

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

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**ADP BULLETIN**

Title BUDGETING AND REPORTING COUNTY ADMINISTRATIVE COSTS		Issue Date: 5-16-00 Expiration Date:	Issue No. 00-16
Acting Deputy Director Approval (signed by) ANN HORN Division of Administration	Function: [] Information Management [] Quality Assurance [] Service Delivery [X] Fiscal [] Administration	Supersedes Bulletin/ADP Letter No. Not applicable	

PURPOSE

To provide direction for proper budgeting and reporting of county administrative costs to ensure that Negotiated Net Amount (NNA) and Drug Medi-Cal (DMC) funding sources reimburse their fair share of these costs.

DISCUSSION

The primary concern that has arisen is the possibility of using NNA funds to pay for some or all of the cost of DMC administration. The risk of such a practice is the possibility of using one federal funding source (i.e., SAPT Block Grant) to subsidize another federal funding source. A secondary concern is the effect of under-reporting of DMC costs on the process for calculating subsequent year DMC maximum allowances.

Consequently, it is necessary that DMC counties submit cost reports and contract budgets that reflect a reasonable allocation of the county administrative cost component between NNA funding and DMC funding. To be considered reasonable, it would be expected that a county's administrative cost percentage of direct service costs for DMC be approximately equal to the NNA administrative cost percentage. Some variation might occur as a result of the fixed percentage mandated for DMC funded narcotic treatment programs. Also, some counties may require staff to track time spent by funding source in order to drive the allocation process, which could also cause some variation between DMC and NNA. Based on the amount of paper transactions and processing, tracking staff time would likely result in a proportionately larger allocation of costs to DMC.

ADP's Contracts Management Branch (CMB) and Fiscal Management Branch (FMB) will ensure compliance with this requirement and work with counties to ascertain the availability of appropriate funding to backfill any resulting DMC cost overruns. For cost report purposes, FMB will question apparent irregularities regarding county administrative cost allocations and require additional information as necessary to properly complete interim settlements. Such requests will be made of some counties during the interim settlement process for FY 1998-99 cost reports.

For contract budgeting purposes, CMB will require reasonable county administrative cost figures for NNA and DMC beginning with the final amendment for FY 1999-00.

This issue will be discussed in the Contracts and Grants Tracking Training for FY 2000-01 that will be provided by ADP in June 2000. It will also be covered in the FY 1999-00 Cost Report Training (proposed dates in July 2000). Your questions can be addressed at this time.

REFERENCES

OMB Circular A-87, Attachment A, Section C.3. Allocable Costs (excerpt enclosed).

HISTORY

ADP [#95-45](#) and [#98-18](#) discussed the issue of cost allocation between DMC and other funding sources, but without specific reference to county administrative costs.

QUESTIONS/MAINTENANCE

If you have questions regarding cost reporting, please contact Susan Wilson, Fiscal Management Branch, at (916) 323-6698. For questions regarding contract budgeting, please contact Barbara Howard, Contracts Management Branch, at (916) 327-5651. If you have audit-related questions, please contact Andy Dill at (916) 324-6406.

EXHIBITS

None.

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