

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



May 21, 2001

COUNTY FISCAL LETTER (CFL) NO. 00/01-78

TO: COUNTY WELFARE DIRECTORS
COUNTY FISCAL OFFICERS
COUNTY AUDITOR CONTROLLERS
COUNTY PROBATION OFFICERS

SUBJECT: NEW INSTRUCTIONS FOR DIRECT CHARGE METHODOLOGY

REFERENCE: CFL NO's. 97/98-48 DATED JANUARY 12, 1998, 97/98-42 DATED
JANUARY 21, 1998, 97/98-26 DATED OCTOBER 15, 1997, 97/98-01
DATED JULY 2, 1997

This CFL informs counties of the discontinuance of the Direct Charge Methodology Detail Certification Form, DFA 327.9, and issues new instructions for informing the California Department of Social Services (CDSS) of the use of a direct charge methodology, effective with the September 2001 Quarter.

Previously, counties choosing to use a direct charge methodology for support operating costs would complete and submit a DFA 327.9. This form provided the State information on the county's methodology for direct charging specific operating costs to a function or program.

Beginning with Fiscal Year (FY) 2001/2002, the procedure for counties to initiate a direct charge methodology has been simplified. Counties will now submit to the CDSS, Fiscal Policy Bureau (FPB), a letter of intent to direct charge support operating costs. This letter will be due on the 15th of the month prior to the quarter of implementation of the new methodology (i.e., for the March 2002 Quarter, the letter will be due December 15, 2001) and will require the following information:

1. Notification of intent to direct charge support operating costs.
2. Quarter of implementation of the new methodology.
3. Signature of the County Fiscal Officer, Director, or Representative with a designated signature on file with the CDSS.

(See Attachment for a sample letter of intent for support operating costs direct charge methodology.)

Within 30 days of receipt of the letter of intent, the FPB will forward an acknowledgement letter to the county. If the county submits the information required, the county will then have the ability to direct charge their support operating costs. No other letters of intent or notifications for direct charge methodology will be required. If the letter of intent for the new methodology does not provide sufficient information or a correct signature, the county will be notified. The new methodology will not be implemented until the required information has been received.

A county may choose to implement its direct charge methodology at the beginning of the FY or any quarter during the FY. The chosen methodology must remain in effect for the entire FY or remainder of the FY depending upon the quarter of implementation. A county can only discontinue a methodology at the beginning of a new FY. If a county chooses to discontinue their direct charge methodology, the county must submit to the FPB a letter of intent signed by their county's Fiscal Officer, Director, or Representative with a designated signature on file with the CDSS. The county will then no longer have the ability to direct charge.

For counties who have an existing direct charge methodology for support operating costs on file, that methodology will continue. All current DFA 327.9s will remain on file with the CDSS as long as the county chooses to use the direct charge methodology. If a county with an existing methodology chooses to revise their current methodology, the county must submit a letter of intent as described in this CFL. If the request contains the required information, it will be placed on file with the existing DFA 327.9.

Counties are reminded that all State and federal laws/regulations/guidelines with respect to claiming direct costs still apply.

- Counties retain overall responsibility for ensuring that the methodologies employed result in an equitable allocation of costs. If a subsequent review discloses an inequity, counties will be required to submit revised claims.
- Costs claimed are subject to audit and counties are liable for any audit exceptions not in compliance with federal and State laws/regulations/guidelines.
- Counties must ensure that costs claimed on the CEC be accorded consistent treatment.

“A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost [Office of Management and Budget (OMB) Circular A-87, Section C.1.f.]”

- Costs must be consistently treated as direct or indirect under like circumstances.

“This is to prevent a practice where some of the costs of a given activity are directly identified to programs/functions while other costs that could have also

been charged as direct are treated as indirect. The distribution of a cost grouping or objective must include all benefiting programs/activities in the base, whether they are direct or indirect [OMB Implementation Guide, Section 2-11].”

If you have any questions regarding this CFL, please contact the Fiscal Policy Bureau at (916) 657-3440.

Sincerely,

***Original Document Signed By
Jeff Hiratsuka on 5/30/01***

MARY JANE ARCHER, Chief
Fiscal Systems and Accounting Branch

Attachment

C: CWDA

DATE

Carla Lenerd, Chief
Fiscal Policy Bureau
Department of Social Services
744 P Street, MS 8-100
Sacramento, CA 95814

SAMPLE LETTER OF
INTENT FOR SUPPORT
OPERATING COSTS
DIRECT CHARGE
METHODOLOGY

Dear Ms. Lenerd:

SUBJECT: DIRECT CHARGE METHODOLOGY

This is to inform the California Department of Social Services, Fiscal Policy Bureau, of (Name) County' s intent to (Implement/Discontinue) a Direct Charge Methodology for identifying Support Operating Costs.

This change in methodology for direct charging a specific operating cost to a function or program will be implemented beginning the (March/June/September/December) Quarter, 200 .

We understand that a request to implement a new methodology is due prior to the quarter of implementation and that the chosen methodology must remain in effect until the end of the fiscal year. If we choose to discontinue the methodology, it must be done at the beginning of a new fiscal year by submitting a written document signed by our County Fiscal Officer, Director, or Representative with a designated signature on file with the CDSS. (Name) County also acknowledges that all State and federal laws/regulations/guidelines with respect to claiming direct costs still apply.

If additional information is required, please contact (Name and phone number of contact person).

Sincerely,

Authorized Signature

Title

Phone Number