

# Attachment 18

## State of Confusion

### Central Service Cost Allocation Plan Statistics - FY Ending June 30, 2001

#### *Sample Narrative Formats for Direct Billed Items*

##### **Motor Pool**

The governmental unit operates a central motor pool which makes cars, trucks and buses available to user departments. User departments are billed for each mile driven; cars - 15 cents per mile; trucks - 45 cents per mile and buses - 76 cents per mile. The basis for the charge is the most recent study of the cost per mile driven performed by the internal audit staff. Any over or under recovery of costs realized through the billing rate is applied to the next year's expected expenditures and is included in that year's billing rate...

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### Statistics - FY Ending June 30, 2001

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### **Motor Pool**

...The costs included are salaries and wages and fringe benefits of the motor pool staff, their travel, supplies, fuel and parts and use charges for equipment and buildings as determined under OMB Circular A-87.

#### **Observations (good):**

- Identification of specific rate(s)
- Basis of those rates
- Treatment of over/under recoveries
- Types of costs included in the rate(s)

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#### **Data Processing**

The state(local) governmental unit operates a central computer center consisting of an IBM system 370/115, an Control Data 3100 and Cyber 70 series configuration. The center provides computer support to various departments/agencies of the unit of government. Billings of specific services are made to user organizations based on a price (rate) schedule. The schedule is related to, and designed to recover the costs of the various services provided by the center. Service costs consist of the direct and indirect functions of the center incurred in the delivery of the service. They include salaries and wages and fringe benefits of center personnel, supplies, maintenance, utilities, facilities and straight line depreciation of equipment...

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#### **Data Processing**

... Costs are identified by type of service provided. The revenue generated is reconciled periodically to actual costs and audited by the State audit staff. Variances are carried forward and used to adjust rate schedules of a future billing rate period.

#### **Observations (not good):**

- Need a list of specific services (and rates) provided
- Need a description of how management costs are distributed to the specific service centers

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#### Observations (not good continued):

- Should be clear that the figures in the reconciliation process are based on allowable costs as determined by OMB Circular A-87 and that revenue in this calculation is based on imputed revenue
- Need a list of any transfers in/out of center (if any)
- Need a description of how costs allowable under the governmental units rules but not under OMB circular A-87 are handled

***In both examples above the auditor would need to review the financial statements relative to the direct-billed function. Evaluation of Retained Earnings should be made to insure that excessive Retained Earnings are not accumulating.***