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# 1. INTRODUCTION

## A. OVERVIEW

All providers will complete a cost report using the prescribed format for a twelve-month period. The purpose of the cost report is to define the cost of each service by service center. The cost report is comprised of Schedule A – Expenses, Schedule B - Revenues, and Schedule C-Census along with Attachment One. The horizontal axis of the cost report depicts all service centers / programs as well as the “Total” and “Adjustment” columns. The vertical axis represents various accounts. Schedule A has a Chart of Accounts unique to Schedule A and Schedule B has a Chart of Accounts unique to Schedule B. The cost report must be completed on an accrual basis of accounting.

Information to complete the cost report may come from various sources depending on each agency’s method of tracking costs. Personnel, payroll, provider expense records, and activity logs are examples of tools that may be used to compile information to complete the cost report.

## B. GENERAL GUIDELINES

1. Deadline: The deadline for returning the required annual cost report to the Department is four months after the provider’s fiscal year-end. All incomplete or incorrect reports will be returned to the provider for corrections.
2. Contents: The complete annual cost report includes: Schedules A, B and C, Attachment One and Notes to Schedules A and B. These forms will cover the agency’s twelve-month fiscal year.
3. Method of Submission: Schedules A and B and Notes to Schedules A, B, and C shall be included in the annual entity wide audit (*The entity wide audit is currently not required of Department of Social Services only providers. Providers of services for the Department of Social Services that are currently not required to submit an entity wide audit to the Department of Human Services are only required to submit the completed schedules*) as prescribed in Sections 3 and 4. Schedules A, B, and C, Notes to Schedules A and B and Attachment One shall be submitted directly to the Department of Social Services via email.
4. Use of columns: A separate column shall be used for each service center or program.
5. Use of lines: Report expenses and revenues on the appropriate line based upon the nature of the item.
6. Supporting Documentation: All expenses and revenues reflected on these forms must be supported by the provider’s general ledger. Worksheets or an explanation that reasonably justifies the entry must support adjusting journal entries. All records

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and worksheets used in preparing the reports must be Submitted with the report of audit.

7. Rounding: All costs reported on Schedule A are to be gross costs and rounded to the nearest dollar
8. Adjustments: The Adjustment Column may be used to report items included in the audited Financial StatecopyofFY07CostReportGuidelinesments that may not be allowable expenses or reportable revenues to service centers.

## **C. FINANCIAL REPORTING REQUIREMENTS**

### **1. Records**

- a. The provider shall maintain on the premises the required service records and financial information sufficient to provide for a proper audit or review, including documentation to support the rationale for direct assignment to specific service centers or the allocation to numerous service centers. Sufficient data must be available as of the audit date to fully support any item being claimed on the cost report.
- b. Accounting or financial information regarding related organizations must be readily available to substantiate cost.
- c. Records must be retained for six years following the submission of the cost report. Records relating to unresolved audits must be retained until final resolution of the audit. Records must be available upon reasonable demand to representatives of the Department and/or Attorney General's Medicaid Fraud Unit and/or to the US Secretary of Health and Human Services or representatives thereof.

### **2. Accounting and Reporting Requirements**

- a. The accrual basis of accounting must be used for reporting purposes.
- b. The accounting system must be structured so that cost accounts are grouped by service center and traceable to the cost report.
- c. Generally accepted accounting principles must be followed unless the Department specifies alternative treatment.
- d. Costs reported must include all actual costs and adjustments for non-allowable costs. The Department will forward all items identified as fraudulent or abusive to the Attorney General's Medicaid Fraud Unit.

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- e. Costs must be allocated by the method identified in the guidelines for Schedule A – Expenses for services used for more than one operational program, administration or non-allowable activity.
  - f. Building depreciation shall be limited to 3% on masonry and 4% on frame buildings and shall be calculated on the straight-line method. Generally accepted accounting procedures will be used in determining the life of any addition(s) to primary structures.
  - g. Depreciation on fixed equipment shall be calculated on the straight-line method, following the American Hospital Association (AHA) Guidelines for any item(s) purchased after January 1, 1987.

Depreciation on major movable equipment, furniture, automobiles, and specialized equipment shall be calculated on the straight-line method, following the American Hospital Association (AHA) Guidelines for any item purchased after January 1, 1987. Deviations from AHA Guidelines may be granted in those instances in which providers can furnish the Department with documented historical proof of useful life.

- h. Funded Depreciation Accounts
  1. A funded depreciation account can be established for the replacement of capital assets and can be funded at a rate not greater than current annual depreciation.
  2. The establishment of the fund and the procedures governing the fund must be specifically approved by the provider's board of directors.
  3. The approved procedures must stipulate the rate by which the account will be funded and shall delineate the items to be purchased with the fund.
  4. Providers must use the account for the purchase of capital items as defined by their internal procedures. Transfers from the funded depreciation reserve account will be allowed for necessary cash flow purposes as long as the transfer does not cause the agency to exceed operating reserve standards set forth in the Cost Report Preparation Guidelines (see Reserve Funds policy, page 7).
  5. Providers with funded depreciation accounts shall use the following format for their annual audited financial statement. Funded depreciation accounts will be recorded:
    - a. in the Assets section under the heading "Designated for Capital Asset Replacement". The amount may appear in various places in the Assets section depending on whether the money is in a checking account, Money Market fund, CD's, Time Deposits, etc. or

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- b. in the Unrestricted Net Assets section under the heading “Designated for Capital Asset Replacement”.
  - i. No reimbursement shall be allowed for additional costs related to sub-leases.

### **3. Auditing**

The provider shall have an annual entity-wide independent audit covering the same reporting period as the cost report. Worksheet entries reconciling the cost report to the audit shall be prepared either by the provider or the auditor and shall be included with the cost report (see Page 23, Notes to Schedule A and Notes to Schedule B). The audit shall be submitted to the Department of Human Services. *(The entity wide audit is currently not required of Department of Social Services only providers. Providers of services for the Department of Social Services that are currently not required to submit an entity wide audit to the Department of Human Services are only required to submit the completed schedules)*

#### **A-133:**

If applicable, audits shall be conducted in accordance with OMB Circular A-133 by an auditor approved by the Auditor General to perform the audit. Approval may be obtained by forwarding a copy of the audit engagement letter to:

Department of Legislative Audit  
A-133 Coordinator  
427 South Chapelle  
c/o 500 East Capitol  
Pierre, SD 57501-5070

On continuing audit engagements, the Auditor General's approval should be obtained annually. Audits shall be completed and filed with the Department of Legislative Audit by the end of four months following the end of the fiscal year being audited.

Failure to complete audits as required will result in the disallowance of audit costs as direct or indirect charges to programs. Additionally, a percentage of awards may be withheld until the audit is completed satisfactorily, overhead costs may be disallowed, and/or awards may be suspended until the audit is made.

### **4. Submission of Audit:**

- a. A copy of the completed audit report shall be provided to the Department by the end of four months following the end of the fiscal year being audited.
- b. The cost report shall be tested by an independent auditor and a statement indicating such should be included in the audit report.

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- c. Cost Report forms (Schedules A and B) shall be included in the paper audit report, Supplementary section, and shall also be submitted to the Department electronically via email. Testing requirements for sub-categories on Schedule A are as follows:
1. Personnel Services: If expenses charged to this area of the cost report (Total column, TOTAL PERSONNEL SERVICES) are 65% or greater of total agency expenses on Schedule A, the sample test size shall be 10 employees. Of these two (2) shall be Administrative staff and eight (8) shall be Professional staff. If expenses charged to this area of the cost report are less than 65% of total agency expenses, the sample test size shall be five (5) employees. Of these one (1) shall be Administrative staff and four (4) shall be Professional staff.
  2. Personnel Benefits and Taxes: Test allocations for the same employees selected for Personnel Services testing.
  3. Professional Fees and Contract Services: If expenses charged to this area of the cost report (Total column, TOTAL PROFESSIONAL FEES AND CONTRACT SERVICES) are 6% or greater of total agency expenses on Schedule A, the sample test size shall be six (6) transactions. If expenses charged to this area of the cost report are less than 6% of total agency expenses, the sample test size shall be three (3) transactions.
  4. Travel/Transportation: If expenses charged to this area of the cost report (Total column, TOTAL TRAVEL/TRANSPORTATION) are 5% or greater of total agency expenses on Schedule A, the sample test size shall be three (3) transactions. If expenses charged to this area of the cost report are less than 5% of total agency expenses, the sample test size shall be zero (0) transactions.
  5. Supplies: If expenses charged to this area of the cost report (Total column, TOTAL SUPPLIES) are 5% or greater of total agency expenses on Schedule A, the sample test size shall be three (3) transactions. If expenses charged to this area of the cost report are less than 5% of total agency expenses, the sample test size shall be zero (0) transactions.
  6. Occupancy: If expenses charged to this area of the cost report (Total column, TOTAL OCCUPANCY) are 7% or greater of total agency expenses on Schedule A, the sample test size shall be three (3) transactions. If expenses charged to this area of the cost report are less than 7% of total agency expenses, the sample test size shall be one (1) transaction.
  7. Equipment: If expenses charged to this area of the cost report (Total column, TOTAL EQUIPMENT) are 5% or greater of total agency

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expenses on Schedule A, the sample test size shall be three (3) transactions. If expenses charged to this area of the cost report are less than 5% of total agency expenses, the sample test size shall be zero (0) transactions.

8. Depreciation: If expenses charged to this area of the cost report (Total column, TOTAL DEPRECIATION) are 5% or greater of total agency expenses on Schedule A, the sample test size shall be three (3) transactions. If expenses charged to this area of the cost report are less than 5% of total agency expenses, the sample test size shall be zero (0) transactions.
9. Miscellaneous: If expenses charged to this area of the cost report (Total column, TOTAL MISCELLANEOUS) are 5% or greater of total agency expenses on Schedule A, the sample test size shall be three (3) transactions. If expenses charged to this area of the cost report are less than 5% of total agency expenses, the sample test size shall be zero (0) transactions.

*(The entity wide audit is currently not required of Department of Social Services only providers. Providers of services for the Department of Social Services that are currently not required to submit an entity wide audit to the Department of Human Services are only required to submit the completed schedules)*

## 5. **Filing Extensions**

- a. No automatic extensions for filing of the annual cost report or audit report will be made. All requests **must** be in writing and **must** be received by the Department at least 10 working days prior to the due date.
- b. Requests must clearly explain the reason for the extension and identify the date on which the report will be submitted.
- c. Approval of extensions will be granted for good cause at the sole discretion of the Department. The provider will be notified in writing of the approval or denial. A "good cause" is one that supplies a substantial reason, affords a legal excuse for the delay, or an intervening action beyond the provider's control. The following are not considered "good cause": ignorance of the rule, inconvenience, and/or a cost report preparer and/or independent public accountant is engaged in other work.
- d. Amendments to reported costs will not be allowed after the cost reports have been used to determine rates.

## 6. **Reserve Funds Policy** (This does not pertain to Department of Social Service Programs)

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Reserve funds (excluding restricted trust or endowments, and/or funded depreciation accounts) shall not exceed 90 days total operating expenses. The Department calculates agency reserves using information reported in the annual independent audited financial statements. The formula for calculating reserves is: Reserves = (Unrestricted Funds – Funded Depreciation and Endowments). Sinking funds specifically reserved for building or equipment replacement may be excluded to the extent it was accumulated at the authorized depreciation rate (see Accounting and Reporting Requirements, page 3). If reserves exceed 90 days total operating expenses, the provider must submit a plan to the Department for re-investing the excess into the program. The Department will notify the provider of approval or disapproval within 30 days.

**7. Recording of Service Units**

The provider must maintain a record of all service units as required by the Department. Department of Social Service programs must complete Schedule C.

**8. Cost Allowability and Limitations**

Any questions regarding cost allowability and limitations will be governed by Title XIX of the Social Security Act unless further limited by these guidelines or the purchase of service agreement.

**9. Unallowable Costs**

Unallowable costs include, but are not limited to, the items listed below. For further clarification, please refer to the Office of Management and Budget (OMB) Circular A-122 at [http://www.whitehouse.gov/omb/circulars/a122/a122\\_2004.html](http://www.whitehouse.gov/omb/circulars/a122/a122_2004.html) or the [HCFA-15](#) (Centers for Medicare and Medicaid Services Provider Reimbursement Manual) at <http://www.cms.hhs.gov/Manuals/PBM/>.

- a. Advertising, public relations, and clothing expenses as identified by OMB A-122. Allowable costs include, but are not limited to, costs associated with the recruitment of personnel, yellow page ads, and advertising of specific services (i.e. 24-hour emergency line). Unallowable costs include, but are not limited to, promotional items, advertising and informational campaigns designed solely to promote the agency.
- b. Costs which have not been incurred by the agency, including the value of donated goods and services.
- c. Bad debt is a deduction from the applicable Service Center rather than a reimbursable expense item and should be reported in the adjustment column. Bad debt, and costs arising from uncollectible accounts and related collection costs, are unallowable.

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- d. Costs incurred solely to enhance income from investments.
  - e. Cost of securing contributions or donations.
  - f. Costs for idle facilities except when such facilities are necessary to meet caseload fluctuations.
  - g. Costs of membership to a country club, social or dining club or organization is unallowable.
  - h. Costs of fines and penalties resulting from violations of, or failure to comply with Federal, State and local laws and regulations are unallowable.
  - i. Finance, late charges and the following items of interest expense are not reimbursable:
    - 1. Funds borrowed for investment purposes;
    - 2. Funds borrowed to create working capital in excess of two months operating costs;
    - 3. Funds borrowed for the personal benefit of employees, officers, board of directors, members, or owners of the provider agency;
    - 4. Funds borrowed without a prior time-limited written agreement with the Department for the purchase of land or buildings, until such items are actively used in program activity; and,
    - 5. Interest charges made for intra-agency loans between funds are not a reimbursable expense. An agency is defined as an organizational entity with a single Federal Employer's Identification Number.
  - j. Employee morale, health and welfare:
    - 1. **Parties/picnics** – The costs associated with staff holiday parties, picnics or similar social activities are unallowable. The costs for such parties or events that staff and consumers attend together are allowable.
    - 2. **Flowers/gifts** – The cost of flowers and gifts for staff is unallowable.
    - 3. **Awards** – The cost is allowable if the item is used to recognize employee achievement or performance (productivity, safety, longevity, etc).
    - 4. **Recreational activities** – The costs of provider sponsored employee sports teams and employee organizations designed to improve company loyalty, team work, or physical fitness are allowable.
  - k. Taxes (see page 11, **a. Taxes**).
  - l. Telephone costs attributable to personal use by employees and consumers.

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- m. All costs associated with payment to registered lobbyists.
  - n. Costs associated with charity, grants, and professional discounts. Charity is defined as the donation of cash or in-kind services to other organizations and individuals external to the provider. Grants are defined as awards to organizations, programs and/or individuals external to the provider.
  - o. Meals consumed by guests and staff when staff attendance with the consumer is not programmatically mandatory. This does not prohibit this expense for live-in staff. Meals are allowable as part of required travel for staff.
  - p. Costs of selling and marketing any products or services of the organization (example: production).
  - q. Cost of car reserved only for agency director.
  - r. Costs associated with depreciation of equipment/buildings obtained with monies (i.e., grants, for example Department of Transportation) not allowing subsequent year's depreciation.

**10. Parent-Subsidiary/Related Organizations (Specify on Attachment A)**

- a. Costs applicable to services, facilities, and supplies furnished to a provider by a parent-subsidiary/related organization, shall not exceed the lower of the cost to the parent-subsidiary/related organization or the price of comparable services, facilities, or supplies purchased elsewhere, primarily in the local market. Providers must identify such parent-subsidiary/related organizations and costs in the cost report and include an appropriate statement of costs and allocations with the cost report. Umbrella or chain organizations are also considered parent-subsidiary/related organizations. Management fees will be considered administrative costs for cost reporting purposes.
- b. Home offices of parent-subsidiary/related organizations vary greatly in size, number of locations, staff, and services furnished to their member facilities. Although the home office is normally not a provider in itself, it may furnish to the individual provider central administration or other services, such as centralized accounting, purchasing, personnel, or management services. Only the home office's actual cost of providing such services may be included in the provider's allowable costs under the program. In order to be considered an allowable cost, the home office costs must be directly related to those services performed for individual providers and relate to consumer services. Documentation as to the time spent, the services provided, the hourly valuation of services, and the allocation method used, must be available to substantiate the reasonableness of the cost. Any services provided by the home office which are included in costs as payments to an outside provider, will be considered a duplication of costs and not be allowed.

- c. Rental expense for buildings and equipment that do not exceed actual cost for these items and that are necessary to provide program services to recipients, are an allowable expense.

**11. Gifts and Income from Endowments**

- a. Unrestricted gifts and income from endowments will not be deducted from operating costs in computing reimbursable cost. Gifts or endowment income designated by a donor for paying specific operating costs incurred in providing contract services will be deducted from the particular program operating cost or group of costs.
- b. The terms of the contribution may specifically state the period of time during which the funds are to be applied. When specific periods of time are not provided, restricted contributions are deemed to be used in the reporting period in which the gift is received to the extent that applicable costs are incurred after the date of the gift. Generally, the donor of a restricted contribution intends that the provider use the funds for the purpose for which they were given; therefore, the above order of application is in accord with the purposes of the gift. Restricted contributions not used in the reporting period in which they were received are carried over into the following period, or periods, and used for the designated purpose.  
Assume that a provider incurred \$10,000 cost for transportation services during a calendar year reporting period. On July 1, they received a contribution of \$10,000 which was designated by the donor to be used to provide transportation services for all consumers. Examination of the costs of these services indicates that costs of \$4,000 were incurred after July 1. Under the principles of reimbursement, allowable costs shall be computed as follows:

Total costs of transportation services for the period	\$10,000
Portion of costs incurred after date of gift (July 1)	<u>4,000</u>
Allowable costs for the reporting period	\$ 6,000

The amount of restricted contribution would be adjusted as follows:

Contribution as of July 1	\$10,000
Appropriate costs incurred subsequent to date of gift	<u>4,000</u>
Balance of restricted contribution at end of reporting period.	\$ 6,000

The balance would be applied to the costs incurred for transportation services during the subsequent reporting period(s).

**12. Taxes**

- a. Taxes assessed against the provider, in accordance with the levying enactments of several states and lower levels of government and for which the provider is liable for payment, are allowable costs.
- b. The following taxes are not allowable as costs:

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1. Federal income and excess profit taxes, including any interest or penalties paid.
  2. State or local income and excess profit taxes.
  3. Taxes in connection with financing, refinancing, or refunding operation, such as taxes in the issuance of bonds, property transfers, issuance or transfer of stocks, etc. Generally, these costs are either amortized over the life of the securities or depreciated over the life of the asset. They are not recognized as tax expense.
  4. Taxes from which exemptions are available to the provider.
  5. Special assessments on land which represent capital improvements, such as sewers, water and pavement, should be capitalized and may be depreciated.
  6. Taxes on property which is not used in the provision of covered services.
  7. Tax expense may not include fines or penalties.
  8. Self-employment taxes.

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## 2. COST REPORT: SCHEDULE A - EXPENSES

**Columns and rows highlighted in gray (on the templates) are completed by DHS/DSS staff.**

### A. HORIZONTAL AXIS: TOTAL AND ADJUSTMENT COLUMNS/SERVICE CENTERS

The horizontal axis contains the Total, Adjustments, Administration and Support and Fund Raising columns as well as the program services unique to each provider group (Developmental Disabilities, Alcohol and Drug Abuse, Mental Health, Rehabilitation Services and Department of Social Services Programs). Following is a list of definitions for the Total, Adjustments, Administration and Support, Fund Raising and Other Services columns. You can find a list of the program services for each provider group in Appendices A, B, C, D and F.

**Total** - This column represents the total expenses from the operating statement of the organization for the reporting period. The total of the expenses must reconcile to the independently audited financial statements.

**Adjustments** - This column represents additions or deletions from the total column for costs that do not represent a cost to a service center or are considered unallowable (**see list of Unallowable Costs on pages 8 and 9**). **Provide an explanation of any amounts reported in this column on the Notes to Schedule A.**

**Administration and Support** – This column represents expenditures for the overall direction of the organization, general record keeping, business management, budgeting, general board activities, and related purposes. Direct supervision of program services and of fund raising should be charged to those functions. Overall direction will usually include the salaries and expenses of the chief officer of the organization and his/her staff. If they spend a portion of their time directly supervising fund-raising or program services and activities, such salaries and expenses should be prorated among those functions.

**Fund Raising** – Expenditures normally charged to this function include costs of transmitting appeals to the public (including postage, addressing, maintenance of mailing lists and other fund drive records) and the salaries of staff members connected with fund raising for the agency, capital campaigns, foundations, etc. An appropriate portion of the salaries of regular staff members who devote time to record keeping for fund raising should be allocated to fund raising expenses.

**Other Services** - Use these columns for reporting expenditures for services other than those listed in Appendices A, B, C and D. Report expenditures associated with services not purchased by the Division of Developmental Disabilities, Division of Mental Health, Division of Alcohol and Drug Abuse, Division of Rehabilitation Services or Department of Social Services Programs.

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## B. VERTICAL AXIS - CHART OF ACCOUNTS

Costs should be allocated by direct assignment to Administration and Support or the benefiting service center based on time study or activity logging unless otherwise indicated.

### 1000 - PERSONNEL SERVICES

**1010 - Administrative:** Personnel who manage/direct the overall or specific programs of the agency, make policy decisions, provide training and do not spend more than 10% of their time providing direct service.

**Please Note:** If an individual spends more than 10% of their time providing direct service, they should be listed under 1020 – Professional/Program Staff.

Examples:

President/CEO

Executive Director

Finance Director

Business/Office Manager

**1020 - Professional/Program Staff:** Personnel who may be certified or licensed to provide services related to their profession and are necessary to provide basic program services.

Examples:

Social Worker

Counselor (CCDC, MH, DD, REHAB, etc.)

Registered Nurse

Teacher

Residential Instructors/Aids

Job Coach

Physician

Licensed Practical Nurse

Staff Development

Supported Living Instructors

**1040 - Support Staff:** Personnel who do not provide direct service to individuals served, but support the daily operations of the agency.

Examples:

Office Staff (Admin. & Support)

Adaptive Equipment Specialist

Custodial Staff (Sq. Ft. or Direct)

Nursing Secretaries

**1050 - Consumer Wages:** Wages paid to consumers for work performed in or for the facility.

Example: Wages paid for in-house janitorial work would be reported under the appropriate service center.

*Direct Assignment to Production or benefiting service center. (Example: In-house janitorial allocation based on square feet).*

**1060 - Temporary Staff:** Personnel hired for a temporary period of time. The personnel costs associated with these individuals are reported on Schedule A. The hours and wages for these individuals should not be reported on Attachment One.

Examples:

Staff hired to fill-in or cover for administration or support staff on maternity leave, FMLA, extended disability, etc.

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Staff hired for a short-term project. These staff are supplements to existing staff and do not provide direct care (i.e. staff hired to do production work along side people served in a workshop to meet production deadlines, staff hired for a grant position that is short lived and will not continue, or staff to provide summer maintenance/yard work).

Staff hired as on-call or relief direct care staff. These staff fill-in when a full-time direct care staff uses vacation or sick leave or other times as needed (i.e. additional staff needed due to illness or behavior of people served). The number of on-call staff and the hours available for them to work varies at any point in time.

Payroll accruals can be reported in the individual staffing category they relate to.

### **1100 - PERSONNEL BENEFITS AND TAXES**

**1110 - Retirement Plans:** The cost of agency contributions to employee retirement plans.

**1120 - Insurance Benefits:** The cost of items such as health, life, disability and dental insurance coverage for agency staff.

**1130 - Other Benefits:** The cost of employee benefits which are not included above. Examples include childcare, educational benefits, staff appreciation (other than wages), employee physicals, Hepatitis B and TB testing. Provide an explanation of any amounts reported in this account on the Notes to Schedule A.

**1140 - FICA Taxes:** Represents the FICA tax expense to the agency, to include Medicare amount.

**1150 - Unemployment Insurance:** The cost of State and/or Federal unemployment insurance.

**1160 - Worker's Compensation Insurance:** Represents the agency's Worker's Compensation Insurance premium.

**1170 - Professional Liability Insurance:** Represents the cost of liability insurance premiums related to coverage for actions/omissions of employees and/or board members (protection against fraudulent or dishonest acts by officers or employees).

**1190 - Other:** If the amount reported in the total column for this account equals or exceeds 5% of the agency's total expenses, the agency must attach a breakdown of expenses by type and cost on the Notes to Schedule A.

### **1200 - PROFESSIONAL FEES & CONTRACTUAL SERVICES**

Services obtained from non-agency professionals in each of the following areas.

**1210 - Administrative/Financial:** Represents the cost of financial, accounting or data processing professionals, including software support agreements. Includes the following:

**Audit Services:** Represents the cost of an independent audit of the agency. *Direct assignment to Admin. & Support*

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**Legal Services:** Represents the cost of attorney or legal services. *Direct assignment to Admin. & Support for personnel or property; otherwise direct assignment to benefiting service center*

**Advertising/Public Relations:** Represents the costs associated with allowable advertising and public relations, such as the recruitment of personnel and yellow-page ads. See page 8 (Unallowable Costs) for additional information. *Example: Fund raising to Fund Raising, advertising for a position to the benefiting service center*

**Dues/Memberships/Subs./Ref. Materials:** Represents amounts paid for membership in organizations, costs for subscriptions, and reference and resource publications purchased for use by the agency. *Example: Physician's Desk Reference Nursing Services, SDaCBS to Admin. & Support, Council of CMHC Directors to Administration*

**Registration Fees:** Represents the registration costs of conventions, conferences and meetings.

**1220 - Habilitation/Rehabilitation:** Costs associated with services obtained from non-agency professionals such as a special education teacher, certified vocational evaluator, psychologist, recreational therapist and social worker.

**1231- Other Medical:** Costs associated with services obtained from non-agency professionals for the following: Dental, Dietary, Occupational Therapy, Physical Therapy, Optometric, Pharmacy, Speech Pathology and Audiological Services.

**1237 - Physician/Nursing Services:** Costs associated with physician and nursing services obtained from non-agency professionals (including the cost of lab reports).

**1238 - Psychiatric Services:** Costs associated with psychiatric services obtained from non-agency professionals.

**1290 - Other Professional Services:** Costs for services obtained from non-agency professionals not identified in accounts 1210 through 1238. Examples include architectural or engineering services, costs incurred with outside speakers, meals, motels, fees, etc. **Please Note:** If the amount reported in the total column for this account equals or exceeds **20%** of the agency's total expenses, the agency must attach a breakdown of expenses by type and cost on the Notes to Schedule A.

## **1300 - TRAVEL/TRANSPORTATION**

**1390 - Other:** Represents the cost of mileage payments to staff, consumers (token/tickets), board members, volunteers, transportation providers and others and the cost of repairs, maintenance, insurance, lodging, meals and other travel costs. Examples include short-term rentals for automobiles, parking fees, airfare, bus or taxi fares, and mass transit. Report principal payments related to the purchase of vehicles and lease payments meeting capitalization guidelines in the 1700 series. **Please Note:** If the amount reported in the total column for this account equals or exceeds **10%** of the agency's total expenses, the agency must attach a breakdown of expenses by type and cost on the Notes to Schedule A.

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## **1400 - SUPPLIES**

- 1440 - Food:** Represents all costs associated with the purchase of consumable foods and related dietary items such as nutritional supplements. This includes the value of commodities. *Direct assignment to Food Service or benefiting service center*
- 1490 - Other:** Represents other supply costs such as office, program/instructional, medical, postage and shipping, and production. **Please Note:** If the amount reported in the total column for this account equals or exceeds **10%** of the agency's total expenses, the agency must attach a breakdown of expenses by type and cost on the Notes to Schedule A.

## **1500 - OCCUPANCY**

- 1510 - Rent of Space:** Cost of rental payments for land, buildings, office, or residential space used for the operation of the agency. *Direct assignment to benefiting service center based on square feet*
- 1520 - Utilities & Telephone:** The cost of a public service, unless the cost is included in rent. Utilities include heat, lights, water, gas, electricity, waste removal, and cable TV (*direct assignment to benefiting service center based on square feet*). Telephone includes the cost of monthly service and long-distance fees (*direct assignment to benefiting service center for monthly service per phone, long distance to benefiting service center*).
- 1590 - Other:** The cost associated with mortgage interest, insurance, taxes, buildings and grounds, maintenance and other occupancy costs. **Please Note:** If the amount reported in the total column for this account equals or exceeds **10%** of the agency's total expenses, the agency must attach a breakdown of expenses by type and cost on the Notes to Schedule A.

## **1600 - EQUIPMENT**

- 1600 - Purchase, Rental, Leases, Maintenance:** The cost of equipment acquired with a per unit cost of less than \$1,000, rental payments for equipment/vehicles used for the operation of the agency and costs associated with the repair or maintenance of agency equipment. *Note: The threshold for capitalization of equipment will be moved to \$5,000 effective SFY08.*

## **1700 - DEPRECIATION**

- 1710 - Building:** Annual cost associated with the depreciation of agency office, program or residential facilities pursuant to American Hospital Association (AHA) Guidelines. *Direct assignment to benefiting service center based on square feet.*
- 1720 - Equipment:** Item cost (if per unit cost greater than or equal to \$1,000) associated with the depreciation of agency capital equipment and furnishings pursuant to AHA Guidelines. Examples include vehicles, computers, furniture, appliances and production equipment. *Note: The threshold for capitalization of equipment will be moved to \$5,000 effective SFY08.*

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## **1800 - MISCELLANEOUS**

**1810 - Clothing:** Cost of clothing purchased for consumers of the agency. *Report in the benefiting service center*

**1860 - Bad Debt:** Cost associated with non-collectable amounts. *Direct assignment to Adjustments Column for those costs associated with Program Services. Production bad debts should be reported under Production.*

**1890 - Other:** Miscellaneous costs such as those associated with personal needs, recreation and leisure, interest on installment contracts, and interest on operating loans. **Please Note:** If the amount reported in the total column for this account equals or exceeds 20% of the agency's total expenses, the agency must attach a breakdown of expenses by type and cost on the Notes to Schedule A.

**Note:** *Total Admin. & Support costs will be allocated based on total compensation costs. The Schedule A attachment is formulated to allocate the costs automatically. Please do not alter. These cells are protected so that the formulas cannot be changed.*

**TOTAL EXPENDITURES** *will be displayed automatically. These cells are protected; the formulas cannot be changed.*

*If the amount reported for **Other** expenses (accounts 1190, 1290, 1390, 1490, 1590 and 1890) equals or exceeds the percentage of the agency's total expenses indicated in the account description, the cell will be highlighted yellow to remind the agency to attach a breakdown of expenses by type and cost.*

*If the amount reported on the "Total Personnel Services" line on Schedule A is greater than zero, the cell will be highlighted blue to remind the agency to allocate corresponding hours on Attachment One.*

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### 3. COST REPORT: SCHEDULE B – GROSS REVENUES

**Columns and rows highlighted in gray (on the templates) are completed by DHS/DSS staff.**

#### A. HORIZONTAL AXIS: TOTAL AND ADJUSTMENT COLUMNS/SERVICE CENTERS

The horizontal axis of Schedule B - Gross Revenues is comprised of the following:

**Total** - This column represents the total revenue for the reporting period from the operating statement of the organization. The total revenues must reconcile to the independently audited financial statements or the facilities trial balance.

**Adjustments** - This column represents additions or deletions from the total column. **Provide an explanation of any amounts reported in this column on the Notes to Schedule B.**

**Administration and Support** - Revenue from administration and support services.

**Fund Raising** - Revenue from fund raising activities.

**Department of Social Services Programs**-Column headings for programs entered on Schedule A of the report will automatically carryover to Schedule B. You will be required to breakdown revenue by program for each DSS program operated.

**Non - DSS Program Services** - Revenue received for services other than DHS Program Services. This includes services that do not appear in the appendices and that DHS does not participate in the cost, such as revenue received for Therapeutic Foster Care or 24/7 DUI program. **Provide an explanation of any amounts reported in this column on the Notes to Schedule B.**

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## **B. VERTICAL AXIS - CHART OF ACCOUNTS**

### **2000 - FEES**

Dollars received for services provided to consumers.

**2010 - SD Court Services:** Dollars received from South Dakota Court Services for Services.

**2020 - Title XIX:** Dollars received from DHS, Local School Districts and consumers for services provided within the scope of South Dakota's approved Title XIX State Plan/Waiver for consumers.

**2030 - Local School Districts:** Dollars received from school districts for services provided.

**2045 - SD Department of Education:** Dollars received for services provided to consumers under 21 years of age, when not participating with ICF/MR or HCBS.

**2055 - Client Pay:** Dollars received from clients as payment for services.

**2060 - Insurance:** Dollars received from insurance companies as payment for services.

**2065 - Other States:** Dollars received from other states for services provided to consumers.

**2070 - Room and Board:** Dollars received for room and board.

**2075 - Bureau of Indian Affairs:** Dollars received for services provided to Native American consumers, when not participating with ICF/MR or HCBS.

**2080 - Department of Human Services:** Dollars received from DHS contract funds.

**2085 - Department of Social Services:** Dollars received from the South Dakota Department of Social Services for services provided.

**2086 - Department of Corrections:** Dollars received from the South Dakota Department of Social Service for services provided.

**2087 - Division of Rehabilitative Services:** Dollars received from the Division of Rehabilitation Services.

**2090 - Other:** Dollars received from other sources (such as other Government Agencies/Departments) as payment for services provided to consumers.

### **2100 - GRANTS**

Dollars received from City, County, State or Federal Government or other sources when expenses relating to a specific grant are incurred. Dollars received are for a specific consumer(s), position(s) or project(s). Dollars can also be received from other sources for services provided to clients.

### **2200 - CONTRIBUTIONS**

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Dollars donated or restricted for a specific service(s); report under the appropriate service(s). Documentation supporting the restriction must be available for review by Department staff.

**2300 -- OTHER INCOME**

**2310 -- Commodities, Food Stamps, National School Lunch:** The value of commodities and food stamps received and the amount of National School Lunch revenue.

**2340 – FmHA Rent Subsidy:** The amount of subsidy from FmHA.

**2341 – Section 8 Assistance:** The amount of Section 8 Assistance.

**2350 -- Transportation:** Includes, but is not limited to, reimbursement from the Department of Social Services, Office of Adult Services and Aging.

**2360 - Production/Farm Revenue:** Revenue from production activities.

**2370 - Investment Income/Interest:** Dollars received from investing activities or interest earned.

**2390 – Other:** Dollars received from other sources for services provided to clients

**Note: Revenues shall be directly assigned to the benefiting service/program column.**

***TOTAL REVENUES will be displayed automatically. These cells are protected; the formulas cannot be changed.***

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## 4. COST REPORT: SCHEDULE C – CENSUS (DSS Only)

Providers of Service for the Department of Social Services are required to complete and submit Schedule C. Census information must be provided by program and includes a count of all days when a child is physically present at the facility, leave days based on the distinction of being paid or unpaid leave days and a column for any other types of days a facility may need to report. The facility information and program names will carry to the sheet from information provided Schedule A.

## 5. COST REPORT ATTACHMENTS

### A. ATTACHMENT ONE - STAFF

All providers shall prepare and submit Attachment One annually for all personnel for whom costs were reported in accounts 1010, 1020 and 1040 on Schedule A. *(Providers providing services for DSS only are required to complete this section for to the extent necessary to account for salary expenses report in the individual DSS programs. For example if an employee does not work directly with or have a portion of his/her salary allocated to one of the DSS programs you would not have to provide information on this employee on Attachment One.)*

**Columns highlighted in gray are completed by DHS/DSS staff.**

**Staff Credentials:** Include education beyond high school and licenses or designations held. *For Example: BBA, CCDC II, QMHP, etc.*

**Position Number:** Assign a position number to each position in the agency. The position number will remain the same regardless of how many different individuals fill the position.

*Example: Position #122 was filled by Mary Rose. Mary left the agency and Charlie Blue was hired to replace her. Charlie Blue's position number is #122.*

A position cannot be occupied by more than one person at one time with the exception of overlap in occupancy due to training. For example, if Mary Rose remained on duty for two weeks to train Charlie Blue, the position number would remain #122 for both Mary and Charlie.

Position numbers do not need to remain the same from year to year. For example, Mary Rose's position number may be #125 on the subsequent year cost report.

**Position Title:** Enter the title of each individual employee (i.e. Secretary, Residential Aid, Registered Nurse, etc.). A separate line should be used for each position.

**Staff Name:** Enter the name of each individual employee.

**Start Date:** Enter the date that the individual began employment with the agency. If the individual has been employed for more than a year, use the first day of the reporting period.

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**End Date:** Enter the date the individual terminated employment with the agency. If the individual was still employed on the last day of the reporting period, enter the end date of the reporting period.

**Total Hours Paid:** Enter the total number of hours for which the employee was paid during the reporting period.

*Note: When reporting 'on-call' hours, report only the hours actually worked while on call. For example, if the on-call person spent four hours responding to emergency calls, the four hours are reported in Total Hours Paid column and allocated to the appropriate service center. The total dollars paid are included in the Total Wages Paid column.*

**Salary:** Enter the individual's gross salary for the reporting period. Only those employees who are paid a salary would be reported in this column. Hourly employees are reported in the **Hourly** column.

**Hourly:** Enter the employee's hourly wage. Use the hourly wage earned at the end of the reporting period.

**Bonus:** Enter bonuses paid. This includes bonuses, incentive payments, balloon/one-time payments, profit sharing, etc.

**Total Wages Paid:** Enter the total wages paid to the employee for hours worked during the reporting period. Do not include amounts reported in the **Bonus** column in the **Total Wages Paid** column.

**# of Hours:** Enter the number of hours the employee worked in each service center. The total of these columns will equal the amount in the **Total Hours Paid** and the **Total Hours** columns.

**Total Hours:** The sum of the hours reported in the **# of Hours** columns will be calculated automatically. This will equal the hours reported in the **Total Hours Paid** column.

***If total hours paid under a specific service center on Attachment One are greater than zero, the cell will be highlighted blue to remind the agency to allocate corresponding expenses on Schedule A.***

## **B. NOTES TO SCHEDULE A**

Use this attachment to describe line item expenses.

- a. Adjustment column items
- b. Reconciliation between Audited (*if you are currently required to provide an audit*) Financial Statement and Schedule A
- c. Breakdown of expenses by type and amount for those accounts exceeding the percentage limit
- d. Any other notes you may want to provide

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## C. NOTES TO SCHEDULE B

Use this attachment to describe line item revenues.

- a. Adjustment column items
- b. Reconciliation between Audited (*if you are currently required to provide an audit*) Financial Statement and Schedule B
- c. Breakdown of revenue by type and amount for other accounts (2090 and 2390)
- d. Any other notes you may want to provide

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