

<b>OREGON ACCOUNTING MANUAL</b>		Number 30.20.00.PR
Oregon Department of Administrative Services State Controller's Division		Effective Date July 1, 2001
Chapter	<b>Federal Compliance</b>	.1 OF .2
Part	<b>Statewide Central Service Cost Allocation</b>	
Section		Approval  Signature on file at SCD

- .101 Statewide Accounting and Reporting Services (SARS) is responsible for coordinating the preparation and submission of the **Statewide Central Service Cost Allocation Plan (SWCAP)**.
- .102 Agencies that have a written agreement with a federal agency other than the **Division of Cost Allocation (DCA)**, or are dealing directly with the DCA, may be accepted from this rule upon application to, and written approval from, SARS.

#### **Preparation of the Statewide Central Service Cost Allocation Plan**

- .103 The SWCAP is compiled by SARS based on financial statements, descriptions of programs, and other documentation prepared by state agencies.
- .104 The SWCAP is to be prepared in accordance with **OMB Circular A-87**. The format of the SWCAP may be determined based on negotiations between the State and the federal cognizant agency.
- .105 SARS will provide instructions, timelines, and assistance to state agencies for the compilation of the SWCAP.
- .106 Agencies providing central services are responsible to provide the appropriate financial information, narrative summaries, and other pertinent information to SARS within established timelines. This information is to include the following:
  - a. Financial statements prepared in accordance with **generally accepted accounting principles (GAAP)**.
  - b. Narrative descriptions of central service activity.
  - c. An analysis of the fiscal period's financial activity in the format required by the cognizant agency.
  - d. A summary of the program's working capital needs.
  - e. A summary of revenue for the fiscal period reported in the SWCAP.
  - f. Any other information deemed necessary. This information will be provided for each central service activity reported in the SWCAP.
- .107 SARS will compile information from the agencies into the SWCAP to help ensure the document is prepared in a complete and consistent manner.
- .108 SARS will submit the completed SWCAP to the federal cognizant agency. In this role, SARS will ensure that the SWCAP is submitted in accordance with prescribed due dates. If necessary, SARS will obtain an extension of the SWCAP filing deadline.
- .109 Agency management is responsible for providing information to the federal cognizant agency when requested. SARS will provide assistance and counsel in coordinating discussions with the federal agency.

## Rate Setting and Management of Central Service Activities

- .110 Agency management is responsible for setting rates for central services and monitoring the results of operations. The rate and assessment setting process should consider fixed costs, variable costs, breakeven point, projected units of production, and dollar business volumes, where applicable. Rates and assessments should be set on a GAAP basis. To set rates on a GAAP basis, consideration must be given to the concept that the goal of internal service and central service activities is to recover costs. Under the provisions of federal regulations, rates may include a factor to provide up to 60 days of working capital.
- .111 All approved rates will be developed in compliance with federal regulations including, but not limited to, **OMB Circulars A-87** and **A-21**. **Unallowable costs**, as defined by these circulars, will not be included in the approved rates that will be charged to federal programs. Unallowable costs must be funded from a source of state-only funds. All rates for central service activities that will be charged to federal programs must be submitted in the Statewide Central Service Cost Allocation Plan (SWCAP) and approved by the federal Division of Cost Allocation.
- .112 If rates include a factor for replacement of capital assets, the working capital will likely exceed the working capital limitations imposed by federal regulations. An agency may elect to fund purchases of capital assets from non-federal funding sources in the form of capital contributions that have no federal participation. Alternatively, capital assets can be purchased in a separate decision package requesting an appropriation through the budget process. Accumulated profits that exist in the central service funds are subject to reduction as specified by ASMB C-10.

## Net Asset Balances

- .113 Agencies should manage their rates to try to keep the net assets (equity) balance within manageable levels. Except for special programs such as retirement systems or self-insurance programs, net assets are deemed to be excessive if they exceed the working capital needs of the program.
- .114 As specified in DHHS regulations, excessive levels of net assets should be reduced by one of three methods:
  - a. Rates can be reduced to reduce revenues. This would reduce net assets balance.
  - b. A credit may be issued to customer agencies to reduce the net assets balance.
  - c. The federal government can demand payment for any portion of net assets derived from charges to federal programs.