

Expense Applicable to the Administrative Cost Center

Administrative overhead expenses are costs that must be shared by all cost centers and are generally fixed operating costs not identifiable with any one cost center or cost centers. These costs are to be accumulated in the Administrative Cost Center for distribution to the other cost centers at specific reporting periods.

The salary and fringe benefit costs of the following positions are to be accumulated in the Administrative Costs Center:

1. Executive Director.
2. Secretary to the Executive Director
3. Fiscal Director (includes purchasing function).
4. Secretary to the Fiscal Director.
5. Payroll Clerk.
6. Bookkeepers.
7. Personnel Function.
8. Receptionist unless there is auditable documentation (time study) identifying this individual as providing service/support to a particular cost center.
9. Messenger.

The costs associated with the following line items are to be considered administration, and therefore are to be accumulated in the Administrative Cost Center:

1. Auditing Services, Human Resources Services, Etc.
2. Legal Services (Lawyer on retainer).
3. All contracted and in-house financial/accounting computer services including payroll. (For non-financial/accounting in-house or contracted computer services, apply the Administrative Cost Test.)
4. Insurance Costs – General Liability, Auto Liability, Excess Liability, Professional Liability, unless there is a specific coverage applicable to a specific program/cost center.

5. Public Relations.
6. Agency Dues/memberships unless there is a membership in an organization that benefits a specific program/cost center.

In order for any other expenses/costs to qualify as administration, other than those listed above, you will apply the Administrative Cost Test to the expense or cost in question. PLEASE NOTE THAT YOU MUST HAVE A “NO” ANSWER TO ALL FOUR QUESTIONS IN ORDER TO ACCUMULATE THE EXPENSE IN THE ADMINISTRATIVE COST CENTER.

Administrative Cost Test

1. Does a particular cost center or cost centers benefit from the expense more than the agency as a whole?
2. Does an auditable methodology exist to measure the benefit /usage to a particular cost center or cost centers?
3. Can a reasonable, cost efficient methodology be developed to measure the benefit/usage to a particular cost center or cost centers?
4. Does the cost to measure usage/expense distribution outweigh the benefit? (i.e., reduced Administrative Costs)

Revenue Applicable to the Administrative Cost Center

Administrative overhead revenue is revenue that must be shared by all cost centers and is generally revenue that is not identifiable with any one cost center or cost centers. This revenue is to be accumulated in the Administrative Cost Center for distribution to other cost centers at specific reporting periods.

The following revenue types are to be accumulated in the Administrative Cost Center:

1. Interest Income. (PLEASE NOTE THAT INTEREST INCOME REQUIRES SPECIAL HANDLING AT YEAR END DUE TO DHS REQUIREMENTS. SEE YEAR END BILLING INSTRUCTIONS.)
2. Non-restricted contributions. (Non-restricted will be defined as that revenue which has not been restricted by the donor.)
3. Non-restricted fund raising. (Non-restricted will be defined as that revenue which has not been restricted by the donor.)
4. Service Fees. (Occupation tax, Revenue, etc.)

5. United Way. (Except when restricted by the donor under donor option.)

For any revenues other than those listed above, the Administrative Revenue Test is to be applied to the revenue in question. PLEASE NOTE THAT YOU MUST HAVE A “NO” ANSWER TO ALL FOUR QUESTIONS IN ORDER TO APPLY THE REVENUE TO THE ADMINISTRATIVE COST CENTER.

Administrative Revenue Test

1. Can the revenue be clearly identified and/or related to a particular cost center or cost centers?
2. Does an auditable methodology exist to identify the revenue with a particular cost center or cost centers?
3. Can a reasonable, cost efficient methodology be developed to identify the revenue with a particular cost center or cost centers?
4. Does the cost to measure the revenue distribution outweigh the benefit?

Allocation Procedure

In order to establish an equitable and consistent method of distributing cost to the appropriate direct cost center, the following procedures will apply:

- Step 1. As a result of the budgeting process, it will be required to prepare a time distribution formula for each staff person’s hours including vacancies, applicable to each cost center including the administrative cost center. This process is essential, as accurate salary allocation is the cornerstone of the budget.
- Step 2. Each billing person’s total hours will be accumulated in the cost center for which the service/support is provided.
- Step 3. All professional direct service personnel whose time is spent in more than one cost center (such as MH Out-patient and MH Partial, ID TAC and ID CLA) will be required to do an annual time study. The time study will be conducted in the third quarter (January, February, March) of the current fiscal year to develop percentages for distribution of total hours to particular cost centers in the subsequent fiscal year.

To allocate time:

1. Define the administrative cost center.

2. All direct service professionals with time outside the administrative cost center who work in more than one cost center must do a time study.
3. Secretarial/clerical support staff to any cost center other than administrative shall have their hours spread based on the time allocation of the primary professional whom they support. This includes non-centralized personnel involved in record keeping.

The following represents those positions which will require an annual time-study:

1. Position classes of Unit Director (with the exception of Fiscal Director), Component Director, and Multiple Service Component Director whose day-to-day functions require work in more than one cost center.
2. All other direct service personnel whose day-to-day function requires work in more than one cost center who have not been assigned/scheduled in their job description and for when an auditable time deployment record exists.
3. Billing personnel whose total hours cannot be identified with one cost center.

PLEASE UNDER NO CIRCUMSTANCES, CAN HOURS FOR THE ABOVE POSITIONS BE ACCUMULATED IN THE ADMINISTRATIVE COST POOL.

Step 4. All other employee's total hours (other than those noted above) should be accumulated in the appropriate cost center.

- a. Except all centralized record keeping (including medical records) personnel shall be charged to case management both in MH & ID with cases to be divided between "MH" & "ID" based on the number of client records. D&A case management will be charged to the OP activity.

Step 5. Except for the Residential Programs, total the accumulated hours in each cost center.

Example:

| <u>Mental Health</u> | <u>Total Hours</u> |
|----------------------|--------------------|
| Comm. Service | 100 |
| Case Mgt. | 200 |
| O/P | 1400 |

| <u>Intellectual Disability</u> | <u>Total Hours</u> |
|------------------------------------|--------------------|
| Comm. Service | 100 |
| Case Mgt. | 200 |
| T&SR | 1400 |
| <u>Drug and Alcohol</u> | |
| O/P Alcohol | 100 |
| Corrections | 200 |
| O/P Drug | 1400 |
| <u>Admin</u> | 400 |

Step 6. In the case for all Residential Programs. (CLA and CRR) the computation of peak hours is to be developed using the following formula:

- Compute a (5) five day, (7.5) seven and a half hour peak (using the CLA/CRR staffing requirements) for each residential cost center.

NOTE: Peak hours are that time of the day, when during any consecutive (7.5) seven and a half hour period the maximum number of staffing coverage is required. Include any shift overlap, (1.e., if peak hour coverage is 4:30 p.m. to midnight, and a staff shift is 9 a.m. to 5 p.m., the $\frac{1}{2}$ hour from 4:30 p.m. to 5 p.m. must be included in peak computations).

- Total the accumulated peak hours for each residential (CLA and CRR) cost center.

Example:

CRR Peak is 700 hours
 CLA Peak is 700 hours

Step 7. The hours accumulated in the Administrative Cost Center should then be deducted from the grand total agency hours to arrive at a net total direct hours.

Example:

| | |
|------------------------|--------------|
| Total Agency hours | 5600 |
| Administrative hours | <u>(400)</u> |
| Net Total Direct hours | <u>5200</u> |

Step 8. The total accumulated hours for each cost center should then be divided by the net total direct hours establishing an Administration Allocation Percentage for each cost center

Example: Total Administration Pool Equals \$75,000

| | | | |
|------------------------|--------------|-------------|-----------------|
| Total Agency Hours | 5600 | | |
| Less Administration | <u>(400)</u> | | |
| Net Total Direct Hours | <u>5200</u> | <u>100%</u> | <u>\$75,000</u> |

Mental Health

| | | | |
|---------------|-------------|-------------|-----------------|
| Comm. Service | 100 | 1.9 | \$ 1,425 |
| Case Mgt. | 200 | 3.8 | 2,850 |
| O/P | 1400 | 27.0 | 20,250 |
| CRR (peak) | <u>700</u> | <u>13.5</u> | <u>10,125</u> |
| | <u>2400</u> | <u>46.1</u> | <u>\$34,650</u> |

Intellectual Disability

| | | | |
|---------------|-------------|-------------|-----------------|
| Comm. Service | 100 | 1.9 | \$ 1,425 |
| Case Mgt. | 200 | 3.8 | 2,850 |
| T&SR | 1400 | 27.0 | 20,250 |
| CLA (peak) | <u>700</u> | <u>13.5</u> | <u>10,125</u> |
| | <u>2400</u> | <u>46.1</u> | <u>\$34,650</u> |

Drug and Alcohol

| | | | |
|------------------------|-------------|-------------|-----------------|
| O/P Alcohol | 100 | 1.9 | \$ 1,425 |
| Corrections | 200 | 3.8 | 2,850 |
| O/P Drugs | <u>100</u> | <u>1.9</u> | <u>1,425</u> |
| Total D&A | <u>400</u> | <u>7.6</u> | <u>\$ 5,700</u> |
| Net Total Direct Hours | <u>5200</u> | <u>100%</u> | <u>\$75,000</u> |