



# DCS Cost Report Training 2013

## ADVANCED TRAINING/WORKSHOP



# Agenda

- Desk Audit / Error Report
- Indiana DCS Cost Report & Rate Analysis Explanation
- Problem Solving
- Provider Questions



# Salary Disallowance

3 Tier Salary Cap, referencing Total Vendor Revenue:

- < \$1 million = \$100,000
- \$1 million - \$5 million = \$125,000
- > \$5 million = \$175,000

$$\frac{\{\text{Salary Cap} - (\text{Reported Cost} \div \text{Reported FTE})\}}{(\text{Reported Cost} \div \text{Reported FTE})} = \% \text{ Disallowance}$$

$$\frac{\{\$175,000 - (\$50,000 \div 0.2500)\}}{(\$50,000 \div 0.2500)} = 12.50\%$$

$$\text{Reported Cost} \times \% \text{ Disallowance} = \$ \text{ Disallowance}$$

$$\$50,000 \times 12.50\% = \$6,250$$



# Fringe and Tax Disallowance

$$\frac{\text{\$3.5 Line (6)}}{\text{\$3.5 Line (3)}} = \text{Fringe and Tax Reported}$$

$$\frac{\text{\$176,891.00}}{\text{\$490,750.00}} = 36.04\%\dots$$

$$(\text{\$3.5 Line (3)} \times \text{Fringe and Tax Cap}) - \text{\$3.5 Line (6)} = \$ \text{Disallowance}$$

$$(\$490,750.00 \times 35.00\%) - \$176,891.00 = \$5,128.50$$



# Staffing/Case Load Ratio Disallowance

$$\frac{\left( \frac{\text{Utilization}}{\text{Days of Operation}} \right)}{\left( \frac{\$3.1 \ \& \ \$3.3 \ \text{Time Study FTEs}}{\# \text{ of } 40 \ \text{hours shifts per week}} \right)}$$

= Staff Ratio/Case Load Ratio Reported

RTSP  
Only

$$\frac{\left( \frac{5,000}{365} \right)}{\left( \frac{13,5000}{4.2} \right)}$$

= 4.2617...

$$\frac{(\text{Staff Ratio Cap} - \text{Staff Ratio Reported})}{(\text{Staff Ratio Cap})}$$

= % Disallowance

$$\frac{(4.6000 - 4.2617 \dots)}{(4.6000)}$$

= 7.35%

*Note: 7.35% applied to §3.4 lines (3) and (8)*



# Capacity Cap Disallowance

$$\frac{\text{Utilization}}{\text{Potential Days of Service}} = \text{Capacity Reported}$$

$$\frac{5,000}{7,300} = 68.49\%$$

$$\text{Capacity Reported} - \text{Capacity Cap} = \% \text{ Disallowance}$$

$$68.49\% - 80.00\% = 11.51\%$$

$$\$127,083.00 \times 11.51\% = \$14,627.25$$



## §7.2 Administrative Cost Allocation Walk Through

- (1)  $\$986,046.37 - \$146,733.61 - \$644.46 + \$28,141.49$
- (2)  $\$866,809.79 \times 0.2010$
- (3) §7.1 Total Administrative
- (4) §5.3 Total – §5.1 Line (7) – §5.2 Lines (9), (10), & (11)
- (5) Line (3) + Line (4)
- (6) Administrative portion of §3.4 Total
- (7) Line (5) – Line (6)
- (8) Lesser of Line (2) and Line (7)
- (9) Line (6) + Line (8)





# Question #1

We are a small Group home with limited staff. Most everyone is crossed trained in multiple areas and must chip-in to help when necessary. We have always reported our Personnel and Program costs in §3.1 through §4.4 on the DCS cost report. I know that there are some Indirect costs, i.e. accounting, payroll, and financial audits that we are reporting as Direct Costs. Is our rate being affected by not reporting these costs to §5.1 Indirect Personnel & §5.2 Indirect Operating?



# Response #1

Direct Administrative costs and Indirect Administrative costs are allocated by a % of Direct Costs. If costs have not been identified correctly (direct vs. indirect), there is a chance that these costs may be subjected to a cap they are not supposed to.



## Question #2

We have a Doctor on retainer for a flat annual fee. The annual fee does not change regardless of the amount of time spent at our facility. How do I report FTE's for this position?





## Response #2

Since no time can be reported for this service, it would be inaccurate to try to determine an FTE. This cost should be recorded in §4.2 – Other Operating and allocated to the Medical column. There should also be a brief description in the Attachment Notes of what this cost is and why it was allocated here.





## Question #3

In August of 2012, we had to lay off a Licensing Specialist who worked on licensing for our agency. This employee was paid a Severance which totaled \$2,500; which was equivalent to 1 month's salary. This severance was reported on their W-2 and taxes were withheld like normal wages. How should this cost be identified on the DCS Cost Report?



# Response #3

This cost should be identified in §3.1 Salaries and Wages, and allocated to the Administrative column for the position in question.

Cost Entry	Total		Administrative			Adoption			Time Study		
	\$	FTE	\$	FTE	%	\$	FTE	%	\$	FTE	%
<b>§3.1 Salaries and Wages</b>											
PGM - Licensing Specialist	\$ 30,000	1.0000	\$ 2,500	0.0833	8%				\$ 27,500	0.9167	92%

Severance Pay



## Question #4

We have a contract with a Dietitian to provide proper meal planning for our RTSP programs. This contractor bills us at a rate of \$25 per hour. During CY 2012, the total cost paid to the Dietitian was \$26,000. How should this cost be identified on the DCS Cost Report?





## Response #4

Identify FSC – Dietitian in §3.3 Contracted Services. Cost and FTE should be allocated as follows :

**Total Cost:** \$26,000

**Total FTE:**  $0.5000 = (\$26,000 \div \$25/\text{hour} = 1,040 \text{ hours}; 1,040 \text{ hours} \div 2,080 \text{ hours/FTE} )$

**Allocation:** 100% to Maintenance



## Question #5

We are a residential service provider that has 3 full-time staff who for 9 months of the year act as teachers, and the other 3 months of the year assume the role of part-time child care workers. They each earn an annual salary of \$30,000. How should the cost of these employees be identified on the report?



## Response #5

There should only be one entry for the 3 full-time staff, (EDU – Teacher). Cost and FTE should be allocated as follows:

### Time Study

**Cost:**  $\$22,500 = \{(3 \text{ staff} \times \$30,000) \times (3 \text{ months} \div 12 \text{ months})\}$

**FTE:**  $0.7500 \text{ FTE} = \{(3 \text{ staff} \times 1.0000 \text{ FTE}) \times (3 \text{ months} \div 12 \text{ months})\}$

### Education

**Cost:**  $\$67,500 = \{(3 \text{ staff} \times \$30,000) \times (9 \text{ months} \div 12 \text{ months})\},$

**FTE:**  $2.2500 \text{ FTE} = \{(3 \text{ staff} \times 1.0000 \text{ FTE}) \times (9 \text{ months} \div 12 \text{ months})\}$



## Question #6



Our agency takes each child placed through the program out for pizza once a month. The total cost for this activity is \$5,000. How should this cost be identified on a DCS cost report for the following:

- a) Residential Treatment Services Provider (RTSP)?
- b) Child Placing Agency (CPA)?



## Response #6

**RTSP:** This cost should be identified in §4.1 Child/Resident, entered on the Food line entry, and be allocated to Maintenance.

**CPA:** This cost should be identified in §4.1 Child/Resident, entered on the Food line entry, and be allocated to Unallowable.

*NOTE: Costs to provide meals to CPA placements are picked up in the Foster Parent Per Diem.*



## Question #7

We have a small kitchen in our Main Office Building. Employees handling the direct administrative duties of our various programs are housed in this building. In this small kitchen, we provide coffee, bagels, and donuts to all the employees who work in this building. This cost totaled \$10,000 for CY 2012.

- a) Can this cost be identified on the DCS Cost Report? If yes, where should this cost be identified?
- b) How can a reasonable portion of this cost be allocated to each program?
- c) What column should this cost be allocated to?



## Response #7

- a) Yes, this cost should be identified in §4.2 Operating and entered on the Food/Household Supplies line entry.
- b) There are several methodologies that can be used to allocate this cost to each program. An allocation utilizing the Main Office Building's square footage dedicated to each program would be a reasonable methodology. However, an ideal methodology would utilize the FTE's that work in the Main Office Building, and then split the cost based on the % of each program's "FTEs" that work in the Main Office Building
- c) This cost should be allocated 100% to Administrative.



## Question #8

We are a residential provider with a utilization of 4,000 days. On our DCS Cost Report, we identified our food related items as follows:

- \$20,000 to §4.1, Food; allocated to Maintenance

*Note: \$40,000 GL Food Line + \$5,000 Donated Food Items - \$25,000 USDA National School Lunch Program Revenue*

- \$5,000 to §6.1, Donations; allocated to Donations / Fundraising
- \$25,000 to §6.1, USDA National School Lunch Program; allocated to Maintenance

During the desk audit, DCS Rate Setting Staff is asking why our food cost is low at \$5.00/day = ( $\$20,000 \div 4,000$  days). **(1)** Why are they asking me this question? **(2)** Did I identify my food related items correctly?



## Response #8

- (1) DCS Rate Setting Staff has developed a baseline for food costs per day based on a study published by the United States Department of Agriculture (USDA).

<http://www.cnpp.usda.gov/USDAFoodCost-Home.htm>

- (2) No, food items were not entered properly. Food items should have been identified as follows:

- \$40,000 to §4.1, Food; allocated to Maintenance  
*Note: \$40,000 GL Food Line*
- \$5,000 to §6.1, Donations; allocated to Donations / Fundraising
- \$25,000 to §6.1, USDA National School Lunch Program; allocated to Maintenance

Based on this information, food cost per day per child would equal \$10.00 = ( $\$40,000 \div 4,000$  days of utilization)



## Question #9

We have several vans that we use for both Direct Service Programs (i.e. transport residents to and from program activities), and for staff administrative requirements (i.e. staff usage for Conference / Training). If there is a major repair expense for the vans, how should the cost be allocated on the Gas, Oil, Maintenance & Repair line?





## Response #9

It should be allocated proportionally to the correct columns by a proper allocation methodology. In this case, a travel log would be the best methodology and the allocations would be to Administrative (staff usage for Conference / Training) and Maintenance (transport residents to and from program activities).





## Question #10

Our agency's central office is located outside of Indiana. The central office compiles the accounting figures and disseminates the needed information to each facility. Our accounting staff sends me a summary GL spreadsheet that combines personnel into common GL account numbers. As an example, the GL line entry for Upper Management identifies only a total cost and total FTE (this figure includes our Executive Director, Program Directors, their assistants, and a few other "Administrative" type positions). Do I need to split out the individuals, or can I enter the totals as just one amount, with one FTE, under one title?



## Response #10

If these costs are directly related to the operation of the program, then yes, the “Upper Management” total cost and FTE should be split out into individual positions (i.e. MGT – Executive Director, PGM – Program Director, etc...), and these amounts and FTE’s should be identified in §3.1 Salaries and Wages.

If these costs are NOT directly related to the operation of the program, then these costs and FTEs should be identified in §5.1 Indirect Personnel and entered on the Senior Management line entry.

*Tip #1: Do not report these costs in both §3.1 and §5.1.*

*Tip #2: Indirect Personnel & Operating costs should follow each other.*



## Question #11

Our staff mileage reimbursement cost for 2012 was \$10,000. In 2012, we reimbursed our staff at a rate of \$0.50/mile for travel related to transporting children to various appointments, and for both "In-Service" and general administrative training. How should we identify the \$10,000 cost on the DCS Cost report?



# Response #11

First of all, identify the amount that is over the 2012 State Mileage Reimbursement (\$0.44):  
 $\$0.44 \div \$0.50 = 0.88$  or 88%

- \$8,800 =  $(0.88 \times \$10,000)$  to be allocated between: Administrative, Maintenance, and Case Management
- \$1,200 =  $[(1.00 - 0.88) \times \$10,000]$  to be allocated to Unallowable



## Question #12

ABC, Inc. operates a CPA Foster Care program, a Residential program, and an Adult program. Their Executive Director, John, oversees the operations of the entire agency. In addition to acting as the Executive Director of the agency, John is also a licensed Psychologist and provides 5 hours of behavioral health therapy to children in the Residential programs each week. On average, he works about 50 hours a week and his salary is \$100,000. ABC's program generated revenue is identified in the table below. How should John's salary cost and FTE be identified on the following DCS Cost Reports:

- a) Residential Cost Report (RTSP)?
- b) Child Placing Agency Cost Report (CPA)?

CPA Program Revenue	\$4,000,000	40%
RTSP Program Revenue	\$5,000,000	50%
Adult Program Revenue	\$1,000,000	10%
<b>TOTAL PROGRAM REVENUE</b>	<b>\$10,000,000</b>	<b>100%</b>



# Response #12

*Note: We chose to allocate the cost of this position by % of Revenue*

## a) RTSP Cost Report

**Total Cost:** \$55,000

Behavioral Health: \$10,000 =  $\{\$100,000 \times (5 \text{ hours} \div 50 \text{ hrs/week})\}$

Administrative: \$45,000 =  $\{(\$100,000 - \$10,000) \times (\$5,000,000 \div \$10,000,000)\}$

**Total FTE:** 0.5500

Behavioral Health: 0.1000 =  $\{(1.0000 \text{ FTE} \times (5 \text{ hours} \div 50 \text{ hrs/week})\}$

Administrative: 0.4500 =  $\{(1.0000 - 0.10000) \times (\$5,000,000 \div \$10,000,000)\}$

## b) CPA Cost Report

**Total Cost:** \$36,000 =  $\{(\$100,000 - \$10,000) \times (\$4,000,000 \div \$10,000,000)\}$

**Total FTE:** 0.3600 =  $\{(1.0000 - 0.10000) \times (\$4,000,000 \div \$10,000,000)\}$

*Note: Allocate 100% to Administrative*



## Question #13

Our Residential program employs housekeeping staff that clean only the program living units. During CY 2012, a total of 3 people held the “housekeeper” position. 1 full-time employee and 2 part-time employees were on staff for the entire CY 2012. Our GL Housekeeper-Salaries line entry was \$36,400 for CY 2012. The full-time housekeeper was paid \$12.50 an hour and the two part-time housekeepers were paid \$10.00 an hour. We are not sure exactly how many hours the part-time staff worked. How should the cost and FTE information for this staff be identified on the DCS Cost Report?



# Response #13

There should only be one entry for the 3 “housekeeping” staff, (FAC - Housekeeper). Cost and FTE should be identified in §3.1 Salaries and Wages and allocated as follows:

## Maintenance

full-time staff:  $\$26,000 = (\$12.50/\text{hour} \times 2,080 \text{ hours}/\text{FTE})$

part-time staff:  $\$10,400 = (\$36,400 - \$26,000)$

**Total Cost:**  $\$36,400 = (\$26,000 + \$10,400)$

full-time staff: 1.0000 FTE

part-time staff:  $0.5000 \text{ FTE} = (\$10,400 \div \$10.00/\text{hour} = 1,040 \text{ hours}; 1,040 \text{ hours} \div 2,080 \text{ hours}/\text{FTE})$

**Total FTE:**  $1.5000 \text{ FTE} = (1.0000 \text{ FTE} + 0.5000 \text{ FTE})$



## Question #14

We have an Administrative Assistant whose main responsibility is to perform the general administrative duties for the operation of our CPA Foster Care Program. They also takes on a small caseload and spend on average, 8 hours a week performing these case management duties. This position is paid a salary of \$25,000. This position works a standard 40-hour week.

We also had a total of 14 employees (both full-time and part-time) in the position of Case Manager who complete the case management for the placements in the CPA Foster Care Program. The total wages paid to the Case Manager position in CY 2012 was \$208,000, which related to 20,800 hours worked at this position.

- a) How should the Case Manager position's cost and FTE be identified on the DCS Cost Report?
- b) How should the Administrative Assistant's cost and FTE be identified on the DCS Cost Report?



# Response #14

- a) Identify 1 entry for the 14 Case Managers (PGM – Case Manager). Cost and FTE should be identified in §3.1 Salaries and Wages and allocated as follows:

## Time Study

**Total Cost:** \$208,000 (total wages paid to position)

**Total FTE:** 10.0000 = (20,800 hours ÷ 2,080 hours/FTE)

- b) Identify ADM – Administrative Assistant in §3.1 Salaries and Wages. Cost and FTE should be allocated as follows:

## Time Study

**Total Cost:** \$5,000 = {\$25,000 × (8 hours ÷ 40 hours)}

**Total FTE:** 0.2000 = {1.0000 × (8 hours ÷ 40 hours)}

## Administrative

**Total Cost:** \$20,000 = {\$25,000 × (32 hours ÷ 40 hours)}

**Total FTE:** 0.8000 = {1.0000 × (32 hours ÷ 40 hours)}



## Question #15

We reimbursed our child care workers for expenses for continuing education in the following topics: First-Aid CPR, In-Service Training, Behavioral Modification Techniques, and Crisis Intervention. What line of §3.2 Fringe Benefits and Payroll Taxes should we report this cost?



# Response #15

1. This is not a Fringe Benefit. This is a cost that is required for the staff to perform their job. This cost should be identified within §4.2 Operating, identified on the Other Operating line and allocated to the most appropriate cost column(s).
2. Method of Allocation: Determine which staff participated in this cost, and the relative cost for the various activities/training listed to determine most appropriate allocation.



## Question #16

What type of fees should be included in line School Supplies & Fees?  
How do these fees differ from Fees, Dues, & Subscriptions in §4.2 Operating?



## Response #16

School Supplies & Fees in §4.1 Child/Resident include cost that directly attributable to residents, such as expenses for school field trips, paper, notebooks, pens, pencils, various other items needed for school projects.

Fees, Dues, & Subscriptions in §4.2 Operating includes legal & professional fees, professional membership dues, newspaper subscriptions, bank fees.

Method of Allocation: (Unallowable cost column for any dues or fees that are unallowable per federal guidelines or 465 IAC 2-16-23 and 465 IAC 2-17-25.



## Question #17

We are a large multi-program facility providing residential, foster care, and home based services. As part of our residential component, we have three different jobs, all referred to as Program Directors. Our first Program Director is a Director of Group Living and oversees all residential services.

Our second Program Director is a Shift Supervisor and is primarily responsible for the daily management and supervisory control of specific residential programs under the supervision of the Director of Group Living.

The third Program Director is a Unit Manager and is primarily responsible for managing the day-to-day operation of the assigned living unit. They also have direct supervision of case managers and front-line staff.

How should these three positions be named and allocated on the cost report?

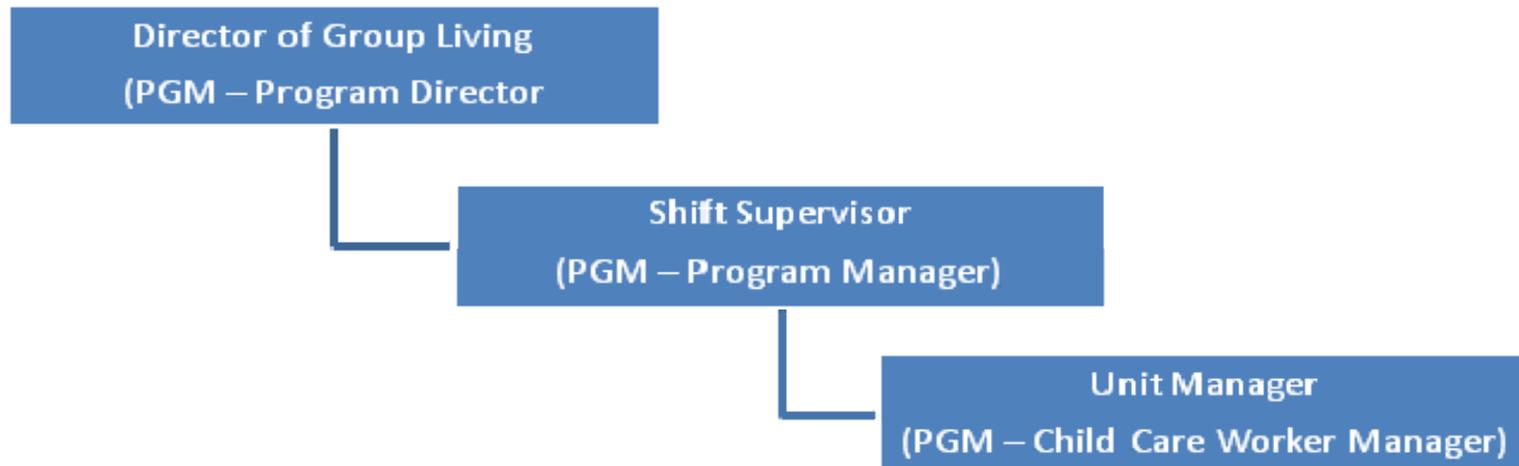


# Response #17

**Director of Group Living** should be labeled PGM – Program Director and allocated to Administrative.

**Shift Supervisor** should be labeled PGM – Program Manager and should be allocated based on the duties for which they perform.

**Unit Manager** should be labeled PGM – Child Care Worker Manager and allocated to Time Study.





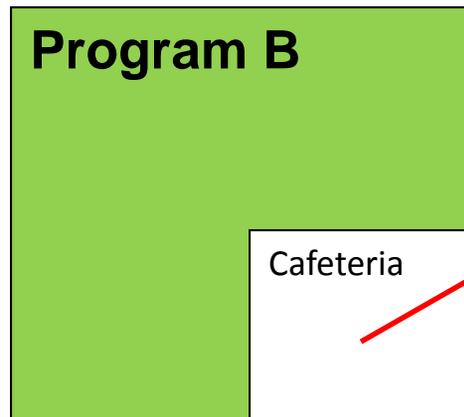
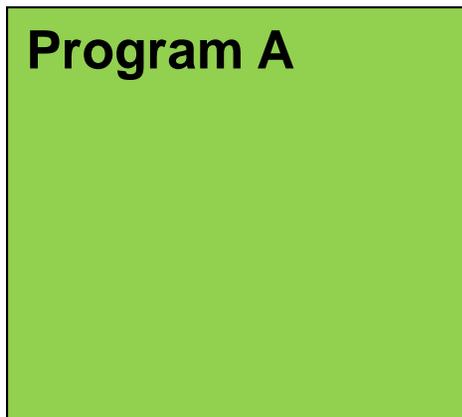
## Question #18

Our Program A and Program B children eat at a cafeteria that is located within Program B's Building. How should the cafeteria expenses & reimbursements be included to both reports?



# Response #18

The cost for the cafeteria needs to be accounted for by both Program A and Program B, even though the cafeteria is physically located in Program B's Building.



- §3.1 Salaries and Wages
- §3.2 Fringe Benefits & Payroll Taxes
- §3.3 Contracted Services
- §4.1 Child/Resident
- §4.3 Occupancy



## Question #19

A provider has hired a consultant to help in completing the DCS Cost Report. The consultant's rate was \$100/hour, and worked a total of 10 hours. How should this cost be identified on the cost report?



# Response #19

## §4.2 Operating

## Other Operating

## Case Management



### Title IV-E

#### Code of Federal Regulations, Title 45 (Public Welfare) 45 CFR 1356.60(c)(2)

"(2) The following are examples of allowable administrative costs necessary for the administration of the foster care program:

- (i) Referral to services;
- (ii) Preparation for and participation in judicial determinations;
- (iii) Placement of the child;
- (iv) Development of the case plan;
- (v) Case reviews;
- (vi) Case management and supervision;
- (vii) Recruitment and licensing of foster homes and institutions;
- (viii) Rate setting; and ←
- (ix) A proportionate share of related agency overhead.
- (x) Costs related to data collection and reporting"

Source: <http://www.gpo.gov/fdsys/pkg/CFR-2004-title45-vol4/xml/CFR-2004-title45-vol4-sec1356-60.xml>



## Question #20

A provider has hired a consultant to help in the Administrative Review and/or Administrative Appeal. The consultant's rate was \$100/hour, and worked a total of 10 hours. How should this cost be identified on the cost report?



# Response #20

## §3.3 Contracted Services

Other Contracted Services (description required on Attachment tab)

Unallowable

CPA: 465 IAC 2-17-23(c)(11)(B)(i)

RTSP: 465 IAC 2-16-21(c)(11)(B)(i)



# General Questions

