

# Breakout Session

“ B – 5 ”

# The Devil Is In The Detail



- **Breakout Panel Members:**
- **Shirley Richardson, CFO: Murphy – Harpst**
- **David Overby, CFO Twin Cedars**
- **Richard O'Neill – DFCS Fiscal RBWO**

**“Establishing & Maintaining  
Separation Between Multiple  
Programs and Facilities”  
available at**

[http://mhddad.dhr.georgia.gov/portal/site/DHR-  
MHDDAD](http://mhddad.dhr.georgia.gov/portal/site/DHR-MHDDAD)

**is a new resource.**

# This new resource reiterates the following:

- Fiscal separation - program based with separate budget and reporting structures
- Administrative separation – separate staff who work for each program
- Allocation of expense in accordance with Generally Accepted Accounting Principles
- Refers to Cost Report Training documentation in appendices

If you formerly had one  
Program.....

All costs (except unallowable) will  
go to the one program and one  
Cost Report will be prepared

# Split out fee for service – Medicaid Rehab Option

All allowed costs can no longer be charged to one program – there must be a clear fiscal separation. One program has now become at LEAST 3 programs – and this is the simplest case – multiple Cost Reports may be required.

1. Shared costs
2. RBWO
3. Medicaid Rehab Option

# Multiple Programs = multiple cost centers and COA segments

- Shared costs – administration & maintenance/occupancy
- RBWO – CCI – Residential – Cost Report required
- RBWO – CCI – Group Home – Cost Report required
- RBWO – CPA – Specialized Foster Care – Cost Report required
- MRO – Core services
- MRO – Specialty services
- Unallowable costs - Fundraising
- Unallowable costs – Education, etc.

# Possible GL Setup

Activity	Program	Department
<b>Shared costs</b>	100	
Administration		10
Maintenance/occupancy		12
<b>RBWO</b>	200	
CCI – Residential		20
CCI – Group Home		22
CPA – Specialized Foster Care		24
<b>Medicaid Rehab Option</b>	300	
Core services		30
Specialty services		32
<b>Unallowable costs</b>	400	
Fundraising		40
Education		42
<b>Others as needed</b>		
For reporting, roll each department into program to get all costs associated with that program		

The best way to maximize RBWO revenue is to make sure the Cost Report is done correctly and that all allowable costs are included.

# Review of Circular A-122 in relation to cost reports

Direct costs – “those that can be identified specifically with a particular cost objective”

Indirect costs – “those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective – i.e. facilities and administration”

# Review of unallowable costs

- Bad debts
- Contingencies
- Contributions/donations
- Entertainment – staff & board members
- Fines & penalties – traffic tickets
- Fund raising
- Investment expenses
- Prohibited activities – lobbying
- Organizational costs –  
incorporation/reorganization

Allocation of Indirect Costs - “The distribution base may be total direct costs, direct salaries and wages or other base which results in an equitable distribution.”

Indirect Cost Pools -  
“Depreciation and use allowances.”

“Operation and maintenance expenses”

“General administration and general expenses.”

# Operation and maintenance expenses

- ...”Those that have been incurred for the administration, operation, maintenance, preservation, and protection of the organization’s physical plant. They include expenses normally incurred for such items as: Janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; environmental safety; hazardous waste disposal; property, liability and other insurance relating to property...”

# How to allocate operation and maintenance expenses

“Operation and maintenance expenses shall be allocated....on the basis of usable square feet of space, excluding common areas, such as hallways, stairwells and restrooms.”

# General Administration and General Expenses

- ...”Those that have been incurred for the overall general executive and administrative offices of the organization and other expenses of a general nature which do not relate solely to any major function of the organization... Examples of this category include central offices, such as the director’s office, the office of finance, business services, budget and planning, personnel, safety and risk management, general counsel, management information systems...”

# How to allocate general administration and general expenses

“Indirect costs shall be distributed ...within each major function on the basis of MTDC. MTDC consists of all salaries and wages, fringe benefits, materials and supplies, services and travel...”

# Cost Allocations

An Example

# For allocations, start with Audit Trial Balance

<b>Program Allocation Worksheet Expense Accounts</b>		<b>Audit Balances</b>
Personnel Costs		2,034,072
Benefits		428,470
Contract Services		387,826
Consumable Supplies		634,869
Equipment Costs		5,217
Travel Costs		70,062
<b>Direct Costs for MTDC calculation:</b>		<b>3,560,516</b>
Occupancy Costs Indirect:		
Utilities		80,263
Repairs & Maintenance		49,324
		129,587
Depreciation:		
Allowed	Equipment depreciation	38,490
Unallowed	Depreciation of Property	66,260
		104,750
		<b>3,794,853</b>



# Separate unallowable MTDC....

<b>Program Allocation Worksheet</b>						
<b>Expense Accounts</b>						
	<b>Audit</b>	<b>Fund</b>	<b>MRO</b>	<b>Other</b>	<b>Sum of</b>	<b>Allowed</b>
	<b>Balances</b>	<b>Raising</b>	<b>Services</b>	<b>Unallowed</b>	<b>Unallowed</b>	<b>Expenses</b>
Personnel Costs	2,034,072	77,934	529,250		607,184	1,426,888
Benefits	428,470	16,088	83,133	1,500	100,721	327,749
Contract Services	387,826	5,163	82,065	0	87,229	300,597
Consumable Supplies	634,869	376,860	33,261	3,589	413,710	221,159
Equipment Costs	5,217	0	694		694	4,523
Travel Costs	70,062	8,640	13,801	2,572	25,013	45,049
<b>Direct Costs for MTDC calculation:</b>	<b>3,560,516</b>	<b>484,685</b>	<b>742,205</b>	<b>7,661</b>	<b>1,234,551</b>	<b>2,325,965</b>

# MTDC plus Indirect and Depreciation

<b>Program Allocation Worksheet</b>						
<b>Expense Accounts</b>						
	<b>Audit</b>	<b>Fund</b>	<b>MRO</b>	<b>Other</b>	<b>Sum of</b>	<b>Allowed</b>
	<b>Balances</b>	<b>Raising</b>	<b>Services</b>	<b>Unallowed</b>	<b>Unallowed</b>	<b>Expenses</b>
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Occupancy Costs Indirect:						
Utilities	80,263					80,263
Repairs & Maintenance	49,324					49,324
	129,587					129,587
Depreciation:						
Allowed Equipment depreciation	38,490					38,490
Unallowed Depreciation of Property	66,260			66,260	66,260	
	104,750			66,260	66,260	
	<b>3,794,853</b>	<b>484,685</b>	<b>742,205</b>	<b>73,921</b>	<b>1,300,811</b>	<b>2,494,042</b>

# Less allocable expenses equals direct program expenses

Program Allocation Worksheet								
Expense Accounts								
	Audit	Sum of	Allowed	Maint/	Admin	Equip.	Sum of	Program
	Balances	Unallowed	Expenses	Occupancy	Costs	Deprec.	Allocable	Expenses
Personnel Costs	2,034,072	607,184	1,426,888	95,829	194,137		289,966	1,136,922
Benefits	428,470	100,721	327,749	17,293	50,219		67,511	260,238
Contract Services	387,826	87,229	300,597	437	71,899		72,336	228,261
Consumable Supplies	634,869	413,710	221,159	3,020	30,962		33,982	187,178
Equipment Costs	5,217	694	4,523	0	2,538		2,538	1,985
Travel Costs	70,062	25,013	45,049	4,557	18,849		23,406	21,644
<b>Direct Costs for MTDC calculation:</b>	<b>3,560,516</b>	<b>1,234,551</b>	<b>2,325,965</b>	121,136	368,603		489,739	<b>1,836,226</b>
Occupancy Costs Indirect:								
Utilities	80,263		80,263	80,263			80,263	
Repairs & Maintenance	49,324		49,324	49,324			49,324	
	129,587		129,587	129,587			129,587	
Depreciation:								
Allowed Equipment depreciation	38,490		38,490			38,490	38,490	
Unallowed Depreciation of Property	66,260	66,260						
	104,750	66,260						
	<b>3,794,853</b>	<b>1,300,811</b>	<b>2,494,042</b>	250,723	368,603	38,490	657,816	<b>1,836,226</b>

# MTDC for all programs

Program Allocation Worksheet					
Expense Accounts					
	Program Expenses	Program 1	Program 2	Program 3	Program 4
Personnel Costs	1,136,922	88,742	90,583	1,508	956,088
Benefits	260,238	19,563	16,931	181	223,563
Contract Services	228,261	510	204,224	37	23,490
Consumable Supplies	187,178	14,651	9,759	83	162,684
Equipment Costs	1,985	0	422	0	1,563
Travel Costs	21,644	2,249	11,442	101	7,851
<b>Direct Costs for MTDC calculation:</b>	<b>1,836,226</b>	<b>125,715</b>	<b>333,361</b>	<b>1,911</b>	<b>1,375,240</b>

# MTDC non-program allocation

## %

<b>MTDC before allocating admin, occupancy and equip deprec</b>		
Program 1	\$ 125,715	4.09%
Program 2	\$ 333,361	10.86%
Program 3	\$ 1,911	0.06%
Program 4	<u>\$ 1,375,240</u>	44.78%
	\$ 1,836,226	
Non program costs	<u>\$ 1,234,551</u>	<u>40.20%</u>
Total MTDC	\$ 3,070,776	100.00%

# Program allocable costs

Step 2: Determine program allocable costs:

## Occupancy:

Total indirect occupancy	\$	129,587	
Non program indirect occupancy	\$	(52,098)	-40.20%
Allocable indirect occupancy	\$	77,489	
Total direct occupancy	\$	121,136	
Nonprogram direct occupancy	\$	(48,701)	-40.20%
Allocable direct occupancy	\$	72,435	

## Admin:

Total admin	\$	368,603	
Less nonprogram adm.	\$	(148,190)	-40.20%
Allocable admin	\$	220,413	

## Equip. Depreciation:

Total equip. dep.	\$	38,490	
Less nonprogram equip. dep.	\$	(15,474)	-40.20%
	\$	23,016	

# Total Program Costs

<b>Program Allocation Worksheet Expense Accounts</b>		<b>Program Expenses</b>
Personnel Costs		<b>1,136,922</b>
Benefits		<b>260,238</b>
Contract Services		<b>228,261</b>
Consumable Supplies		<b>187,178</b>
Equipment Costs		<b>1,985</b>
Travel Costs		<b>21,644</b>
<b>Direct Costs for MTDC calculation:</b>		<b>1,836,226</b>
<b>Occupancy:</b>		
	Occupancy costs indire	<b>77,489</b>
	Maintenance direct	<b>72,435</b>
		<b>149,924</b>
<b>Administrative:</b>		<b>220,413</b>
<b>Equipment Depreciation</b>		<b>23,016</b>
<b>Totals to Cost Reports</b>		<b>2,229,579</b>

# Occupancy

Occupancy by square feet per program:		% by program	
Program 1	13729	10.77%	\$ 16,140
Program 2	2104	1.65%	\$ 2,474
Program 3	431	0.34%	\$ 507
Program 4	<u>111263</u>	<u>87.25%</u>	<u>\$ 130,804</u>
	127527	100.00%	\$ 149,924

# Admin

Modified Total Direct Cost Method for Admin:

Direct program costs \$ 1,836,227

Allocable admin. Costs. \$ **220,413**

% of allocable admin. Costs per prog 12.00%

		Times	Equals
Program 1	\$ 125,715	12.00%	\$ 15,090
Program 2	\$ 333,361	12.00%	\$ 40,015
Program 3	\$ 1,911	12.00%	\$ 229
Program 4	\$ 1,375,240	12.00%	\$ 165,078
			<u>\$ 220,413</u>

# Equipment depreciation

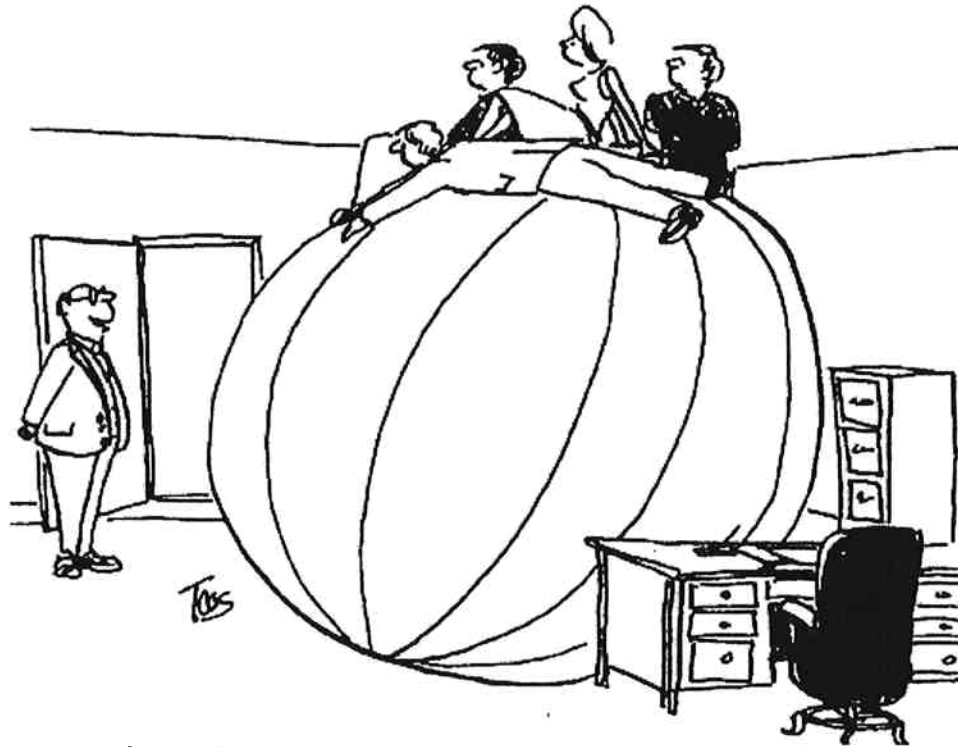
Direct program costs	\$ 1,836,227		
Allocable equipment depreciation	\$ <b>23,016</b>		
% of allocable admin. Costs per program	1.25%		
		Times	Equals
Program 1	\$ 125,715	1.25%	\$ 1,576
Program 2	\$ 333,361	1.25%	\$ 4,178
Program 3	\$ 1,911	1.25%	\$ 24
Program 4	\$ 1,375,240	1.25%	\$ 17,238
			<u>\$ 23,016</u>

# Total program costs

Total Program Costs:	Program 1	Program 2	Program 3	Program 4	
Direct costs	\$ 125,715	\$ 333,361	\$ 1,911	\$ 1,375,240	\$ 1,836,226
Allocated occupancy	\$ 16,140	\$ 2,474	\$ 507	\$ 130,804	\$ 149,925
Allocated admin.	\$ 15,090	\$ 40,015	\$ 229	\$ 165,078	\$ 220,413
Allocated equip. dep.	\$ 1,576	\$ 4,178	\$ 24	\$ 17,238	\$ 23,016
	\$ 158,521	\$ 380,029	\$ 2,671	\$ 1,688,360	\$ 2,229,579

# Reconciliation to Audit

Program 1	\$ 158,521
Program 2	\$ 380,029
Program 3	\$ 2,671
Program 4	\$ 1,688,360
Nonprogram MTDC	\$ 1,234,551
Nonprogram occupancy	\$ 100,799
Nonprogram admin	\$ 148,190
Nonprogram equip dep	\$ 15,474
Unallowed property depreciation	\$ 66,260
	<u>\$ 3,794,853</u>
Audit Trial Balance	\$ 3,794,853
Variance	\$ 0



**"It's always good to see Accounting  
on the ball."**