

SECTION 2150.04

INDEPENDENT AUDITOR'S REPORT ON COST ALLOCATION PLAN

We have audited the financial statements of *(Name of Organization)* for the year ended June 30, 19XX and have issued our report thereon dated September 15, 19XX. As part of our audit, we audited the methods used by *(Name of Organization)* to allocate indirect costs as reflected in the City of Philadelphia, Department of Human Services Report of Functional Expenditures as required by the Commonwealth of Pennsylvania, Department of Public Welfare, Section 3170.60 of the Chapter 3170 Regulations; and the "Indirect Cost Allocations" Section of the City of Philadelphia Subrecipient Audit Guide - Instructions For Completing The Report of Functional Expenditures (Section 2000, Exhibit B).

The commonwealth of Pennsylvania, Department of Public Welfare, Section 3170.60 of the Chapter 3170 Regulations state that "The overall objective of the allocation process is to distribute the indirect costs of the Agency to its various services or cost categories in reasonable proportion with the benefits provided to these services or categories." The Regulations require that the method used "shall result in a fair and equitable distribution of costs and shall be in direct relation to actual benefits accruing to the services to which costs are charged."

In our opinion, the cost allocation plan of *(Name of Organization)*, results in a distribution of indirect costs, as reflected in the City of Philadelphia, Department of Human Services Report of Functional Expenditures for the year ended June 30, 19XX in accordance with Section 3170.60 of the Chapter 3170 Regulations issued by the Commonwealth of Pennsylvania, Department of Public Welfare and the "Indirect Cost Allocations" Section of the City of Philadelphia Subrecipient Audit Guide - Instructions For Completing The Report of Functional Expenditures.

This report is intended for the information of the audit committee, management, and the city of Philadelphia, Department of Human Services. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

(Signature)

(Date)

EXHIBITS

Children and Youth Division and Juvenile Justice Services

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<u>EXHIBIT</u>	<u>DESCRIPTION</u>
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A	Instructions for Completing the Report of Revenue by Functional Program
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C	Schedule of Days of Care

**INSTRUCTIONS FOR COMPLETING THE REPORT OF
REVENUE BY FUNCTIONAL PROGRAM (85-396)**

All revenue, from whatever source, should be disclosed on the Report of Revenue by Functional Program. As the name of the report implies, all revenue should be shown for each functional program provided by the Agency. If certain types of income or revenue are not directly attributable to a specific agency function, the revenue should be pro-rated among the various functions in the same ratio as the costs of the various functions. Total revenue for all functions should also be indicated.

Columnar headings are provided for total revenue as well as for selected program services. For other services, the type(s) of service or function should be typed in one or more of the blank columnar headings provided for this purpose.

Revenue is to be reported in a manner which conforms to that used in the agency's CPA audit, listing all revenue sources indicated on the report. The agency should state which accounting method it utilizes, whether cash or accrual, or any variant thereof, in the space at the lower right of the form.

For sources of revenue not specifically indicated on the form, the agency should utilize one of the spaces marked "other" and specify what the source of revenue is, in that space. Bequests and contributions are examples of "other" sources of revenue.

Revenue from the Federal government should be listed first, followed by State sources of revenue, Philadelphia Department of Human Services, other counties, and then miscellaneous public and private revenue sources.

A definition of each revenue source listed on the form follows:

Line 61 Title I – refers to the Elementary and Secondary Education Act (ESEA). This title is for grants to improve basic skills achievement for educationally deprived children who live in the attendance areas that have high concentrations of children from low income families.

Line 62 Title II – This also refers to ESEA. It includes grants to provide additional library resources, textbooks, and other instructional materials for all children.

Line 63 Title XIX - refers to the Social Security Act, as amended. This title provides for grants for Medical Assistance Programs to furnish: (1) medical assistance on behalf of families with dependent children, and (2) rehabilitation and other services to help such families to attain or retain capability for independence or self-care.

Line 64 Title XX - also refers to the Social Security Act. It provides for grants for basic social services to prevent or reduce dependency to prevent or reduce neglect, abuse, or exploitation of children, and to prevent or reduce inappropriate

institutional care by providing for community-based care, home based care, or other forms of less intensive care.

Lines 65-70 Any other Federal source of funding should be reported on lines 65 through 70, if needed. These other sources would include Social Security benefits in behalf of a child, Railroad Retirement benefits, Supplemental Security Income, and Veterans Administration benefits. In addition, Titles IV-A and IV-B, of the Social Security Act, as defined below, should be included under "other federal" revenue sources.

Title IV-A - grants for aid and services to needy families with dependent children, which includes money payments with respect to, or medical care in behalf of, dependent children.

Title IV-B - grants for child welfare services which supplement, or substitute for, parental care and supervision for the purpose of preventing or remedying the neglect, abuse, exploitation, or delinquency of children.

Lines 71-73 Any funding provided by the State Government should be shown on these lines. If funds are received from any other state than Pennsylvania, specify which state.

Line 74 Philadelphia DHS - indicates per-diem rate funds received from the Children and Youth Agency. Total annual funds should be reported here, not the daily rate.

Line 75 Philadelphia DHS Community Block Grants - These are City of Philadelphia Councilmanic grants used in the prevention of juvenile delinquency, and providing recreational activities and counseling.

A Group - up to \$15,000, for licensed facilities
B Group - up to \$6,500, unlicensed facilities
**C Group - up to \$5,000, to non-structured,
small community based, unlicensed groups.**

Lines 76-79 Other counties. Funding from any other County Children and Youth Agency should be reported here. The County providing the funds should be specified.

Line 80 Board of Education - Funding provided by the Board of Education should be indicated on this line. If funds are received from a School District outside the City of Philadelphia, specify which school board provides the funds.

Line 81 C.O.D.A.A.P. - This is the City of Philadelphia Coordinating Office for Drug and Alcohol Abuse Programs. This office passes on funds from the Governor's Council on Drug & Alcohol Abuse, as well as from other sources.

Line 82 MH/MR - Funds received from the local Mental Health/Mental Retardation agency should be reported here. If the MH/MR agency is outside the City of Philadelphia, specify which agency provides the funds.

- Lines 83-84 Funds from any other State or local government agency should be reported here. The source of the funds should be specified.
- Line 85 Funds received from any source of private fund raising should be reported here, whether from corporate grants, bake sales, etc.
- Lines 86-87 Investment Income - In from, investment income may include interest, dividends, royalties, gains on dispositions of securities, and even net earnings from activities conducted solely for the production of income. Enter all such income on this line.
- Line 88 Rental Income - This includes income from the rental of real estate, buildings, or property, whether the facility or resource is owned by the agency or is available for its use as an income-producer.
- Line 89 Endowment Fund - A fund arising from a bequest, gift, or other donor instrument, the income of which is devoted to a specific purpose until a specified time, or the occurrence of a specific event, or in perpetuity. The income from the fund should be reported here.
- Line 90 Foundation Income - Income received from any foundation should be reported here. The name of the foundation should be indicated on Line 90, after the word "foundation".
- Line 91 United Way - These funds include three main categories: (1) deficit financing; (2) grants, which are determined by various review committees, and are not linked to a particular service; and (3) project funding, for specified services of an agency, usually of an innovation nature. In addition, there is some funding for particular items of expense, such as capital improvements.
- Line 92 Program Income - This category should include revenue from activities that, although administered by it, a voluntary agency regards as incidental to its primary services, or from activities that are conducted primarily as therapeutic training or vocational training. Income from the operation of a farm is an example of the latter type of activity.
- Line 93 Client Fees - These are direct fees charged the clients for program services rendered.
- Line 94 Other - Include revenue from any other source not mentioned in instructions.
- Line 95 Grand Total - Total of all funds, grants and revenue.

For revenue specifically earmarked for a particular function, the agency should place an asterisk to the left of such revenue item(s) on the form.

For multiple year funding, a code letter should be used to indicate whether the funding will continue and which year of funding has been received in the fiscal period just ended. "A" should be used to indicate the first year of funding; "B" the second year; and "C" the third year of funding.

(For any additional years of funding, use "D", "E", "F", for 4th, 5th, and 6th year, respectively.) If the funding is to be continued in the next fiscal period (i.e. the fiscal period following the one just ended and reported on herein), use a "Y" to indicate this fact. If the funding will not be continued in the current fiscal year, use an "X" to indicate this. The code letters A, B, or C should be placed to the upper right of the revenue figure: the code letter Y or X should be placed to the lower right of the figure.

**INSTRUCTIONS FOR COMPLETING
THE REPORT OF FUNCTIONAL EXPENDITURES 85-185 (REV. 5195)**

INTRODUCTION

Cost accounting is an essential element of compliance with the regulations governing purchase of care by public child welfare agencies as set forth in Pennsylvania Department of Public Welfare 55 PA Code, Chapter 3170 "Allowable Costs and Procedures For County Children and Youth".

Careful determination of costs is essential to the continued vigor of programs conducted under contracts with provider agencies. Recognition is given that there are both direct and indirect costs which contribute to the quality and viability of services.

REIMBURSABLE AND NON-REIMBURSABLE EXPENDITURES

Effective for the Contract Year beginning July 1, 1995, the City of Philadelphia has issued Contract Cost Principles And Guidelines, This document contains instructions for the determination of Direct and Indirect costs, basic guidelines for allowability of costs, reasonableness of costs and standards for selected cost items.

In determining allowable expenses for this report, Contract cost Principles And Guidelines should be considered in conjunction with the 55 PA Code, Chapter 3170, entitled "*Allowable Costs And Procedures For County Children And Youth*" and the Office of Management And Budget Circular A-122 entitled "*Cost Principles For Nonprofit Organizations*".

All phases of a function should be included so that both intake and post-placement (after care) service costs are reflected.

MH/MR , EDUCATIONAL AND MEDICAL COSTS

When calculating MH/MR, Educational and Medical costs, consider only the costs that are an addition to the normal social service and child care costs (e.g. The salary and wage cost for a social worker who provides the same service for all clients whether in special MH/MR or Medical programs or not would all be considered social service cost. The salary and wage cost for a worker who specializes in the care of MH/MR or medical clients and works with these clients only would be considered MH/MR or medical cost).

REPORT FORMAT

A) Column Headings - DHS Contracted Services

- 1) Columns must be headed by functional services titles as they appear on the agency's monthly billings to the city.
- 2) A separate column must be prepared for each service.

e.g., If the agency bills for several different categories of Foster Family Care, a separate column must be prepared for each specific foster care service. It is not acceptable to combine services and list them in one column such as combining several different categories of foster family care under the heading "Foster Care".

- 3) Reporting by agency cost center is not acceptable if these cost centers do not directly correspond with specific DHS contracted services.

If agency costs centers do not correspond with specific DHS contracted services, a method of allocation must be used to determine costs attributable to specific services.

e.g., A column headed by Administration and Management is not acceptable. These costs must be allocated to individual services.

B) Column Headings - Non-DHS Contracted Services

- 1) Figures for functions performed by the agency which are not purchased by DHS must be included so that the "Total All Functions" column will agree with the total per the Statement of Revenue, Expenses and Changes in Fund Balance.
- 2) Functions not purchased by DHS may be listed individually or may be combined in one column with the heading "All Non-DHS Services".

C) Column Heading - Total All Functions

- 1) Amounts in this column should include all agency expenditures (DHS and Non-DHS) for all programs and the Grand Total of All expenses must agree with the total per the Statement of Revenue, Expenses and Changes in Fund Balances.
- 2) All line items must be correctly cross-footed.

Please note only properly formatted reports will be accepted.

DESCRIPTION OF-REPORT FORM ENTRIES

Enter all items whether allowable or non-allowable. The total of non-allowable expenses is to be entered on Line 80.

SALARIES AND WAGES

Lines 1 through 5

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-5

Include:

- Full time and part-time employees.
- Direct charges and indirect charge allocations. Do Not Include:
- Consultants and others engaged on a contract basis.
- Employees who provide Mental Health/Mental Retardation, Educational or Medical services.

Lines 6 through 9

CONTRACT COST PRINCIPLES SECTION II PARAGRAPH D-5

Include:

- The FICA, Unemployment Compensation, Workmen's Compensation and Employee Benefits (Pension Plans, Health Insurance, etc.) applicable to the wages listed on Lines 1 through 5.

Line 10

Include:

- All salaries and wages paid which do not fall into any of the previous classifications, plus the applicable taxes and benefits.
- Specify the type of wage expense listed.

Line 11 is the total of Lines 1 through 10.

Line 12

Include:

- Only the wages paid to employees who provided MH/MR services. These are employees who specialize in the care and treatment of clients who experience

mental retardation and/or acute and extended mental illness.

Lines 13 through 16

Include:

- The FICA, Unemployment Compensation, Workmen's Compensation and Employee Benefits applicable to the wages listed on Line 12.

Line 17 is the total of Lines 12 through 16.

Line 18

Include:

- Only the wages paid to employees who provided educational services. This would encompass teachers and employees in teaching related positions who are engaged in an accredited education program.

Do Not Include:

- Tutors who are not part of an accredited education program that are providing supplementary teaching services. List these wages on Line 2.

Lines 19 through 22

Include:

- The FICA, Unemployment Compensation, Workmen's Compensation and Employee Benefits applicable to the wages listed on Line 18.

Line 23 is the total of Lines 18 through 22.

Line 24

Include:

- Only the wages paid to employees who provided medical services. These are employees who specialize in the care and-treatment of clients who experience severe medical afflictions or prolonged illness. This would encompass doctors, nurses, physical therapists and employees in other health care related positions.

Lines 25 through 28

Include:

- The FICA, Unemployment Compensation, Workmen's Compensation and Employee Benefits applicable to the wages listed on Line 24.

Line 29 is the total of Lines 24 through 28.

Line 30 is the sum of Lines 11, 17, 23 and 29.

OPERATING EXPENSE AND ADMINISTRATION

Line 31 - Professional Fees And Contract Payments

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-19

- Include fees and-expenses of professional practitioners and consultants who are not employees of the agency and are engaged as independent contractors for specified services on a fee or other individual contract basis such as legal, auditing and consulting fees and expenses.

Line 32 - Supplies

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-16

- Include the cost of office supplies and materials.

Line 33 – Telephone

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-4

Include telephone charges.

- Line 34 - Postage And Shipping

CONTRACT COST PRINCIPLES SECTION III PARAGRAPH D-4

- Include postage, parcel post, trucking and other delivery expenses.

Line 35 - Local Transportation

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-24

- Include expenses of travel and transportation for staff and clients such as bus, taxi or railroad fares and the expenses of operating agency vehicles such as gas, oil, repairs, etc. Also include mileage allowances for the use of employee or volunteer automobiles and parking charges and tolls.

Line 36 - Outside Printing, Artwork, Etc.

CONTRACT COST PRINCIPLES SECTION III PARAGRAPH D-18

- Include the costs of printing, commercial artists, art work, photographs and other costs of in-house publications such as annual reports, brochures, newsletters, etc.

Line 37 - Conferences, Conventions And Meetings

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-17

- Include all expenses of conducting or of staff attendance at meetings related to an agency's activities such as transportation, mileage allowances, hotel, meals and incidental expenses of out-of-town conferences and conventions. Also include speaker honorariums, meeting space, equipment rentals and other related expenses.

Line 38 - Subscriptions, Publications

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-17

- Include the costs of subscriptions, reference and resource publications, technical journals, books and pamphlets.

Line 39 - Membership Dues

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-17

- Include all membership dues in other organizations, both individual and agency, quota payments and other formula-based or prescribed payments to local or national organizations.

Line 40 - Awards And Grants

CONTRACT COST PRINCIPLES SECTION 11, PARAGRAPH D-11

- Include amounts paid to individuals or organizations for support of research, fellowship, scholarship and other health or welfare programs.

Line 41 - Rental Expense of Equipment, Furniture And Motor Vehicles

CONTRACT COST PRINCIPLES SECTION 11, PARAGRAPH D-20

- Include the rental or lease expense of equipment, furniture and motor vehicles essential to the operation of the programs under contract.

Line 42 - Use Allowance For Equipment, Furniture And Motor vehicles

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-7

- Determine the use allowance for Equipment, Furniture and Motor Vehicles in accordance with the instructions contained in Paragraph D-7.

Line 43 - Fund Raising

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-9

- Include all expenses of activities that constitute or are an integral part of an appeal for financial support.

Line 44 - Other

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPHS D-2, 3, 8, 10, 13, 23

Include:

- All operating and administrative expenses which are not reportable under Lines 31 through 43 and Lines 46 through 48.
- Specify the type of expense listed.

Line 45 is the Sum of Lines 31 through 44

Line 46 - Operating Expense - MH/MR

- Include the total of all expenses which could be classified under Lines 31 through 44 but were incurred specifically in the provision of services to clients who experience mental retardation and/or acute and extended mental illness.

Line 47 - Operating Expense - Educational

- Include the total of all expense which could be classified under Lines 31 through 44 but were incurred specifically in the provision of an accredited education program.

Line 48 - Operating Expenses - Medical

- Include the total of all expenses which could be classified under Lines 31 through 44 but were incurred specifically in the provision of services to clients who experience severe medical afflictions or prolonged illness.

Line 49 in the Sum of Lines 45 through 48.

OCCUPANCY

Line 50 - Office Rent

CONTRACT COST PRINCIPLES SECTION II PARAGRAPH D-20

- Include amounts paid under rental or lease agreements for buildings or offices used in providing contracted services.
- The parties must be unrelated and continue as such. When an agency enters into a sale and lease back agreement with a related purchaser, the expense is non-allowable.
- The amount of rent charged to any given program shall be prorated in

direct relation to the amount of space utilized by the general public for similar space in that geographical area.

Line 51 - Building And Building Equipment Insurance

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-12

- Include the cost of all insurance associated with the use of buildings and the related equipment such as property and fire insurance.

Line 52 - Building And Grounds Maintenance And Repairs

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPHS D-15, 21

- Include the costs of repairs and maintenance of buildings, grounds or space which is used for the activities of the agency such as janitorial services, garbage collection, pest control and grounds maintenance costs.
- Repairs are costs incurred for necessary maintenance or upkeep of buildings which neither add to the permanent value of the property, nor appreciably prolong its intended life, but keep it in an efficient operating condition.

Line 53 - Utilities

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-25

- Include the cost of electricity, heat, water and other utilities associated with the occupancy of buildings.
- Include only the interest portion of mortgage payments for agency property used in providing contracted services.

Please note that expenses formerly listed on Line 54 Amortization, Line 55 - Mortgage interest and Line SG Depreciation are now to be included on Line 50 - Office Rent.

Line 57 – Other

CONTRACT COST PRINCIPLES SECTION 11, PARAGRAPH D-22

Include:

- All occupancy expenses which are not reportable under Lines 50 through 56 and Lines 59 through 61.
- Specify the type of expense listed.

Line 58 is the Sum of Lines 50 through 57.

Line 59 - Occupancy Expense - MH/MR

- Include the total of all expenses which could be classified under Lines 50 through 57 but were incurred specifically in the provision of services to clients who experience mental retardation and/or acute and extended mental illness.

Line 60 - Occupancy Expense - Educational

- Include the total of all expenses which could be classified under Lines 50 through 57 but were incurred specifically in the provision of an accredited education program.

Line 61 - Occupancy Expense - Medical

- Include the total of all expenses which could be classified under Lines 50 through 57 but were incurred specifically in the provision of services to clients who experience severe medical afflictions or prolonged illness.

Line 62 is the Sum of Lines 58 through 61.

CHILDREN'S DIRECT EXPENSE

Line 63 - Food or Board Payments

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-16

- Include all board payments to foster parents regardless of the agency definition and extent to which payments meet the cost of care.
- Also include food costs for group or institutional care whether a purchased service or provided directly by the agency.

Line 64 - Subsidy Payments To Foster Parents

CONTRACT COST PRINCIPLES SECTION II PARAGRAPH D-19

- Include only payments to foster parents which are in the nature of salaries or bonuses.

Line 65 - Clothing, Cleaning And Repairing

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-16

- Include the cost of the purchase of all clothing for the children for whom the agency has responsibility.
- Also include the cost of alterations, repair and cleaning.

Line 66 - Activities, Recreation, Camp

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-6

- Include the cost of providing recreation for the children whether on grounds or off grounds, such as tickets for sporting, entertainment or cultural events.
- Do not include the cost of staff for supervision or the cost of transportation.

Line 67 - Personal Expenses

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-16

- Include the cost for children's personal allowance and personal grooming costs.

Line 68 – Transportation

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-24

- Include all child related transportation, recreation-related transportation and transportation funds used by clients for home visitation and court appearance.

Line 69 - Medical And Dental Fees And Supplies

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-16

- Include the cost of medical and dental care for children who are not eligible for medical assistance or other insurance or when medical assistance services are not available.
- Do not include the costs of medical and dental care that specifically apply to clients included on Lines 72 and 74.

Line 70 - Other

CONTRACT COST PRINCIPLES SECTION II, PARAGRAPH D-16

Include:

- All children's direct expenses which are not reportable under Lines 63 through 69 and Lines 72 through 74.
- Specify the type of expense listed.

Line 71 is the Sum of Lines 63 through 69.

Line 72 Children's Direct Expense - XH/XR

- Include the total of all expenses which could be classified under Lines 63 through 70 but were incurred specifically in the provision of services to clients who experience mental retardation and/or acute and extended mental illness.

Line 73 - Children's Direct Expense - Educational

- Include the total of all expenses which could be classified under Lines 63 through 70 but were incurred specifically in the provision of an accredited educational program.

Line 74 - Children's Direct Expense - Medical

- Include the total of all expenses which could be classified under Lines 63 through 70 but were incurred specifically in the provisions of services to clients who experience severe medical afflictions or prolonged illness.

Line 75 is the Sum of Lines 71 through 74.

Line 76 is. the total of Lines 11, 45, 58 and 71 less any unallowable expenses.

Line 77 is the total of Lines 17, 46, 59 and 72 less any unallowable expenses.

Line 78 is the total of Lines 23, 47, 60 and 73 less any unallowable expenses.

Line 79 is the total of Lines 29, 48, 61 and 74 less any unallowable expenses.

Line 80 is the total of all unallowable expenses that were excluded in Lines 76 through 79.

Line 81 is the Sum of Lines 76 through 80 and should equal the total of Lines 30, 49, 62 and 7S.

Total Days Of Care - All Children

Record in the appropriate Program Function Column the total number of days of care provided during the fiscal period of the report for all children, whether the financial responsibility of Philadelphia Department of Human Services or not. Days of care provided must agree with the total of days billed for all counties for the report period.

Total Days Of Care - DHS Children

Record in- the appropriate Program Function Column the total number of days of care provided during the fiscal period of the report for children who were the financial responsibility of Philadelphia Department of Human Services. These amounts are to be derived from the monthly DHS billings for the report period and are to be accumulated

per the attached "Schedule of Days of Care".

Capacity of All Facilities

Record in each Program Function Column the total bed capacity of all of your agency's facilities for that function. For example, if you operate three group homes, record the total number of beds in all three-group homes.

Bed capacity is defined as that number of beds which your agency had to provide care and service during your fiscal year.

If, during the fiscal year, a new facility was opened, please provide the date opened and its capacity separately. For those facilities no longer used during the year, please list the capacity and the date child care usage stopped.