



STATE OF DELAWARE
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AOA Contract Cost Allocation Proposal

1. Continue to use CPA Overhead Rate calculated by Maximus

This rate is independently calculated as part of the Statewide Cost Allocation Plan (SWCAP) by Maximus, in conjunction with the State Office of Management and Budget (OMB). The SWCAP represents recoveries of statewide general administrative costs (i.e. indirect costs) incurred by central service agencies that provide services such as budgeting, accounting, and auditing to all State agencies. These are services that benefit operating agencies on a fee-for-service or similar basis. These costs are allocated to benefitted agencies on some reasonable basis.¹ The SWCAP is submitted to the State's federal cognizant agency each year, as required, and is audited as part of the State's annual audit of federal funds (Single Audit).

Each year, AOA provides data from our internal time keeping and contract tracking system, along with data from First State Financials (FSF) and Payroll Human Resource Statewide Technology (PHRST), the State's accounting and payroll systems. The hours spent on contracts by AOA staff include time spent managing individual contracts, as well as time spent on the procurement process, including legal document reviews and proposal scoring and selection process. This time has historically not been tracked at the individual contract level as it is not required for the rate calculations. This information is used to independently calculate audit hourly billing rates and the CPA overhead rate using actual costs from the most recently completed year to estimate rates for future recovery. These rates are reconciled, or tried up, each year with a carryforward that accounts for over- or under-recoveries from previous years.² This process includes only statewide central services that are allowable under federal cost reimbursement policies.

For each contract, AOA monitors the audit and performs reviews of the work performed and deliverables submitted by the CPA firms. As such, AOA also reviews the bills submitted by the CPA firms and, once approved, submits the bill to the individual agency responsible for paying for the audit and includes a charge using the current fiscal year CPA overhead rate applied to that bill.

¹ 2 CFR 200 Subpart E, Appendix V

² According to 2 CFR 200 Subpart E, Appendix V: Allocated central service costs are usually negotiated and approved for a future fiscal year on a "fixed with carry-forward" basis. Under this procedure, the fixed amounts for the future year covered by agreement are not subject to adjustment for that year. However, when the actual costs of the year involved become known, the differences between the fixed amounts previously approved and the actual costs will be carried forward and used as an adjustment to the fixed amounts established for a later year. This "carry-forward" procedure applies to all central services whose costs were fixed in the approved plan.

2. Charge an hourly rate for time spent on individual contracts

This would require AOA to change our current timekeeping process to include tracking of hours at the individual contract level, as well as separate time tracking for administrative overhead as described above. Using this new process, AOA would bill the individual agency/audit for actual hours spent at the hourly billing rates calculated in the SWCAP by Maximus (as described above). Rather than assessing the CPA overhead rate on each bill received, AOA would have to change administrative processes to consolidate all of the time spent on the contracts and calculate the individual bills. In addition, AOA would have to add an overhead rate to these individual bills for the previously described administrative overhead.

Historical Rates

The historical CPA overhead rate and the hourly billing rates are as follows:

Fiscal Year	Audit Management	Audit Supervisor	Audit Staff	CPA Overhead
2009	\$ 136	\$ 127	\$ 96	6.90%
2010	126	115	110	5.73%
2011	179	167	125	8.13%
2012	188	128	112	3.53%
2013	446	172	82	1.18%
2014	168	165	81	9.48%
2015	162	86	34	15.65%
2016	210	71	58	15.34%
2017	186	97	107	8.31%
2018	162	191	115	23.77%
2019	136	121	78	0.00%

Conclusion

As the SWCAP process is a generally accepted practice among both State and Federal governments, AOA believes that deviating from the practice that we apply to all contracts managed will be burdensome and could ultimately results in higher contract management costs. Furthermore, AOA believes that having the CPA overhead rate calculated by an entity outside of AOA gives more credibility to the rate used.