ACTUAL UNIT COST	RATE USED
EDUCATION	\$815,808	\$682,975	(\$132,834)	-16.28%	N/A	N/A
ISS						
SR. CONSULTANT (\$80-90)	1,015,513	198,912	(816,601)	-80.41%	\$454	\$90
CONSULTANT A (\$75)	340,663	314,580	(26,083)	-7.66%	\$81	\$75
CONSULTANT A (\$70)	545,265	1,012,032	466,767	85.60%	\$38	\$70
CONSULTANT B (\$65)	328,003	526,552	198,549	60.53%	\$40	\$65
CONSULTANT C(\$60)	0	327,906	327,906		\$0	\$60
CONSULTANT D (\$35)	35,806	35,976	170	0.47%	\$35	\$35
TIME LIMITED PIN	106,647		(106,647)	-100.00%	N/A	N/A
PASS-THRU CONTRACTS	234,220	120,383	(113,837)	0.00%		
Sub-Total ISS	\$2,606,117	\$2,536,341	\$ (69,776)	-2.68%	\$64 Average \$/Hr	
VOICE SERVICES						
LOCAL SYSTEM G3R	2,682,770	4,940,706			N/A	N/A
LOCAL ESSX	544,624	In G3R			N/A	N/A
LOCAL SVC \$+1.50	1,089,796	In G3R			N/A	N/A
LOCAL SVC - PASS-THRU	412,528	In G3R				
TOLL CALLS-ABCDEF	363,454	381,196				
NODES	502,452	In G3R			N/A	N/A
LOC TEL SVC P-T		In G3R			N/A	N/A
SUB-TOT LOCAL SVC	5,595,624	5,321,902	(\$273,722)	-4.89%	N/A	N/A
VOICE MAIL	170,270	232,506	62,236	36.55%	\$ 4.50	\$ 6.00
IVR-ACD	98,517	59,062	(39,455)	-40.05%	N/A	N/A
SUB-TOT VOICE PROC	268,787	291,568	\$22,781	8.48%		
LONG-DISTANCE	792,282	1,023,747			\$ 0.050	\$ 0.070
L-D COST +	77,721	In L-D			N/A	N/A
DIRECTORY ASSTCE	54,833	In L-D			N/A	N/A
SUB-TOT L-D	924,836	1,023,747	\$98,911	10.70%	N/A	N/A

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DEPARTMENT OF INFORMATION SYSTEMS
FISCAL YEAR ENDED JUNE 30, 2004



	SFY 2004 *
BEGINNING BALANCE	\$ (2,479,363)
ADDITIONS:	
Billings	\$ 27,923,869
Rebates	
Imputed Interest	
Capital Leases	
Other	
Total Revenues	\$ 27,923,869
ALLOWABLE COSTS:	
Expenditures	\$28,389,763
Depreciation	
SWCAP (if not in the expenses)	\$ 123,512
Total Expenditures	\$ 28,513,275
UNALLOWABLE COSTS:	
Capital Expenditures	
Interest Expense	
Other	
Total Unallowables	\$ -
ALLOWABLE EXPENSE	\$ 28,513,275
ADJUSTMENTS:	
General Revenues	
Equipment Transfers	
Other	
Total Adjustments	\$ -
A-87 INCOME/LOSS	\$ (589,406)
A-87 BALANCE At 6/30/02	\$ (3,068,769)
60 DAY BALANCE	\$ 4,753,163
EXCESS BALANCE	\$ (7,821,931)

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Best Practices and Trends



- ❑ **A Google on “Internal Service Funds” Resulted in 33,000,000 Hits**
- ❑ **A Google on “Enterprise Funds” Resulted in 23,400,000 Hits**
- ❑ **The Des Moines Case**
- ❑ **Impact of Service Consolidations, Especially IT**
- ❑ **Internal Charge-Back in the Private Sector**
 - **IQPC**

Metro Training Opportunities



Training Opportunities Sponsored by OMB Include:

- ❑ Basic Cost Accounting** **Nov. 11, 2005**
- ❑ Advanced Cost Accounting** **(TBA)**
Based on EBS Implementation
- ❑ Effective Grant Budgeting** **March 9, 2006**
- ❑ Managerial Cost & Management** **(TBA)**

Continuing Professional Education



- ❑ **Continuing Professional Education Certificates Will Be Issued for Today's Full Cost Primer Session to Requesting Participants.**
 - **Your Signature on the Sign-in Sheet Is Required for Continuing Professional Education Certificates.**
 - **Email requests for CPE to Herbert.Majors@Nashville.gov**



Questions/Discussion

THANK YOU FOR YOUR PARTICIPATION

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