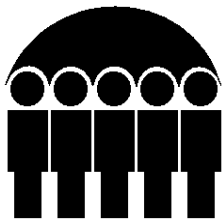


Revised February 9, 2007

Management Manual
Title 23
Chapter C(1)

LOCAL OFFICE ADMINISTRATIVE EXPENSE



Iowa
Department
of
Human Services

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Overview

The Department of Human Services shall reimburse counties for the federal share of the allowable costs of operating the Department's local offices. Counties shall report these costs on form 470-0033, *Report of Local Administrative Expense*.

The Bureau of Purchasing, Payments and Receipts will review allowability of all costs claimed. The Bureau of Budget and Accounting will allocate allowable costs to the assistance programs administered through the local office, based on the Department's current approved federal cost allocation plan.

The reimbursement rate shall be based on the composite of current quarterly federal program matching rates for program administration, to the extent that federal program funds are available or state funds were provided by specific legislation to supplement federal funds.

When the reimbursement amount has been determined, the Bureau of Purchasing, Payments and Receipts will order a state warrant to be issued to the county treasurer. The warrants will be mailed to the Department's local office for distribution.

Legal Basis

The legal basis for this chapter is found in:

- ◆ Iowa Code section 217.32, "Office space in county."
- ◆ Title 2 Code of Federal Regulations, Part 225, "Cost Principles for State and Local Governments" (formerly published as OMB Circular A-87).
- ◆ ASMB C-10, "A Guide for State, Local and Indian Tribal Governments."

Allowable Expenses

Local office administrative expenses that are allowable for reimbursement include direct and indirect expenses.

Allowable Direct Expense

The following direct expenses are allowable for reimbursement:

- ◆ Salaries: Gross compensation paid, including employee and employer share of benefits. This includes:
 - Salaries paid from county funds for employees who are covered by 28E agreements that conform to merit standards and are assigned to the Department of Human Services.
 - Salaries paid to employees on county payrolls who are assigned to the Department and who are merit-exempt.
- ◆ Out-of-state travel for local office state employees, with prior approval of the service area administrator or designee, provided that:
 - The travel is also approved by the county board of supervisors; and
 - Approval is recorded in the official minutes of the board's meeting before the date of travel; and
 - The purpose of travel is in support of administered programs of the Department.
- ◆ Office supplies, utilities, postage, rental of equipment, and other miscellaneous expenses that are used in **direct** support of administered programs of the Department.

Allowable Indirect Expense

Salaries, travel, office supplies, utilities, postage, rental of equipment, and other miscellaneous expenses of the county that indirectly benefit, through a * "shared cost concept," the programs administered by the Department of Human Services are also allowable for reimbursement.

* "Shared cost concept" is defined to be any cost incurred by the county for the joint benefit of several or all county agencies. It would be the responsibility of the county to develop and seek approval of a "shared cost allocation plan."

Federal regulations defining cost principles for state, local, and Indian tribal governments provide that these costs must be documented and allocated by a cost allocation plan, prepared in accordance with the federal cost principles.

Consistent Treatment of Costs as Direct or Indirect

Regardless of whether a given expense is claimed as a direct or indirect expense, consistent treatment must be given to the same or similar types of expense, and the costs may not be duplicated as both direct and indirect costs.

Counties that have questions regarding the federal cost principles can receive assistance by contacting:

The Division of Cost Allocation
Department of Health & Human Services
Federal Building
601 East Twelfth
Kansas City, Missouri 64106

Unallowable Expenses

Local office administrative expenses that are not allowable for reimbursement include certain direct and indirect expenses. The following sections give examples of direct and indirect costs that are unallowable for reimbursement but are not intended to address every cost that is unallowable under the federal regulations.

Unallowable Direct Expense

The following direct expenses are **not** allowable for reimbursement:

- ◆ Salaries of county-paid staff that work in direct support of programs other than those administered by the Department of Human Services, such as employees that administer general relief programs and public health employees under Title VI.
- ◆ Travel paid to county paid staff for a trip made in direct support of programs other than those administered by the Department.
- ◆ Supplies, utilities, postage, rental of equipment, depreciation, and other miscellaneous expenses directly chargeable to a program that is not administered by the Department.

Unallowable Indirect Expense

The following indirect expenses are **not** allowable for reimbursement:

- ◆ Any indirect county expense that is not properly documented or allocated in accordance with federal cost principles.
- ◆ Any county expense allocated to county agencies other than the ones administered by the Department.
- ◆ Any county expense improperly allocated to the local office of the Department.

Purchase of Equipment

County funds disbursed for the purchase of equipment for use by a local office are allowable for reimbursement when such purchases are proper under state law. This includes the cost of computers, desks, photocopy machines, chairs, or any of the other items of equipment necessary to the operation of a local office.

Purchases of equipment with a unit cost of \$5,000 or more must have prior approval from the Department. All such requests should be submitted to the local office and forwarded to the Bureau of Purchasing, Payments and Receipts.

The U.S. Department of Health and Human Services has set \$25,000 as the maximum amount that can be claimed in a lump sum as a unit cost for a piece of equipment.

Regardless of whether the local office is claiming depreciation, a record must be maintained of all equipment purchases. The record shall contain at least the following information: date of acquisition, cost, expected life, identification number, federal participation percentage, and current location or disposition.

The *Capital Asset Inventory Input Document*, form 470-0048, satisfies these requirements. (See [24-H](#) and [24-H-Appendix](#).) Refer to [24-H-Appendix](#), *Capital Asset Inventory System On-Line User's Guide*, for life-expectancy guidelines.

Refer to 2 CFR Part 225 (OMB Circular A-87), "Cost Principles for State, Local, and Indian Tribal Governments," in [23-C-Appendix](#) for more detailed information on federal requirements.

Purchase of Automobiles and Related Expenses

County funds disbursed for the purchase of an automobile for the sole use of the local office in support of programs administered by the Department of Human Services may be reimbursed when the expenditure is proper under state law. The rules governing the purchase of automobiles are the same as outlined for other equipment.

Expenditures from county funds that are necessary for the operation and maintenance of an automobile used solely by the local office in the administration of the Department's programs are matchable when the expenditure is proper under state law.

The following automobile expenses are **not** allowable:

- ◆ Expenses such as gas, oil, or repairs when mileage for the car involved has been submitted and paid on a travel expense claim.
- ◆ Depreciation or expenses including gas, oil, or repairs for an automobile used for programs other than those administered by the Department, such as general relief programs and public health services covered under Title VI.

Office Space Expense

The service area manager shall receive for review any proposal to:

- ◆ Rent, lease, purchase, or build office space;
- ◆ Acquire additional, new, or other office space; or
- ◆ Remodel, repair, or decorate existing quarters.

Any such proposal shall be submitted to the Department's Bureau of Purchasing, Payments, and Receipts for the consideration **before** the county takes specific steps to implement the proposal.

Total space costs will be evaluated by comparison to three rental estimates on form 470-4285, *Rental Estimate*, from reliable sources documenting a reasonable charge, in that locality, for like space including utilities, maintenance, and other services.

Office Space in a Privately Owned Building

Funds disbursed by the county for space occupied by the local office in the form of rent of a privately owned building are allowable for reimbursement, to the extent that the costs do not exceed costs for a comparable space.

Funds disbursed by the county for space occupied by the local office, whether operating costs or rent, that exceed costs for comparable space in the locality are **not** allowable without the Department's approval.

If rent is claimed on form 470-0033, *Report of Local Administrative Expense*, the local office shall cooperate with the County Auditor to secure rental estimates from three sources to ensure that operating costs or rent are not excessive. The county shall submit rental estimates on form 470-4285, *Rental Estimate*.

These estimates shall consider cost of utilities and maintenance services, as applicable. Care should be taken to be sure that services such as heat, water, power, and janitor services, to the extent they are included in the rent, are considered in all three rental estimates to allow a fair comparison to be made.

The Bureau of Purchasing, Payments, and Receipts will notify the county of the allowable rental expense amount and send a copy of the notice to the service area manager.

Office Space in Public Building

Operating costs of a public building, such as necessary repairs, may be claimed in addition to either depreciation or building use allowance.

A county may claim only operating expenses, operating expenses plus depreciation, or operating expenses plus use allowance. Whatever is claimed for space cost should be evaluated by comparison in total to three rental estimates.

- ◆ Reimbursement of operating expense incurred by the county for maintenance of office space for the local office in a county-owned building in lieu of rent is allowable. Examples of allowable expenses are heat, light, power, water, janitor services, insurance, maintenance, repairs, and maintenance of lawn, sidewalk and parking lot.

Operating expenses must be documented with form 470-0037, *Administrative Expenses of the Public-owned Local Office*, and form 470-0038, *Public-owned Local Office Expenses*. Both forms must be submitted to the Bureau of Purchasing, Payments and Receipts annually between July 1 and August 31.

- ◆ Depreciation to buildings and fixtures may be claimed. To document the depreciation charge, the local office shall maintain schedules by class of asset that show cost, expected life, date of purchase, and book value.
 - Initial costs plus costs of remodeling of a county-owned building purchased or constructed to provide space for the local office may be depreciated.
 - A building use allowance may be claimed in lieu of depreciation. An annual limit of 2% of cost is imposed to control use allowance. A quarterly charge of 25% of the annual limit is allowable.
- ◆ Depreciation or building use charges must be documented by schedules maintained in the county auditor's office. A 2% annual limit is imposed for use allowances.

The following expenses are **not** allowable:

- ◆ Value of land may not be claimed as depreciation or building use allowance.
- ◆ Major remodeling or renovation projects may not be claimed as operating costs.

A "major" remodeling project means an expenditure made beyond the regular, normal upkeep of physical properties (land, buildings, and equipment), for the repair or replacement of failed or building components as necessary to:

- ◆ Return a facility to its currently intended use,
- ◆ Prevent further damage, or
- ◆ Make a facility compliant with changes in laws, regulations, codes or standards.

Major remodeling or renovation projects that **materially** increase a facility's value or useful life are unallowable as a direct cost. These expenses should be claimed on the building depreciation or use allowance schedules.

Documentation shall be maintained in the County Auditor's office to show cost, acquisition date, and book value of each asset by class whether depreciation, or use allowance, is claimed. No claim may be made for assets that would be determined to be fully depreciated. Cost of land must be excluded.

The following general guidelines have been used for estimated useful life:

New buildings	30 years
Old Buildings	20 years
Remodeling	10 years



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
KEVIN W. CONCANNON, DIRECTOR

February 9, 2007

GENERAL LETTER NO. 23-C(1)-5

ISSUED BY: Bureau of Purchasing, Payments and Receipts,
Division of Fiscal Management

SUBJECT: Management Manual, Title 23, Chapter C(1), **LOCAL OFFICE
ADMINISTRATIVE EXPENSE**, Title page, revised; Contents, revised;
and pages 1 through 7, revised.

Summary

This chapter is revised to:

- ◆ Update the policies and procedures.
- ◆ Change the manual format to reflect the current version.
- ◆ Make the chapter available electronically.

Effective Date

Immediately.

Material Superseded

Remove the entire Chapter C(1) from Employees' Manual, Title 23, and destroy it. This includes the following:

<u>Page</u>	<u>Date</u>
Title page	December 27, 1983
Contents	December 27, 1983
1-3	December 27, 1983
4, 4a	September 15, 1987
5, 6, 6a	February 14, 1984
7	December 27, 1983

Additional Information

Refer questions about this general letter to your service area manager.



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

July 31, 2009

GENERAL LETTER NO. 23-C(1)-6

ISSUED BY: Bureau of Purchasing, Payments, and Receipts,
Division of Fiscal Management

SUBJECT: Management Manual, Title 23, Chapter C(1), **LOCAL OFFICE
ADMINISTRATIVE EXPENSE**, pages 6 and 7, revised.

Summary

This chapter is revised to add general guidelines for estimating useful life of buildings.

Effective Date

Immediately.

Material Superseded

Remove the following pages from Management Manual, Title 23, Chapter C(1), and destroy them:

<u>Page</u>	<u>Date</u>
6, 7	February 9, 2007

Additional Information

Refer questions about this general letter to your area income maintenance administrator, your service area manager, or your regional collections administrator.