



DAVID M. GRIFFITH & ASSOCIATES, LTD.
Professional Services for the Public Sector
1621 Metropolitan Boulevard, Suite 201
Tallahassee, Florida 32308
904-386-1101 Fax: 904-386-3599

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February 15, 1996

VIA PRIORITY FEDEX

Mr. Walter Gossett
County Coordinator
Nassau County
416 Center Street
Fernandina Beach, Florida 32034

Dear Mr. Gossett:

David M. Griffith & Associates, Ltd. (DMG), on behalf of the Florida Counties Foundation and in conjunction with the Small Counties Technical Assistance Program (SCTAS), is pleased to submit this letter of agreement to assist Nassau County in the preparation of a Full Cost Allocation Plan.

Our response is based upon the following:

- ✓ **Discussions with key County officials;**
- ✓ **Our knowledge gained from conducting over 35 Cost Allocation Plans annually in the State of Florida; and,**
- ✓ **Our unparalleled expertise in the area of cost allocation and service cost evaluations gained from our twelve years experience in the State of Florida.**

In 1994, the Florida Counties Foundation issued a Request for Proposal on a national basis to solicit proposals from professional consulting firms to provide technical assistance to the Foundation membership in the areas of Cost Allocation. As a result of that competitive process, DMG was selected as the most qualified firm to provide those services. Because the Florida Counties Foundation serves as the technical service provider for the Florida Association of Counties, their mission is to assist counties in areas requiring specific expertise. Nassau County, as a member of the Florida Association of Counties, has the opportunity to avail itself of the services provided through the Foundation. Also, because the Foundation has obtained our services through a competitive process, the County can contract with the Foundation thus avoiding the administrative burden of conducting your own competitive bidding process.

As a result of our proposal to the Foundation, DMG has also offered discounted rates for our services to the Foundations membership. The price quoted in this Letter of Agreement reflects those discounted rates.

As of January 1, 1995, the Foundation is also in the position to offer the counties assistance in conducting Direct Service Cost Evaluation for all county services. This level of service allows DMG to assist the County in any analysis of cost regarding any service delivered by the County. This may prove beneficial to the County as you begin your budget process.



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The Work Plan that accompanies this Letter of Agreement has been tailored to the needs of the County. It involves key County departments, draws from data used by the County in current operations, and provides County personnel with information to manage current and future activities. The Work Plan will provide assistance to the County as follows:

- ❖ **Assure that full costs of General Fund-supported administrative overhead to non-General Fund activities are identified;**
- ❖ **Guarantees that federal grants are charged the full amount of actual overhead cost utilized, as allowed by OMB Circular A-87 and,**
- ❖ **Evaluates the level of IV-D collection effort.**

DMG proposes to prepare the above plans for a **not-to-exceed fee of \$7,000**. As agreed, SCTAS will reimburse the County for 50% of our fee. ***Therefore the net cost to the County will be \$3,500.*** We could begin this study within fifteen (15) days of Notice-to-Proceed. These Plans can be completed within sixty (60) days of project initiation.

We welcome the opportunity to be of service to Nassau County on this very important project and look forward to meeting with County officials to discuss this letter and respond to any questions.

Sincerely,

Robert E. Sheets
Vice President

RES/rea
Enclosure

xc: Vivian Zaricki - Florida Counties Foundation

ACCEPTANCE:

On behalf of Nassau County, the undersigned hereby agrees to the contents of this letter.

Jim B. Higginbotham, Chairman

Approved as to form:

Mike Mullin, Co. Attorney

2-26-96

Date

Attested To:

T.J. Greeson, Clerk of Court

NASSAU COUNTY COST ALLOCATION PLAN

Work Plan

This work plan is concerned with those tasks necessary to develop data needed for the two cost allocation plans and come to successful completion of each plan. It should be noted that each task is not necessarily a critical step in the process of completing the project. For example, the development of allocation base data (Task #9) will be conducted throughout the project as data reports are received, and interviews with County staff (Task #7) will be held throughout the period of on-site work, depending on the availability of appropriate County staff.

- Task 1. Prepare Schedule of Required Financial/Statistical Data.** Due to our experience in preparing cost plans for counties of similar size and structure, the DMG project team is familiar with pertinent financial/statistical reports maintained by the County and the nature of productivity/workload distribution data recorded by its administrative support units. Before beginning on-site work, a schedule of these reports will be prepared and presented to the appropriate County personnel to initiate the collection of data required for the project.
- Task 2. Review Data for Changes in Account Code/Organization Structure.** Budget documents, organizational charts and year-end financial reports will be reviewed to determine what organizational changes may have been implemented during FY 1994-95. Such changes may indicate changes in the structure and format of cost centers reflected in cost plan detail. This task includes preparation of a schedule of all cost center codes under which expenditures were recorded and careful comparison to previous years' schedules. During this initial review of expenditure data, certain critical data such as salary expense per index will also be recorded.
- Task 3. Review the County's Inventory of Federal/State Grant Programs.** Review of financial reports and discussions with appropriate County staff will be conducted to determine the structure of cost centers needed in the A-87 Plan to best suit the grants management needs of the County.
- Task 4. Meet with County Staff to Confirm Organizational Changes and Cost Center Classifications.** Based upon the result of Task 2, the Project Manager will meet with appropriate County staff to confirm any evident changes, determine their impact on the plan structure, and discuss any other changes in plan structure that may better serve the present and future needs of County management.
- Task 5. Analyze/Record ISF Direct Costs and Direct Billings.** An accurate presentation of residual costs associated with the operations of the County's ISF units is the single most critical issue in the preparation of the Plan. The level of detail contained in the County's statistical reports of direct billings per cost center and the required care in preparing this information make this task critical in preparing the Full Cost Plan.

NASSAU COUNTY COST ALLOCATION PLAN

- Task 6. Establish and Classify Plan Cost Centers.** The level of detail within the County's code structure required for cost centers to be reflected in the plans will be determined. Each cost center will be classified either as a "central service" (source of indirect costs) or "receiving" (receiver of indirect costs) department for plan purposes. From these determinations, the basic structure of the plans will be developed using the New Griffith Cost System II (NGCSII) software.
- Task 7. Interview Central Service Staff.** Interviews with managers of appropriate County staff will be scheduled and held to carefully determine what variety of distinct administrative functions may exist within a single administrative cost center. The best rationale for distributing the administrative unit's costs across those internal functions and the best available statistical indicator to be used for allocating each functions costs to user cost centers will also be identified.
- Task 8. Record Administrative Costs.** Budgeted costs of each administrative cost center for the year ended September 30, 1995, will be recorded and distributed by functional activity using NGCSII.
- Task 9. Develop Allocation Base Data.** This task of the project involves the analysis of a diverse variety of statistical reports and other information collected as the best available indicators of relative levels administrative support provided by administrative units to their respective users. Depending upon the level of cost center detail reflected in these reports, allocation base data will be summarized or extrapolated to correlate with the level of detail upon which the plans will be structured. Follow-up discussions with appropriate County staff may be necessary to complete this task.
- Task 10. Review Administrative Cost Centers for Costs Recovered by Direct Billings, Budget Transfers, etc.** Occurrences of reimbursements to administrative units directly or to the General Fund which may not be readily apparent from financial records reviewed will be determined. These costs will be examined and appropriate adjustments of allocable cost will be made.
- Task 11. Supervise and Verify Data Entry.** The Project Manager will be responsible for supervising and verifying the accuracy and completeness of data entered into NGCSII. Advanced data editing and verification capabilities are major enhancements incorporated into the current DMG software.
- Task 12. Review First Drafts of Full-Cost Plan.** The Project Manager will carefully review the summary and detail schedules produced in the Full-Cost Plan for accuracy and clarity of presentation. This analysis will be presented in worksheet form to appropriate County staff to assist their review of the first drafts.

NASSAU COUNTY COST ALLOCATION PLAN

- Task 13. Present First Drafts and Workpapers to the County.** The desired number of copies of the first drafts of Full-Cost Plan will be presented to the County along with the comparative analysis described above and a written report explaining any significant changes reflected in the first draft. Any material weaknesses in the plan which might be remedied by improved cost or allocation base data will also be highlighted in this report. This task also includes time devoted to receiving and responding to questions and comments received from County staff during their review of the draft plans. During this period of review, all workpapers used in the preparation of the plan will be available to County staff upon request.
- Task 14. Revise Plan to Final Form and Present to County.** Following completion of the County's review of the draft plans and receipt of any requests for changes, plan data will be revised and the desired number of copies of each plan will be presented to the County.

Benefits of DMG's Approach

We believe that on a national basis our firm has the most experience in the field of cost allocation and that experience offers the following advantages to the County for this project.

- ☒ **Knowledge of OMB Circular A-87.** We are extremely familiar with the requirements of OMB A-87 and stay abreast of all pertinent developments.
- ☒ **Negotiations.** We routinely work with federal negotiators. We assume all responsibility for negotiations and seek to secure the fairest possible negotiation agreement. This is evidenced by our frequent deferral of fees until we have secured a negotiation agreement.
- ☒ **State and Local Government Experience in Cost Allocation.** We work with 20 states or territories as well as approximately 1,000 local governments and agencies. This includes the preparation of cost allocation plans, departmental indirect cost rates, direct billing rates, audit defense and fiscal planning. No other firm can demonstrate this level of current and relevant experience.
- ☒ **Guarantees.** We guarantee to defend the plan against audit for a three-year period.