From:	Jennifer Ferrer-Santa Ines
To:	Crouch, Olivia (SAO)
Cc:	Young, Joshua (SAO); Hylton, Scott (SAO); Strand, Ann (SAO); Baylor, Kristina (SAO); Tellers, Stacie (SAO); ards@sao.wa.gov; Wolf, Andrew (SAO); Cowgill, Christie (SAO); Pagio, Kayley (SAO); Vandenburg, Vivian (SAO); Fenton, Crystal (SAO)
Subject:	RE: [External!] Response to Client Helpdesk Request 94152
Date:	Thursday, October 5, 2023 3:01:42 PM

External Email

Hello Olivia,

Thank you for the response below. So after a true-up this year, can we update the policy and transition to using historical cost for 2024? If so, I will work on revising the process.

Does SAO want a copy of the new policy for review and approval?

-Jennifer

From: CROUCHO@sao.wa.gov <CROUCHO@sao.wa.gov>
Sent: Thursday, October 5, 2023 11:27 AM
To: Jennifer Ferrer-Santa Ines <jferrer-santaines@marysvillewa.gov>
Cc: croucho@sao.wa.gov; youngj@sao.wa.gov; hyltons@sao.wa.gov; stranda@sao.wa.gov; baylork@sao.wa.gov; tellerss@sao.wa.gov; croucho@sao.wa.gov; ards@sao.wa.gov; andrew.wolf@sao.wa.gov; cowgillc@sao.wa.gov; pagiok@sao.wa.gov; vivian.vandenburg@sao.wa.gov; fentonc@sao.wa.gov
Subject: [External!] Response to Client Helpdesk Request 94152

> You don't often get email from croucho@sao.wa.gov. Learn why this is important

[CAUTION:] This email originated from outside the City of Marysville. **Do not click links or open attachments** unless you recognize the sender and know the content is safe. Contact helpdesk if you have any concerns or questions.

Your request # 94152 for Marysville, City of has been resolved.

Your question was:
Can the City transition to using prior year audited actuals (expenditures) and an appropriate allocation base to allocate overhead costs?

The background information you provided was:
The City currently uses current budgeted expenditures and completes a true-up at year-end for overhead cost allocations. This has become time consuming at a time when Staff should be focused on year-end.

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Our response is as follows:
Hello,

The goal of cost allocation is to distribute costs to equitably the relevant funds and departments. RCW 43.09.210 indicates that when one fund is charging another, the fund being charged may only pay for the actual costs of the services it receives.

If using budgeted or estimated figures for the initial allocation, then they should be adjusted to reflect actual costs at year end (which sounds like what you are currently doing), or the adjustments should be incorporated into the subsequent year's allocation.

If historical costs are used for the basis of the cost allocation, then a year end reconciliation may not be necessary if the prior year costs are applied consistently and equitably.

Whichever method you choose, the cost allocation plan should be in writing and must be reviewed and updated annually.

I also recommend taking a look at BARS Section 3.9.5 Overhead Cost Allocation (https://sao.wa.gov/bars-annual-filing/bars-gaap-manual/accounting/interfund-activities/overhead-cost-allocation).

Please let me know if you have any additional questions!
Olivia

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If you have additional follow-up questions, please reference this request number when you contact us again. A copy of this response is provided to your audit team to ensure that we are consistent and efficient when working with you.

Sincerely,
OLIVIA Crouch

Disclaimer: Answers are informational only and are based on the specific circumstances presented. As laws and circumstances change, or additional facts are presented, the answer is subject to change. The information provided by the Washington State Auditor's client helpdesk is not a legal or a binding opinion.

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