



North Carolina Department of Health and Human Services  
Office of the Controller

2019 Mail Service Center • Raleigh, North Carolina 27699-2019  
Tel: (919) 855-3700 • Fax: (919) 733-2604

Beverly Eaves Perdue, Governor  
Albert A. Delia, Acting Secretary

Laketha M. Miller, Controller

December 3, 2012

**TO:** County DSS Directors

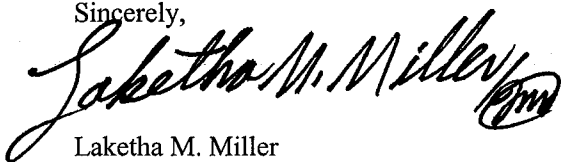
**SUBJECT:** County Reorganizations Impacting the County DSS

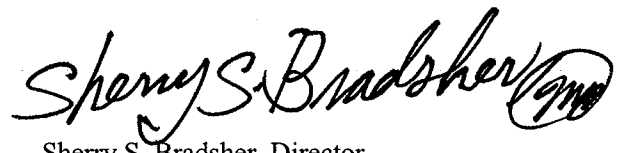
With the passing of House Bill 438, counties have the option to change the composition and manner of selection of boards, commissions and agencies, and may generally organize and reorganize the county government in order to promote orderly and efficient administration of county affairs. The DHHS Office of the Controller in conjunction with the Division of Social Services would like to provide items for consideration from a fiscal and reporting perspective as it relates to reporting expenditure data in the County Administration Reimbursement System (CARS).

Currently, counties report their administrative and service costs based on a statewide federally approved cost allocation plan. Guidelines governing this plan and the reporting of costs are detailed in OMB Circular A-87. This plan assures that federal awards pay their portion of costs and establishes principles for determining allowable costs. It also outlines guidelines for developing required county-wide central supporting services cost allocation plan (indirect cost plan). For these reasons, it is important that changes in the structure of social services areas are examined to assure that OMB Circular A-87 guidelines are being followed.

Attached you will find a list of questions and considerations that is intended to aid you in discussions of your merger efforts and move you in the direction of developing a service delivery system that best meets local needs. We hope you find these helpful. If you decide to explore this further and need additional information, we would urge you to contact your DSS Local Business Liaison and arrange a conversation to discuss potential fiscal implications. Since some of these merger efforts may have significant financial impacts, we urge you to proceed deliberately and plan accordingly.

Sincerely,

  
Laketha M. Miller

  
Sherry S. Bradsher, Director  
Division of Social Services

Attachment (1)

cc: County Finance Officers  
County Managers  
Jim Slate

Kathy Sommese  
Jack Chappell  
Curtis Crouch

DSS Local Business Liaisons  
Debbie Hawkins  
Myra Dixon



Location: 1050 Umstead Drive • Raleigh NC 27603  
An Equal Opportunity / Affirmative Action Employer

## Considerations for Developing and Reporting County Reorganizations

*Some examples of possible reorganization scenarios are listed below: This is not intended to be an all inclusive list.*

- Combining departments within the county-(DSS and Health, DSS and Aging, DSS and Veterans Affairs, etc.)
- Consolidating two or more county agencies across county lines-(county agencies completely merge. One county agency no longer exists)
- Consolidating like functions between two or more county agencies-(Regional model-e.g.-child welfare services from multiple counties combine into one)
- Sharing staff between agencies whose duties will encompass both agencies (Director, clerical staff, HR staff, etc.)

*When contemplating any reorganization efforts, the following questions should be addressed:*

1. Where will newly acquired staff be housed? Social services space, shared space or off site? Knowing this information will assist in determining whether staff should have overhead costs allocated to their positions. This will also affect how staff should be reported on the DSS 1571. There may also be a need to review and change the indirect cost plan.
2. Who will supervise newly acquired staff? How will FTE and salary/benefits of that person be cost allocated? All staff located in or supervised by the local social services, whose duties support the funding sources and/or programs of the departments shall be reported. If newly acquired staff is supervised by any DSS staff, this would affect how that supervisor's time should be reported. A supervisor may be required to keep a timesheet or some other method to differentiate how much time is spent supervising staff who work in social services versus staff who work in non-social services areas.
3. How are overhead costs handled, e.g. supplies, utilities, building costs, equipment, vehicles? Where space is shared with other agencies, the costs must be allocated on the basis of a reasonable pro rata share for all services; that is, on the basis of the amount of space occupied by social services in relation to the total building space. Counties should develop some methodology for segregating shared costs between merged entities so that only the social services portion of these costs are reported on the DSS 1571. This will prevent duplication of costs or unassociated non-social services costs reported.
4. How are county indirect cost plans affected and is there a need for revisions? Which costs are currently claimed through the indirect cost plan versus being directly reported on the DSS 1571? Counties must ensure that items included as indirect costs are not also charged directly to any service.
5. Are budgets of merged entities combined into one? From which budget are employees being reimbursed? This will affect what should be reported on the DSS 1571. If budgets are merged and costs are combined into one budget, all costs could potentially be reported

## **Considerations for Developing and Reporting County Reorganizations**

on the DSS 1571 as either reimbursable (funding administered through DSS) or non-reimbursable (funding from non social services programs)

6. How are shared costs and reimbursements tracked between merged entities, e.g. contracts or more informal agreements? If merged entities share costs, is there are mechanism in place to assure accurate calculations and billing for cost?
7. Counties should develop a mechanism for tracking revenues that are not reimbursed through the DSS 1571. How will these revenues be tracked, e.g. HCCBG, WIC?
8. Federal Regulations, General Statutes, Commission Rules and other licensing or billing/provider requirements must be met regardless of the organizational structure. Are there legal or audit considerations related to merging services?