



**COUNTY OF EL DORADO, CALIFORNIA
BOARD OF SUPERVISORS POLICY**

Subject: INTRA-COUNTY SERVICE CHARGES POLICY	Policy Number B-8	Page Number: 1 of 7
	Date Adopted: 08/20/1996	Revised Date:

BACKGROUND:

El Dorado County has evolved two methodologies to deal with the cost of services between departments - direct charging and the cost allocation plan process (Office of Management and Budget - OMB - Circular A-87). Direct charging involves one department billing another department for services rendered. The A-87 cost allocation plan is a federal policy dictating how specific internal service costs are allocated to county programs.

The Board of Supervisors has indicated concern regarding management practices associated with our current direct charging system. Departments, likewise, have exhibited a growing concern and frustration with current methodology and practices in the area of direct charging. In addition, departments have expressed concern over the impacts of varying methodologies utilized for direct charges when County department budgets are reduced as financial resources diminish and costs rise.

There are a variety of reasons for direct charging and A87 cost allocation: 1) maximize the County's reimbursement from the Federal and State Governments; 2) reflect all costs associated with a program within that program's budget; 3) encourage the allocation of scarce resources, and prevent overuse or wasteful use of resources by user departments.

PURPOSE:

Intra-county charges require review and scrutiny to ensure that all entities, departments, other governments, and the public are charged for services that are appropriate and supported by approved accounting methods. This policy establishes procedures for an annual review, coordinated by a steering committee, of intra-county charges (direct and A-87) to be used in the development of the annual budget.



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POLICY:

County departments providing services to other county departments and either direct charging other county departments for services or charging other departments via the A-87 process are subject to this policy.

A. Service Charge Review Committee

1. Membership: The committee shall consist of departments as follows:
 - a. Chief Administrative Officer's designee (Chair);
 - b. lead person in the Auditor Controller office who is responsible for the preparation of the A-87 cost plan;
 - c. key financial staff (one each) from the Transportation and Social Services departments; and
 - d. key financial staff (one each) from each of the functional groups - General Government, Law and Justice, Development Services, and Health and Human Services.
2. Committee members from the four functional groups will serve for a two year term.
3. The committee will meet as required.
4. Duties - Service Charges



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- a. Recommend to the CAO and Auditor Controller which services will be direct charged and which will be allocated via the A-87 cost allocation process.
 - b. Review and recommend to the CAO and Auditor Controller the methodology for developing service charges - A-87 and direct charging.
 - c. As requested by the CAO or Auditor Controller review and provide a cost analysis of the impact to user departments for enhanced/reduced services.
 - d. Advise service departments on fee development, provide guidelines and handbooks, and create examples of charge development plans.
5. Duties - Miscellaneous
- a. Update the policy as necessary.
 - b. Produce a charge methodology annual report to the CAO for review and approval with interim reports as appropriate. The annual report shall be submitted in November of each year in order to be incorporated in the annual budget instructions produced by the CAO.
 - c. Review and recommend changes to the CAO and Auditor-Controller following audit exception reports relating to service department charges.



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- d. Perform special reviews as requested by the CAO, the Auditor-Controller, and Board of Supervisors. Any department may request a special review through either the CAO or Auditor-Controller.
- B. Criteria for Charging - The Service Charge Review Committee will consider the following factors when evaluating the benefits of direct charging:
1. Enhances revenue.
 2. Provides policy maker information.
 3. Accountability.
 - a. Resources
 1. Encourages the allocation of scarce resources by user departments and the prevention of overuse or wasteful use of resources by user departments.
 2. Assists in a cost/benefit analysis.
 - (i) Identifies services which may be provided more efficiently or at a lower cost within the department.
 - (ii) Identifies services which must be centralized.
 - b. Encourages efficiency through comparison of competitive markets.



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c. Enhances budgeting control.

C. Methodologies for Direct Charging and A-87

1. Central-service department charges will be prepared in accordance with the policies and procedures contained in the OMB Circular A-87.
2. Noncentral-service department charges shall be based on generally accepted accounting principals and where appropriate the OMB Circular A-87 cost allocation plan.

D. Approval Process

The Service Charge Review Committee will prepare an annual report to the CAO for review and approval regarding the methodologies for departmental service charge use. Following CAO approval, the report will be made available to all departments. The report will be submitted to the CAO in November so that approved methodologies will be utilized in the annual budget development.

E. Mid-cycle, Mid-Year Adjustments

1. No Department can, following the formal adoption of the fiscal year budget, develop and charge another department for charges not included in the approved budget unless the following occurs (this does not preclude departments from requesting additional services and paying for them with budget savings or new funding):



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- a. Service Charge Review Committee approves the methodology for calculating service charges;
- b. The CAO approves the charges;
- c. The CAO/Board approves a funding/payment plan for the department receiving services.

F. Billing

1. Billing for services that are direct charged will be completed monthly with exceptions approved by the Service Charge Review Committee.
2. A notice of charges will be sent to each department. Prior to submitting the charges to the Auditor-Controller for posting, departments will have five days to review the charges.
3. If the department objects to the charges, the service department should be contacted immediately. Resolution may result in changes. If the charges have already been posted and require a change, the service department should submit a journal entry to revise.
4. Total service "charges" shall not exceed total service "cost."

G. Budget Reduction Impacts On Intra-County Service Charges

With few exceptions, if across the board prorated reductions are required in order to accommodate reduced funding sources, service departments will be reduced



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prior to developing the direct charge to be applied to departments. Exceptions will occur for specific areas where costs are paid by one department on behalf of many departments. For example, General Services pays the utility charge for most County departments.

Primary Department: Chief Administrative Office
Auditor/Controller

References: None