

STATEWIDE CENTRAL SERVICE COST ALLOCATION PLAN

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18 Statewide Central Service Cost Allocation Plan

18.1 Statewide Cost Allocation Plan Overview

The Statewide Cost Allocation Plan (SWCAP) is a plan for allocating the costs required to support the distribution of any joint costs related to a grant program(s). A cost allocation plan refers to both the central service cost allocation plan which is used to allocate the costs of central government services to benefiting government departments, and the indirect cost proposals of those departments or units performing grants and contracts.

"Central service cost allocation plan" is the plan developed from documentation identifying, accumulating, and allocating or developing billing rates based on the allowable 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.

18.1.1 Purpose and Description

Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. The SWCAP represents General Fund recoveries of statewide general administrative costs (i.e., indirect costs incurred by central service agencies) from federal funding sources. A SWCAP, like Pro Rata, apportions central services costs to State agencies. However, the SWCAP includes only statewide central services that are allowable under federal cost reimbursement policies. Since federally supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefited activities on a reasonable and consistent 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.

The SWCAP is the mechanism by which the state identifies, summarizes, and allocates indirect costs in a logical and systematic manner. In some instances these services are provided without charge to the recipient agency; in other instances an interagency charge or billing is made. The SWCAP is used to distribute allowable central service costs to each governmental department benefited. This is to allow agencies to include these costs in their indirect cost rate proposals or cost allocation plans. The preparation of a SWCAP is only required where a State or local government wishes to recover the costs of central services that benefit Federal programs conducted in or by state or local government departments. A SWCAP is not required if a State or local government elects not to make a claim for recovery of central service type costs against Federal awards.

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The Plan is divided into two parts, the allocated or Section I costs and the billed or Section II costs.

18.1.2 Definitions

“Allocated central services” means central services that benefit operating agencies but are not billed to the agencies on a fee-for-service or similar basis. These costs are allocated to benefited agencies on some reasonable basis. Example of such services might include general accounting, personnel administration, purchasing, etc.

“Billed central services” means central services that are billed to benefited agencies and/or programs on an individual fee-for-service or similar basis. Typical examples of billed central services include internal service funds such as computer services, telecommunications, self-insurance funds and fringe benefits.

“Agency or operating agency” means an organizational unit or sub-division within a governmental unit that is responsible for the performance or administration of awards or activities of the governmental unit.

"Cognizant agency" means the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under this Circular on behalf of all Federal agencies. OMB publishes a listing of cognizant agencies.

“OMB CIRCULAR A-87 (REVISED 5/10/04)”

This Circular, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards to provide a uniform approach for determining costs and to promote effective program delivery, efficiency, and better relationships between governmental units and the Federal Government. The principles are for determining allowable costs only. The Circular establishes procedures for recovering both direct and indirect costs of programs, and requires that a state wishing to claim indirect costs as charges against Federal grant, prepare an annual SWCAP and submit the Plan for approval to a designated Federal department for review and approval.

18.1.3 Scope of the Central Service Cost Allocation Plan

The central service cost allocation plan will include all central service costs that will be claimed (either as a billed or an allocated cost) under Federal awards and will document as described in

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OMB A-87 Attachment E. Costs of central services omitted from the plan will not be reimbursed.

18.1.4 Submission Requirements

1. Each State will submit a plan to the Department of Health and Human Services for each year in which it claims central service costs under Federal awards. The plan should include (a) a projection of the next year's allocated central service costs (based either on actual costs for the most recently completed year or the budget projection for the coming year), and (b) a reconciliation of actual allocated central service costs to the estimated costs used for either the most recently completed year or the year immediately preceding the most recently completed year.
2. All central service cost allocation plans will be prepared and, when required, submitted within six months prior to the beginning of each of the governmental unit's fiscal years in which it proposes to claim central service costs. Extensions may be granted by the cognizant agency on a case-by-case basis.

18.1.5 Documentation Requirements for Submitted Plans

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 appropriateness of the costs assigned to federal awards.

The allocated costs of the SWCAP are commonly referred to as "Section I" costs and are categorized as such in both the plan submission and the negotiated agreement. For each allocated central service, the proposed cost allocation plan must:

- briefly describe the service;
- identify the unit rendering the service and the operating agencies receiving the service;
- list the items of expense included in the cost of the service;
- identify the method used to distribute the cost of the service to benefited agencies; and
- provide a summary schedule showing the allocation of each service to benefited agencies.

In addition, all proposed cost allocation plans must be accompanied by:

- an organization chart which is sufficiently detailed to show operations, including the central service activities of the governmental unit, regardless of whether they are shown as benefiting from central service functions;
- a copy of the comprehensive annual financial report (CAFR) (or executive budget, if budgeted costs are being proposed) to support the allowable costs of each central service activity included in the plan; and

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- a certification that the plan:
 - was prepared in accordance with A-87;
 - contains only allowable costs; and
 - was prepared in a manner that treated similar costs consistently among the various federal awards and between federal and non-federal awards/activities.

The internal service funds and other billed services in the SWCAP are commonly referred to as "Section II" costs in both the plan submission and the negotiated agreement. For each internal service fund (ISF) or similar activity with an operating budget of \$5 million or more, the proposed cost allocation plan must include:

- a brief description of each service;
- a balance sheet for each fund based on individual accounts contained in the governmental unit's accounting system;
- a revenue/expense statement with revenues broken out by source;
- a list of nonoperating transfers into and out of the fund (operating and non-operating transfers are terms no longer used under generally accepted accounting principles);
- a description of the methodology used to charge the costs of each service to users, including how billing rates are determined;
- a schedule of current rates; and
- a schedule comparing total revenues (including imputed revenues) generated by the service to the allowable costs of the service under A-87, with an explanation of how variances will be handled.

For each self-insurance fund, the proposed cost allocation plan must include:

- the fund balance sheet;
- a statement of revenues and expenses, including a summary of billings and claims paid by the agency;
- a listing of all nonoperating transfers into and out of the fund;
- the type(s) of risk(s) covered by the fund;
- an explanation of how the level of fund contributions are determined;
- a description of the procedures used to charge or allocate fund contributions to benefited activities; and
- an identification and explanation of reserve levels in excess of claims:
 - submitted and adjudicated, but not paid;
 - submitted but not adjudicated; or
 - incurred but not submitted.

For fringe benefit costs, the proposed cost allocation plan must:

- list fringe benefits provided to covered employees and the overall annual cost of each type of benefit;
- identify current fringe benefit policies; and

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- describe procedures used to charge or allocate the costs of the benefits to benefited activities.

For pension and postretirement health insurance plans, the proposed cost allocation plan must provide:

- the governmental unit's funding policies, if different from actuarially determined rates;
- the pension plan's costs accrued for the year;
- the amount funded and date(s) of funding;
- a copy of the current actuarial report, including the actuarial assumptions;
- the plan trustee's report; and
- a schedule of activity showing the value of the interest cost associated with late funding.

18.2 Louisiana SWCAP Overview

18.2.1 General

One of the responsibilities of OSRAP is to prepare and negotiate the Statewide Cost Allocation Plan (SWCAP) for submission to the federal government. The Central Services Cost Allocation Plan has been prepared in accordance with principles and procedures of U.S. Office of Management and Budget Circular A-87 (OMB A-87), "Cost Principles for State, Local and Indian Tribal Governments". A consistent approach has been followed in the treatment of costs as direct or indirect. In no case have costs charged as direct costs to programs been included as indirect costs.

The SWCAP for indirect services provided by central services agencies of the State of Louisiana for the upcoming fiscal year are based on actual amounts incurred two years prior. For example the fiscal year 2011 SWCAP is based on actual costs for the year ending June 30, 2009. The cost is fixed and should be used on all indirect cost rate proposals for Federal programs during FY 2011. The differences between the fixed costs for the FY 2009, the SWCAP based on FY 2007 actual expenditures, and actual FY 2009 costs are carried forward as an adjustment in the FY 2011 fixed costs.

State agencies may only charge federal programs if the state has an approved Statewide Cost Allocation Program. With the large amount of federal funds coming into the state, the importance of the Plan cannot be over emphasized.

Since 1989, OSRAP has contracted with a private consultant to prepare the SWCAP. The Central Service Cost Allocation plan has been prepared in accordance with principles and procedures of U.S. Office of Management and Budget Circular A-87 (OMB A-87), "Cost Principles for State, Local and Indian Tribal Governments". The State submits a proposed SWCAP based on estimated costs and a final SWCAP based on actual costs to the U.S.

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Department of Health and Human Services (DHHS). After the preparation is complete, the State must negotiate this document with the federal authorities to obtain a mutually acceptable document that is then distributed to state agencies for their use. Allocated central service costs are usually negotiated and approved for a future fiscal year on a “fixed with carry-forward” basis. Under this procedure, the fixed amounts for the future year covered by the agreement are not subject to adjustment for that year. However, when the actual costs of the year involved become known, the difference between the fixed amounts previously approved and the actual costs will be carried forward and used as an adjustment to the fixed amounts established for a later year. This “carry-forward” procedure applies to all central services whose costs were fixed in the approved plan. However, a carry-forward adjustment is not permitted for a central service activity that was not included in the approved plan, or for unallowable costs that must be reimbursed immediately.

18.2.2 Methodology

A multiple allocation base methodology is utilized to prepare the Plan. This methodology acknowledges that the utilization of central administration and support (indirect) services by users varies by type of service. The cost of each indirect service or activity is allocated to users based on an appropriate allocation base related to the service performed. For example, general accounting is allocated to users based on the number of accounting transactions processed; payroll activities are allocated on the number of payroll warrants processed; and personnel activities are allocated on number of employees served. In selecting an allocation base to be used, the objective has been to utilize a base for each service which is available and reasonably results in the allocation of that service to users based on the relative benefit they receive or derive.

18.2.3 Procedure

A double step-down allocation procedure has been used to distribute costs among central services and to departments that receive benefits. The double step-down procedure initially requires a sequential ordering of agencies. Indirect cost allocations are then made in the order selected to all benefiting departments, including cross allocations to other central services. To ensure that the cross-benefit of services among central services is fully recognized, a second step down allocation for each central service is made. Costs allocated by each central service consist of the following:

First Allocation - the actual operating expenditures for the central service unit, plus all allocated costs from other central service units which have been identified up to this point.

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Second Allocation - costs from other central service units made subsequent to that central service unit's first allocation.

With respect to the double step-down methodology, two important points should be noted:

1. the initial sequencing of central service units was made in consideration of the ordering which maximizes the benefits of services, and
2. after the second allocation of each central service unit, that unit was "closed" and could not receive any additional allocation from other central services.

To ease comprehension and to avoid unnecessary bulk in the plan, the first and second allocations are shown on the same schedule within the plan.

18.3 Central Service Allocated

Central services furnished but not billed can benefit any level of the government being served. Certain central services also support (benefit) the central service functions. As such, the cost of central service functions supporting other central service functions should be allocated to the benefiting functions before the central service function is distributed to the other departments/agencies of the unit of government. For practical reasons, a hierarchy is normally established within the central services which are furnished but not billed, and then the allocations are made on a sequential basis. In this manner, the central services are ranked with respect to their overall benefit to other functions. Before costs can be distributed to benefiting activities, a distribution method must be selected. Each type of cost should be distributed on an allocation base best reflecting the "service" provided. Selecting an allocation base is critical to the appropriate distribution of the support service to the "user" departments/agencies. A base needs to have a close relationship to the cost being allocated.

Portions of the costs of the following agencies are allocated within the SWCAP. The following are used to allocate operating expenses of central service agencies to the line agencies of state government. The allocation of costs has been accomplished in the same order as listed below.

18.3.1 Equipment Depreciation

On July 1, 2001, the State of Louisiana began depreciating equipment costing \$5,000 or more. The depreciation of equipment for central services departments/divisions has been identified and allocated to the appropriate central services. Depreciation has not been included on any equipment donated or paid for directly or indirectly by the Federal government.

18.3.2 Building Rent

Rental rates for buildings occupied by central service departments have been computed based on original building costs, improvement costs, and operational costs. Rates and supportive information are provided to the U.S. Department of Health and Human Services as a Section II cost. Building rental costs have been computed and allocated in the SWCAP for central services.

18.3.3 DOA - General Counsel Section

The Division of Administration General Counsel Section serves as legal counsel to the Commissioner of Administration, the Commissioner's staff, and other sections within the Division of Administration. The Section is responsible for providing legal opinions on matters relating to statutory or constitutional provisions, contractual rights and obligations and/or rules and regulations. It is also responsible for handling all legal issues involving the Division of Administration, including litigation, with the exceptions of those matters dealing with the Office of State Purchasing, rentals and leases, and construction arbitration and litigation which is handled by the Office of the Attorney General. The Section is also responsible for the handling of all Civil Service appeals for the Division. Costs have been identified and allocated as follows:

- Division of Administration - Twenty five percent of the effort expended providing legal counsel and services to the division and agencies administered by the Commissioner of Administration have been allocated to the Commissioner of Administration for inclusion in the Commissioner's costs. This has been done as a result of an agreement with the U.S. Department of Health and Human Services. Seventy five percent has been allocated to Other.
- Telecommunications/Purchasing - Costs associated with assisting Telecommunications and Central Purchasing have been allocated by the number of hours of services provided. Costs previously billed to the Office of Telecommunications (OTM) for services have been deducted from the allocation to OTM.

18.3.4 DOA - Office of the Commissioner of Administration

The Division of Administration is responsible for the supervision and the day-to-day operation of State government. Through this Office, the Commissioner of Administration acts as the "business manager" for the State as a whole. The Office is the supervisory branch of the Division, coordinating and managing the other sections and offices of the Division of Administration. The Office is also responsible for the operation of various funds, such as Forms Management, Surplus Property, Print Shop, Insurance, Telecommunications, etc., which provide services to other State agencies. Costs of functions were determined based on a salary analysis

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of staff assignments and duties. Costs have been identified and allocated as follows:

- Departmental Administration - costs associated with the administration of the Division have been allocated to divisions and agencies on the number of employees supervised. The number of Office of Group Benefits employees has been weighted at one third to provide an equitable recognition of effort.
- Post Retirement Benefits – costs of post retirement benefits for the Division of Administration have been allocated by the number of authorized T.O. positions in the Division of Administration.
- Claiborne Building – costs associated with security, moving, and furniture for Division offices located in the Claiborne Building have been allocated by the number of Division positions located in the Claiborne Building.
- General Government - costs associated with activities related to the Governor and legislative activities have not been allocated. The Commissioner's time has been included in this function.

18.3.5 DOA - Office of Human Resources

The responsibility of the Office of Human Resources is to provide a complete human resource management program for management and the employees of the Division of Administration. This Office is concerned with all aspects of managers' and employees' rights and responsibilities. This Office addresses concerns affecting staffing, organizational needs, classification and compensation policies, disciplinary actions, matters related to Civil Service, appeals, grievances, performance appraisal assistance, and assistance with various training programs and auxiliary activities. Costs have been identified and allocated as follows:

- Human Resources – costs associated with the Human Resources unit have been allocated by the number of employees in sections and agencies served by the Office of Human Resources.
- Employee Administration – costs associated with services provided by the Employee Administration Unit have been allocated to agencies by the number of employees served.

18.3.6 DOA – Office of Finance and Support Services

The Office of Finance and Support Services of the Division of Administration is responsible for providing accounting services to agencies administered by the Governor, Commissioner of Administration and those agencies which are too limited in personnel and facilities to economically justify separate accounting sections. Agencies served have both Federal and State funded programs. Costs have been identified and allocated as follows:

- General Administration - costs associated with the supervision of the Office have been

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allocated to Office functions based on salaries of assigned staff.

- Accounting - costs associated with providing general accounting services have been allocated to agencies served on the number of ISIS documents processed.
- Payment Management - costs associated with reviewing and processing payment vouchers have been allocated to agencies served on the number of payment vouchers processed on ISIS.
- Community Development and Block Grant (CDBG) - costs associated with maintaining special accounting records for the CDBG program and preparing required financial reports have been directly allocated to CDBG. Costs previously charged to CDBG have been deducted.

18.3.7 DOA – Office of Planning and Budget

The Office of Planning and Budget of the Division of Administration is responsible for providing all the necessary support and assistance required to prepare and monitor state budget, and to ensure that programs are conducted efficiently, effectively, and in accordance with State and Federal policies. The State Budget Office duties include the general management and supervision of the finances of the State and its agencies; prescription and coordination of accounting procedures for all State agencies; formulation of financial plans and programs; and investigation of the financial operations of the State and its agencies. Costs have been identified and allocated as follows:

- General Administration - the general administration and support of the Office have been allocated to other functions on salaries and wages.
- Budget - the Budget Office's responsibility for preparing and monitoring agency budgets is a benefit to all State agencies and Federal programs. The preparation and monitoring of budgets ensures that programs are conducted efficiently, effectively, and in accordance with State and Federal policies. Costs have been allocated on the number of hours of services provided.
- Other - costs associated with general government activities have been directly allocated to Office of Planning and Budget - Other. Direct costs have been deducted. Therefore, only indirect costs have been allocated.

18.3.8 DOA – Office of Contractual Review

The Office of Contractual Review of the Division of Administration is responsible for ensuring equitable treatment for all professional, personal and consulting service contractors, including doctors, lawyers, certified public accountants, engineers, and consultants. It maintains standards of quality and integrity for such contracts and promotes increased economy by fostering effective

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competition. The Office reviews and approves/disapproves all such contracts entered into by consistent and legal development of such contracts, and develops reports on the types and amounts of such contracts. Costs have been identified and allocated as follows:

- Number - the Office is responsible for reviewing all contracts, which includes contracts utilizing both State and Federal funds. Seventy-five percent of costs of the sections have been allocated by the number of contracts reviewed.
- Amount - although all contracts must be reviewed, the dollar value of a contract does have some effect on the level of effort. Therefore, twenty-five percent of costs of the Office have been allocated on the dollar value of contracts reviewed.

18.3.9 DOA – Office of Information Services

The Office of Information Services (OIS) of the Division of Administration (DOA) is responsible for the development, implementation and support of statewide administrative (ISIS) applications and DOA programmatic and desktop applications. This includes traditional application development of large complex systems run on the DOA mainframe, client server applications run on midrange computers, and Web based applications, and PC based systems such as Access and Excel. Consulting support for DOA offices and customer support (help desk, training and documentation) for users are also included within the scope of services. Costs have been identified and allocated as follows:

- General Administration - the general administration and support of the Office have been allocated to other functions on salaries and wages.
- ISIS Support - costs associated with the support of the statewide accounting and financial system (ISIS) have been allocated on the number of documents processed on ISIS.
- HR Support - costs associated with the support of human resource systems have been allocated on the total number of employees for which records are maintained on the System.
- PR Support - costs associated with the support of payroll systems have been allocated on the number of employees for which payroll is processed on the System.
- DOA Division Support – costs associated with the general support of the Division of Administration have been allocated by the number of employees in the units supported.
- Special Projects – costs associated with the development and support of applications for specific offices and funds have been allocated by actual costs for the year as recorded in ISIS.

Below are the other allocations related to the Office of Information Services:

ISIS – Information Services

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The Integrated Statewide Information System (ISIS) is the financial management system of the State. ISIS provides a responsibility-based reporting, accounting and budgetary control system for all user agencies. It provides timely and accurate operational and financial reports to administrators and operating personnel so that timely, logical decisions, which will benefit both Federal and State programs, can be made.

Computer processing costs of ISIS are determined based on an annual cost of services study of the Office of Computing Services (OCS). OCS is responsible for the provision of equipment and personnel necessary for the operation of ISIS. Costs have been allocated on the number of documents processed on ISIS.

HRPR Depreciation

During FY 2002 the State implemented a new human resources/payroll system (HRPR). The System maintains information on all employees of State agencies utilizing the System. The System also is utilized to process payroll and to maintain employee wage, tax, and benefit information for those agencies utilizing the payroll component of the System. Costs of procurement, modification, and installation of the System have been identified and accumulated through June 30, 2001. Costs of the System are being depreciated over a seven year period. Even though the final year of depreciation costs was in FY 2007, this schedule is included to compare the allocation in FY 2007 which impacted the fixed costs for FY 2009 to the actual allocation in FY 2009. The difference will be shown as a rollforward adjustment for FY 2011. For purposes of this adjustment, FY 2007 depreciation amounts will be used and shown in two functions:

- FY 2007 Depreciation Human Resources - twenty-five percent of the costs have been allocated on the total number of employees for which records are maintained.
- FY 2007 Depreciation Payroll - seventy-five percent of the costs have been allocated on the total number of employees for which the System is utilized to process their payroll.

There is an HRPR Depreciation Adjustment section as well, that shows the credit expenses of the previous schedule so that the differences between the two are the rollforward adjustments for FY 2011.

HRPR – Information Services

The human resources/payroll system (HRPR) maintains information on all employees of State agencies utilizing the System. The System also is utilized to process payroll and to maintain employee wage, tax, and benefit information for those agencies utilizing the payroll component of the System. Computer processing costs of HRPR are determined based on an annual cost of service study of the Office of Computing Services (OCS). OCS is responsible for the provision

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of equipment and personnel necessary for the operation of HRPR. Costs have been identified and allocated as follows:

- Human Resources - twenty-five percent of the costs have been allocated by the total number of employees for whom records are maintained on the system.
- Payroll - seventy-five percent of the costs have been allocated by the total number of employees for which the System is utilized to process their payroll.

Although the State bills for administrative services related to the State's unified payroll system (UPS), billings do not include the information services costs of UPS. Information services costs related to UPS are determined annually in a cost of service study prepared by the Office of Computing Services (OCS). OCS is responsible for the provision of equipment and personnel necessary for the operation of UPS. UPS information services costs have been allocated on the number of payroll/EFT, supplemental and payable checks processed during the year.

18.3.10 DOA – Office of Statewide Reporting and Accounting Policy

The Office of Statewide Reporting and Accounting Policy of the Division of Administration is responsible for ensuring that there is a uniform system of accounting for the State; accounting and reporting of all revenues and expenditures; preparing the annual financial statements; preparing and/or coordinating the Statewide Cost Allocation Plan; and providing solutions for accounting and fiscal problems. Both State and Federal programs benefit from the implementation and monitoring of sound accounting principles. Costs have been identified and allocated as follows:

- Services - costs of allowable activities have been allocated by total State agency expenditures in thousands.
- General Government - per negotiations with the U.S. Department of Health and Human Services, ten percent of costs have been identified as supporting general government activities and have not been allocated.

18.3.11 DOA – Office of Internal Audit

The Office of Internal Audit conducts independent evaluations of the programs and internal controls over the many functions of the Division of Administration. These audits can assist program managers in improving their operations by identifying areas that are vulnerable to abuse or inefficiency, ensuring that policies and procedures are followed, and that their programs are adhering to state laws. Cost have been identified and allocated as follows:

- Services - costs of allowable activities have been allocated by hours spent.

18.3.12 DOA – Office of State Purchasing

The Office of State Purchasing of the Division of Administration provides procurement activities for supplies, services, major repairs and equipment for State and quasi agencies in accordance with the Louisiana Revised Statutes. The goal is to continually evaluate methodologies and update procedures and services to ensure all purchasing functions result in quality and quantity control and improved economy in expenditures of resources. The utilization of central purchasing benefits both Federal and State funded programs. Costs have been identified and allocated as follows:

- Agency Specific Orders - costs associated with the processing of purchase orders benefiting a single entity have been allocated by the number of purchasing requisition lines processed.
- Statewide ISIS - costs associated with processing state-wide purchase orders for entities on ISIS have been allocated by the number of purchasing requisition lines processed on ISIS.
- Statewide Non ISIS - costs associated with processing state-wide purchase orders for entities not on ISIS have been allocated by expenditures for items purchased utilizing statewide purchase order contracts.

18.3.13 DOA – Office of Facility Planning and Control

The Office of Facility Planning and Control of the Division of Administration is responsible for all State construction programs with the exception of the appointment of professionals and the signing of original contracts. Additionally, within the Office of Facility Planning and Control, the Real Estate Leasing Sections provides for the most economical procurement of appropriate rental space in non-state facilities. This Office supervises all contracts, agreements, and leases for the rental of space for housing with State and Federal funded programs. Costs have been identified and allocated as follows:

- General Administration - costs of general administration and support of the Office have been allocated to other functions on salaries and wages.
- Leasing - the Real Estate Leasing Section is responsible for the procurement of space in all non-state owned facilities. These costs have been allocated by the number of leases administered.
- Other - all other activities of the Office have been allocated directly to Facility Planning. Direct costs have been deducted. Therefore, only indirect costs have been allocated.

18.3.14 Office of the Secretary of State

The Office of the Secretary of State performs certain functions as prescribed by constitutional provisions and other statutory enactments. One of these functions is administering and preserving the official archives of the State. This function benefits all State and Federal funded programs by providing storage of documents pertaining to a program for documentation and future review. Costs have been identified and allocated as follows:

- General Administration - costs of the general administration and support of the Agency have been allocated to functions on salaries and wages. General Administration includes the Executive section, the Accounting section, the Personnel section, and the Administrative Staff section.
- Archives - the Archives Section is responsible for the preservation and retention of vital and meaningful records. Costs of Archives and Records Management have been combined and allocated by cubic feet of storage occupied. Fifty percent of archives costs have been attributed to Historical. This is to allow for storage of purely historical data.
- Historical - costs associated with historical data have been directly allocated to Secretary of State. Direct costs have been deducted. Therefore, only indirect costs have been allocated.
- Other - costs of all other activities have been directly allocated to Secretary of State. Direct costs have been deducted. Therefore, only the indirect costs have been allocated.

18.3.15 Office of Legislative Auditor

The Legislative Auditor's Office is responsible for auditing State and local agencies for fiscal and procedural compliance with State and Federal regulations. The selection of the agencies to be audited is determined by the requirement of law, by the request of an agency, by the demonstrated need for review, or by the requirements of the Federal Single Audit program. Agency costs are documented by the Legislative Auditor's annual financial report. Costs have been identified and allocated as follows:

- Audit Services - costs of audits performed on agencies have been allocated by actual audit hours.
- General Government - per negotiations with the U.S. Department of Health and Human Services, three percent of costs have been identified as possibly supporting general government activities and have not been allocated.

18.3.16 Administration of Unemployment Compensation Payments

In August 1981, the Division of Administration entered into a contract with Unemployment Control Systems, Inc. The purpose of the contract is to provide unemployment claims processing and a cost control program for the State. The contractor is responsible for monitoring all records of the State agencies relative to former employees in order to prevent unwarranted payments. The contract payment has been allocated by unemployment compensation payments made on behalf of agencies during the year.

18.3.17 Department of the Treasury

The Department of the Treasury is responsible for the receipt, custody, investment and disbursement of public funds for the State. The Department maintains a comprehensive account of all public money received and disbursed in accordance with law; ensures the maximum safety of all monies and securities in the custody of the Treasury; invests and manages all State monies to the best advantage; and manages the indebtedness of the State so that the quality and credit rating of State bonds will yield the lowest possible interest cost. Costs have been identified and allocated as follows:

- Department Administration - costs of the general administration and support of the Department have been allocated to other Department functions on salaries and wages.
- Fund Accounting - costs of keeping a true, just and comprehensive account of all public monies received and disbursed in accordance with law have been allocated on the number of ISIS documents either processed by or reviewed by Treasury staff.
- Banking - costs of handling bank accounts for State agencies have been directly allocated to Treasury Banking. Direct costs have been deducted. Therefore, only indirect costs have been allocated.
- Other - costs of other activities of the Department have been directly allocated to the Department of the Treasury. Direct costs have been deducted. Therefore, only indirect costs have been allocated.

18.4 Central Services Billed

The information below are the Descriptions of Responsibilities and Billing Methodologies for Internal Service Funds, Self Insurance, and Other Billed Services for each fund.

18.4.1 Unemployment Compensation

Description of Responsibilities

The State of Louisiana is self insured for Unemployment Compensation. The responsibility of this program is to implement an effective program for controlling the cost of providing unemployment to workers formerly employed by the State. The claims are monitored and checked to assure prompt payment of benefits to those entitled to benefits and to provide necessary steps to prevent unwarranted payments. In this way, both State and Federal programs benefit because only those claims where payment should be made are processed.

Billing Methodology

Costs of claims are billed directly to agencies for which a claim is made by an employee. Costs of administering the program by a contractor are included in the Statewide Cost Allocation Plan and allocated to agencies based on claims processed.

18.4.2 Office of Risk Management

Description of Responsibilities

The Office of Risk Management is responsible for the purchase of insurance and the management of all insurance programs for the State of Louisiana. It also coordinates, assists, and acts as mediator in the adjustment of losses on all phases of insurance between various State agencies and insurance agencies. It maintains a constant, constructive program of evaluation of buildings, contents, and equipment throughout the State.

The State Insurance Management Section purchases, maintains, and correlates Fire and Extended Coverage, Workers' Compensation, Boiler and Machinery Coverage, Bodily Injury Liability and Property Damage Liability, for all State property and employees. Various types of policies are written such as hull, fire, protection and identity. Losses against these policies are forwarded through this Office for control and processing. Both State and Federal programs have benefited from the lower cost of insurance as compared to purchasing it on the outside.

Premium and Billing Methodology

Premiums are developed based on cash needs and allocated to the agencies on the basis of exposure and experience. Once developed, the premium is submitted to the Office of Planning and Budget. Once the budget for agencies have been established and passed by the Legislature, the Office of Planning and Budget notifies the Office of Risk Management of the amount of

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premium in each agency budget for which it can be billed. Agencies are billed for the following insurance coverages based on a combination of exposure (risk) and experience (actual claims):

- Workers' Compensation
- Maritime Compensation
- General Liability
- Personal Injury Liability
- Auto Liability
- Auto Physical Damage
- Property Damage
- Boiler & Machinery
- Bonds
- Crime
- Marine
- Aviation
- Medical Malpractice
- Road & Bridge Hazard
- Miscellaneous Tort

18.4.3 Administrative Services

Description of Responsibilities

A. General

Administrative Services is an internal service fund responsible for providing quality printing services and forms for various agencies. In FY 2006, Administrative Support (Fund 809) combined with Administrative Services. Responsibilities in Administrative Support include efficiently moving interdepartmental mail and assuring prompt delivery of important documents to agencies within the capital city area. Pick up and delivery services are provided as well as postage handling. All mail is presorted to allow the State to obtain reduced postage rates.

B. Print Shop

The Print Shop Section is responsible for providing quality and dependable printing services at the lowest possible cost to agencies upon request. It provides low cost printing alternatives and graphic design services, assists with total project management and reduces the cost of most printing projects. State Printing also operates print/copy centers in the Claiborne and LaSalle buildings serving the Capital Complex area.

C. Forms Management

The Forms Management Section is responsible for designing, purchasing, storing and selling forms required for the efficient and effective operation of governmental agencies.

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By functioning as a central purchasing agency for forms, Forms Management is able to purchase forms and materials at quantity rates and reduce the cost of forms to state agencies. The services currently provided by Forms Management are being eliminated and the office will officially close on June 30, 2010. Information for this section will be no longer included after the 2012 SWCAP.

Billing Methodology

A. Print Shop

It has always been the practice in the Print Shop to adjust rates as required to maintain as low a cost as possible and yet maintain a reasonable fund balance. Basic prices are determined from a state printing contract.

B. Forms Management

Actual printing costs plus an administrative rate are charged for all forms. Administrative rates are estimates and are intended to recover operating costs. Rates are adjusted as necessary each succeeding year. The accounting treatment of any over or under billed costs for the fiscal period is reflected in the estimate of succeeding years. Following are current rates:

General forms consist of agency and general forms. Each is billed as follows:

- Agency forms - These are forms specific to a particular agency. The markup is 23% on these forms.
- General forms - These are all printed forms other than agency specific forms. The markup is 28% on these forms.

Stock computer forms - The markup is 23% on all computer paper.

Freight - Billed at costs.

Local delivery charges -

- UPS charges are billed at cost based on UPS rates.
- Delivery charges on computer paper are billed at \$.50 per case minimum charge of \$10.00.

Forms management services – Include warehousing and distribution, inventory control, receiving and inspection of inventory and insurance and delayed billing. These services are provided on orders placed by the agency and shipped to Forms Management for storage. The charge for these services is 23% of the actual cost of printing as the forms are requisitioned and shipped to the agency. The agency may be billed 23% of the inventory value on forms that are not requisitioned for a period of 12-24 months.

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C. State Mail

A thirteen percent administrative charge is added on all metered mail and a per piece rate for presort. The pickup and delivery service charge is based on the number of drops provided per day to the serviced agencies. Rates are adjusted upward or downward to maintain reasonable retained earnings. Following are current service rates.

Bar code services –

- Same day delivery - .041 per piece
- Next day delivery - .037 per piece

Messenger services –

- 1 drop per day - \$1,400 annually
- 2 drops per day - \$2,800 annually

18.4.4 Office of Telecommunications Management

Description of Responsibilities

The Office of Telecommunications Management is an internal service fund. The office is a bargaining and coordinating agency which provides an interface between the agencies of the State and various telephone companies. As the interface, they advise agencies on the type of communications equipment that will best fit their needs. They also provide engineering, system designing, preparation for procurement of equipment, and modifications if necessary. The assistance and management involves radio, teletype, data transmission, microwave, facsimile, and other modes. All services provided by the office benefit all users. Federal and state programs benefit by obtaining the maximum quantity discount on telephone usage through the use of telephones on the system.

Billing Methodology

OTM develops rates on a Line of Service basis. A rate or a set of rates is developed for each Line of Service provided by OTM to state agencies. The lines of Service include Dial Tone, LINC, Station Equipment, Special Support Services, Calling Card Service, Toll Free Service, Directory Assistance, Long Distance, Semi-Public Pay Telephones, Radio Paging, LaNet, Circuits, Voice Message Service, Uniform Call Distribution, Telephone Access to Legislative Sessions, Cellular Service, Video Network Services, Inter and Intra LATA Frame relay Service. The following components are taken into consideration in the rate of development process:

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- The direct cost of OTM providing the service to state agencies. This includes reviewing the actual cost of acquiring services from vendors and the cost of equipment used in the provision of service (depreciation).
- The direct cost of personnel dedicated to the provision of the service
- The indirect cost of general administrative overhead allocated to the lines of service. The following types of expenditures are included in this category:
 - Travel
 - Operating Services (i.e., rent, automotive maintenance, telephone, etc.)
 - Supplies (i.e., office, automotive, etc.)
 - Professional Services
 - Depreciation (i.e., office equipment, office furniture, etc.)
 - Administrative Personnel (i.e., clerical, managerial, etc.)
- The allocation of administrative overhead costs to Lines of Services is based on a combination of the following allocation criteria:
 - Payroll Distribution
 - Direct Cost Distribution
 - Revenue Distribution
 - Customer Base (number of customers served by the Line of Service)
 - Billing Method (Standard Rate vs. Pass Through)
 - Value Added
 - Manual vs. Automated Billings
- Rates are established to recover the above outlined costs without generating surplus retained earnings.

18.4.5 Office of Aircraft Services

Description of Responsibilities

The Office of Aircraft Services is an internal service fund responsible for providing maintenance, supplies, and hangar rental services to all state-owned aircraft and other local agencies throughout the state. Sales include labor, parts, fuel, oil, commercial maintenance, hangar rental, and miscellaneous charges.

Billing Methodology

Fuel, parts, oil and miscellaneous items are billed at cost plus a percentage markup for handling. Maintenance labor is billed at \$65 per hour. Hangar space is billed according to the size of the aircraft. All agencies utilizing service are billed.

18.4.6 DOA - Uniform Payroll System

Descriptions of Responsibilities

The State Uniform Payroll Office is responsible for the maintenance and processing of the Uniform Payroll System (UPS). This system is a complete payroll system. It maintains and provides payroll information by employee and agency. The system is only used by those agencies that have elected to be included on the system. The office is not an internal service fund. However, agencies are billed for payroll services in order to recover the cost of operating UPS. This office provides user agencies and their employees the following services:

- Employee payment
- Payment of payroll liabilities
- Centralized accounting of payroll liabilities and disbursements
- Information regarding changes in federal and state laws that affect payroll processing
- Maintain all employee garnishments in the ISIS Human Resource System
- Reporting and payment of Federal and State taxes

Billing Methodology

The billing methodology is utilized solely for the recovery of the Office's cost in administering the State's Uniform Payroll System. These costs can be separated into two distinct cost components: personal services and operating cost of the office itself.

The personal services and operating costs are allocated on a pro rata share basis of payroll, supplemental, and payable checks processed for each Control Number. For Fiscal Year 2009 allocation purposes, the actual number of checks issued during Fiscal Year 2007 was used.

18.4.7 Office of State Buildings

Description of Responsibilities

The State of Louisiana operates office buildings and parking garages in Baton Rouge and many of the larger cities of the State. The Office of State Buildings is responsible for providing management, maintenance, custodial, security and other operational services for these buildings and parking garages. With approval from the U.S. Department of Health and Human Services (DHHS), the Office has established separate billing rates for buildings and parking garages. The Office has also established procedures to advise state agency tenants of the proper use of these rates for charging federal programs.

Billing Methodology

Rental rates are determined annually. Per rentable square foot rates are determined by dividing total allowable costs by the number of rentable square feet in each building. Per parking space rates are determined by dividing total allowable costs by the number of parking spaces in each garage. Allowable costs include building depreciation, operating costs, interest expense less interest income, and any carry forward adjustments resulting from the reconciliation of prior year rates.

18.4.8 Office of Computing Services

Description of Responsibilities

The Office of Computing Services (OCS) renders services in support of the Division of Administration (DOA) and other agencies. The mission of OCS is to provide information technology support to the Division of Administration and centralized IT services to other agencies under the authority of the CIO. OCS provides hardware and software support for DOA servers and desktop computers. Statewide IT services include computing facilities management, statewide e-mail, consolidated monitoring, and mainframe support services.

Billing Methodology

OCS billing rates are developed by OCS management and are used by the Komand System to produce actual bills. At present, only three types of users are required to pay these bills: Those who are federally funded, those in a revolving fund, and those outside the Division of Administration.

The actual unit cost for each service serves as a guide to OCS management in this billing rate development process. Currently, it is the intention of OCS management for billing rates to remain less than the cost of service.

OCS billing rates are developed by OCS management once a year in August. They are based on the average cost per unit of each service for the previous year and are used during the fiscal year which begins one year and three months later. The average cost per unit is computed by dividing last year's total cost for one service (obtained from OCS Cost Allocation System Reports) by the total units of usage of that service (obtained from Komand System reports).

The billing rates developed in August become the basis for planned charges to each user during the target fiscal year. These planned charges are reported to users in October via the Letters of

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Understanding. The rates are reviewed again the following August and may be lowered before the Letters of Agreement are issued at the beginning of the target fiscal year. These final billing rates are used by the Komand System to produce monthly bills for each project.

Policy to Handle Overcharges/Undercharges realized from Operation

“A Profit/Loss Statement identifying actual revenues and expenses for each service for each user is developed six to nine months after the end of the fiscal year. Any user overcharges/undercharges identified by the Profit/Loss Statement is memo billed to the user during the current year. *Exception: any over/undercharges for users included in the Section I SWCAP or Section II filings would be adjusted with the actual expenditures of the fiscal year the SWCAP is based on.*”

18.4.9 Department of the Treasury - Central Banking Services

Description of Responsibilities

The Department of the Treasury is responsible for the receipt, custody, investment and disbursement of public funds for the State. The Department maintains a comprehensive account of all public money received and disbursed in accordance with law; invests and manages all State monies to the best advantage; and manages the indebtedness of the State so that the quality and credit rating of State bonds will yield the lowest possible interest costs.

The Department of the Treasury is authorized to bill agencies for which bank accounts are maintained. Banking services include deposit activity, payment activity, reporting and reconciliation functions.

Billing Methodology

The Office of Planning and Budget includes in the Treasury Inter-agency means of financing appropriation funding which is billed by the Treasury to the largest 27 users of banking services. This funding is utilized by the Treasury to pay Bank One for the banking services. This method of funding has been appropriated for several fiscal years. Although the banking activity may not vary significantly from year to year, the Department of the Treasury is reviewing the user information annually.

18.4.10 Department of State Civil Service

Description of Responsibilities

The Louisiana Department of State Civil Service was established in Article X of the Louisiana Constitution of 1974. Louisiana Revised Statute 42, section 1383 requires the cost of operating the Department to be paid by agencies employing state classified employees. The Department of State Civil Service is responsible for developing and administering a comprehensive human resource management system that enables state government to attract, develop and retain a productive and diverse workforce that excels in delivering quality services to the citizens of Louisiana. To accomplish its responsibilities, the Department performs the following tasks:

- Administers the classification and compensation system by developing and implementing flexible job evaluation and pay policies and practices that can be adapted to meet agencies' unique requirements.
- Provides processes and policies that enable state agency managers to fill vacant positions with highly qualified applicants in a timely fashion and in accordance with legal and professional standards.
- Creates and administers programs, rules, assistance procedures and training that promote, encourage, and enhance effectiveness, efficiency, and accountability in state agencies and their employees.
- Systematically evaluates the effectiveness of human resource practices in state agencies.
- Provides a prompt, inexpensive system for resolving removal, discipline, rule violation, and discrimination cases that satisfies due process requirements.
- Maintains a centralized personnel record system capable of supplying data to satisfy both internal and external information requirements.

Billing Methodology

Pursuant to Act 639 of the FY 1988 Regular Session, as amended by Act 893 of the FY 1992 Regular Session, the Department of State Civil Service is to be financed by agencies employing state classified employees. The amount payable by each agency shall be calculated on the basis of a percentage of the annual gross salaries of the State classified employees within each agency as reflected in the records maintained by the Department of State Civil Service on the last working day of the calendar year preceding the year of billing, and shall not exceed seven-tenths of one percent of the annual gross salaries.

18.4.11 Office of Group Benefits

Description of Responsibilities

The Office of Group Benefits (OGB) is administered by the Division of Administration and is a self insured program with no outside underwriter. The OGB Policy and Planning Board adjusts rates based on the evaluation of an actuary who continually evaluates the system. The program follows the industry standard of maintaining a reserve to cover claims. This reserve keeps the program solvent until a new rate can be put into effect. If the medical industry reaches a point where costs stand still or drop, the rates could then be lowered. Due to the involved nature of rate determination, a complete description is not herein included. A copy of the actuary report is available at OGB for further study.

Billing Methodology

For Fiscal Year 2009, the State of Louisiana contributed 75% of the total premium for active employees that chose the Preferred Provider Organization (PPO). Additionally, the State of Louisiana contributes 50% of any additional premium for dependent coverage for those members that chose the PPO. The state share for all other health plans is based on the PPO state share as being the maximum contribution by the State of Louisiana.

18.4.12 Louisiana State Employees' Retirement System

The State offers several complete retirement plans to eligible employees. The Louisiana State Employees Retirement System is available to all State employees. The system is self sufficient and employs the services of an actuary that evaluates the plan annually. The system is not accumulating excessive reserves, and is showing an unfunded liability. The employer contribution rate is 18.5%. Through this plan and others, the State is able to attract and keep highly qualified personnel.